

CARIBBEAN DEVELOPMENT BANK

TWO HUNDRED AND FORTY-SEVENTH MEETING OF THE BOARD OF DIRECTORS

TO BE HELD IN BARBADOS

JULY 18, 2011

PAPER BD 61/11

COUNTRY STRATEGY PAPER 2011-15
BELIZE

The attached Country Strategy Paper outlines the proposed assistance strategy of the Caribbean Development Bank (CDB) for Belize over the period 2011-15. Staff assessment of the development challenges confronting Belize were informed by a review of the country's Medium-term Development Strategy, the National Poverty Elimination Strategy and Action Plan, a number of other sector plans and strategies, discussions with various stakeholders including Government officials, selected private sector bodies, Non-governmental Organisations and the country's other development partners.

2. Given the need to enhance growth as an anchor for poverty reduction, it is proposed that the Bank assists Belize to strengthen the environment and the institutional framework for sustainable growth. Hence, the proposed interventions are designed to contribute to the following outcomes:

- (a) maintenance of a stable macroeconomic environment;
- (b) improved public financial management; and
- (c) enhanced environment for output growth.

3. Recognising that growth by itself may not be sufficient to reduce poverty, it is proposed that the Bank assist Belize to close the growth-poverty gap by improving the opportunities for persons to escape poverty, increase inclusivity and reduce vulnerability. Thus, other interventions proposed are designed to contribute to the following additional outcomes:

- (a) improved quality and access to education and training;
- (b) enhanced social and community development; and
- (c) improved environmental sustainability.

4. Among the specific interventions, CDB proposes a second Policy-Based Loan to help Belize maintain a stable macroeconomic environment. This will provide financing in the face of risks related to the volatility of Government earnings and grant receipts, as well as expenditure pressures stemming from the stepped-up interest payments on the "super-bond". There is also the need to maintain critical social expenditure and undertake other expenditure necessary to reduce poverty and address crime and security. The overall proposed lending programme amounts to a total value of one hundred and seventy-two point eight million United States dollars (USD172.8 mn), excluding ongoing projects, during the period 2011-15

5. The Board is asked to approve CDB's Strategy for Belize for 2011-15



CARIBBEAN DEVELOPMENT BANK

**COUNTRY STRATEGY PAPER, 2011-15
BELIZE**

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Considered at the Two Hundred and Forty-Seventh Meeting
of the Board of Directors on July 18, 2011.

Director, Economics Department

Dr. Denny Lewis-Bynoe

Chief Economist, CAI, (Ag)

Mr. Carl Howell

Economist

Mr. Kent Vital

JULY 2011

Team Members: K. Vital, Economist (Team Leader); T. Jones, Investment Officer; I. Denny, Operations Officer (Education); L. St. Ville, Operations Officer (Agriculture); Y. Yaw, Operations Officer (SSD); M. Thomas, Operations Officer (Social Analyst); J. Mapp-Jobity, Operations Officer (Governance and Technical Assistance); K. Small, Operations Officer (Gender); G. McCarvell, Operations Officer (Engineer); C. Dixon, Operations Officer (Environment); Y. Chakalall, (Disaster Risk Management Specialist); D. Padmore (Co-ordinating Secretary)

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CURRENCY EQUIVALENT

Dollars (\$) throughout refer to Belize dollars (BZD) unless otherwise stated.

BZD1.00 = USD0.50

USD1.00 = BZD2.00

ABBREVIATIONS

ARPP	-	Annual Review of Portfolio Performance
BEL	-	Belize Electricity Limited
BELTRAIDE	-	Belize Trade and Investment Development Services
BMCs	-	Borrowing Member Countries
BNTF	-	Basic Needs Trust Fund
BOD	-	Board of Directors
BRDP	-	Belize Rural Development Programme
BSIF	-	Belize Social Investment Fund
BTL	-	Belize Telemedia Company Limited
BWSL	-	Belize Water Services Limited
CABEI	-	Central American Bank for Economic Integration
CAPRA	-	Central American Probabilistic Risk Assessment
CBB	-	Central Bank of Belize
CCT	-	Conditional Cash Transfers
CDB	-	Caribbean Development Bank
CEDAW	-	Convention for the Elimination of All Forms of Discrimination Against Women
CG	-	Central Government
CPA	-	Country Poverty Assessment
CSP	-	Country Strategy Paper
DFC	-	Development Finance Corporation
DRM	-	Disaster Risk Management
EU	-	European Union
FDI	-	Foreign Direct Investment
GDP	-	Gross Domestic Product
GEF	-	Global Environmental Facility
GII	-	Gender Inequality Index
GNI	-	Gross National Income
GOBZ	-	Government of Belize
HDI	-	Human Development Index
HDR	-	Human Development Report
HIV/AIDS	-	Human Immuno Virus/Acquired Immune Deficiency Syndrome
HRD	-	Human Resource Development
ICTs	-	Information and Communication Technologies
IDB	-	Inter-American Development Bank
IMF	-	International Monetary Fund
km ²	-	square kilometers
LAC	-	Latin American and Caribbean
MDGs	-	Millennium Development Goals
mn	-	million
MoED	-	Ministry of Economic Development
MoF	-	Ministry of Finance
MoHD	-	Ministry of Human Development

MTDS	-	Medium-term Development Strategy
NGOs	-	Non-governmental Organisations
NGP	-	National Gender Policy
NIR	-	Net International Reserves
NPESAP	-	National Poverty Elimination Strategy and Action Plan
NSS	-	National Security Strategy
OFID	-	OPEC Fund for International Development
OPEC	-	Organisation of Petroleum Exporting Countries
%	-	per cent
p.a.	-	per annum
PBL	-	Policy-Based Loan
PCRs	-	Project Completion Reports
PEFA	-	Public Expenditure and Financial Accountability
PFM	-	Public Financial Management
PPI	-	Portfolio Performance Indicator
PPP	-	Purchasing Power Parity
PPES	-	Project Performance Evaluation System
PSIP	-	Public Sector Investment Programme
PSRs	-	Project Supervision Reports
PRS	-	Poverty Reduction Strategy
SFA	-	Special Framework of Assistance
TA	-	Technical Assistance
UN	-	United Nations
UNDP	-	United Nations Development Programme
USA	-	United States of America
USD	-	United States dollars
WB	-	World Bank

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FIGURE

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COUNTRY DATA: BELIZE

	2006	2007	2008	2009	2010
PER CAPITA GDP (current market prices; \$)	8,093	8,197	8,437	7,134	...
GROSS DOMESTIC PRODUCT (GDP)					
GDP at Current Market Prices (\$mn)	2,426.2	2,553.5	2,717.4	2,376.9	...
Demand Components:					
Consumption Expenditure	1,945.2	2,095.5	2,189.2	...	...
Gross Domestic Investment	493.7	504.1	744.5	...	...
Exports of goods and non-factor services	1,488.5	1,529.0	1,687.1	...	...
Imports of goods and non-factors ervices	1,501.2	1,575.1	1,903.4	...	...
Gross domestic savings ratio (%)	19.8	17.9	19.4	...	...
Sectoral distribution of current GDP (%)					
Agriculture	14.5	12.3	12.2	...	...
Mining & Quarrying	0.5	0.5	0.5	...	...
Manufacturing	12.0	13.1	14.3	...	...
Utilities	4.0	3.8	2.6	...	...
Construction	4.0	4.0	5.2	...	...
Transport & Communication	12.0	13.0	12.0	...	...
Hotels & Restaurants	5.0	5.3	5.0	...	...
Wholesale & Retail Trade	16.5	16.9	17.0	...	...
Financial & Business Services	17.0	17.0	17.0	...	...
Government Services	11.5	11.6	11.7	...	...
Other Services	8.0	7.5	7.5	...	...
Less Imputed Service Charge	5.0	5.0	5.0	...	...
GDP at Current Factor Cost (\$mn)	2,101.9	2,208.1	2,363.9	...	...
GDP at constant 2000 Prices (\$mn)	1,955.4	1,949.4	2,034.8	2,061.1	2,112.6
Annual rate of growth in GDP (%)	4.0	(0.3)	4.4	1.3	2.5
MONEY AND PRICES (\$ mn)					
Consumer prices (av. annual % change)	4.2	2.3	6.4	(1.1)	0.9
Money supply (M1; annual % change)	20.0	12.3	0.3	1.0	(0.8)
Total domestic credit(net)	1,565.9	1,790.6	1,932.4	2,002.3	1,950.8
Private sector (net)	1,354.5	1,563.3	1,728.4	1,799.5	1,757.6
Public sector (net)	211.4	227.3	204.0	202.8	193.2
Estimated Tourism Expenditure (USD mn)	254.7	283.6	272.6	251.7	260.0
CENTRAL GOVERNMENT FINANCES (\$ mn)					
Current Revenues	566.0	651.5	729.4	653.9	735.7
Current Grants	0.0	0.0	0.0	0.0	0.0
Current Expenditures	550.8	636.1	617.9	661.8	676.7
Current Account Surplus/ (Deficit)	15.2	15.4	111.5	(7.9)	59.0
Capital Revenue and Grants	35.3	114.2	71.3	44.9	24.2
Capital Expenditure and Net Lending	97.7	160.4	141.6	113.3	126.1
Overall Surplus/ (Deficit)	(47.2)	(30.8)	41.2	(76.3)	(42.9)
BALANCE OF PAYMENTS (USD mn)					
Merchandise Exports (f.o.b)	427.2	425.6	480.2	383.9	475.8
Merchandise Imports (c.i.f)	612.0	642.0	788.3	620.5	649.8
Trade balance	(184.8)	(216.4)	(308.1)	(236.6)	(174.0)
Net Balance on services account	210.8	230.0	216.9	182.7	200.1
Income (net)	(125.3)	(159.0)	(165.2)	(108.3)	(158.5)
Transfers (net)	74.0	93.4	111.6	79.4	91.8
Current Account Balance	(25.3)	(52.0)	(144.8)	(82.8)	(40.6)
Capital and Financial Account	83.3	114.0	215.9	135.6	33.0
Net errors and omissions	(8.1)	(39.0)	(13.2)	(5.5)	11.9
Overall Balance	49.9	23.0	57.9	47.3	4.3
Change in Reserves () = Increase	(49.9)	(23.0)	(57.9)	(47.3)	(4.3)
TOTAL PUBLIC DEBT (USD mn)					
Total public debt	1,125.4	1,133.7	1,124.2	1,175.8	1,193.1
Domestic debt outstanding	139.9	161.0	166.4	160.1	183.9
Long term	...	...	...	...	...
Short term	...	...	...	...	...
External debt outstanding	985.5	972.7	957.8	1015.7	1009.2
Debt Service	120.2	115.1	85.2	71.1	66.2
Amortisation	60.7	60.2	44.3	34.8	27.1
Interest Payments	59.5	54.9	40.9	36.3	39.1
External debt service as % of exports of goods and services	15.2	14.0	9.8	9.8	7.9
Total debt service as % of current revenue	29.0	25.0	29.7	18.7	...
AVERAGE EXCHANGE RATE					
Dollar(s) per US dollar	2.00	2.00	2.00	2.00	2.00

Data for 2010 are provisional.

COUNTRY DATA: BELIZE

	2006	2007	2008	2009	2010
POPULATION					
Mid-Year Population ('000)	299.8	311.5	322.1	333.2	303.4
Population Growth Rate (%)	2.7	3.9	3.4	3.4	(8.9)
Crude Birth Rate	...	...	...	...	...
Crude Death Rate	...	...	...	...	...
Infant Mortality Rate	...	...	...	...	...
EDUCATION					
School Enrollment (No.)					
Primary	64,405	...	66,735.0	...	...
Secondary	16,696	...	17,615.0	...	...
Pupil-Teacher Ratio					
Primary	22.8	...	23.0	...	...
Secondary	14.3	...	14.0	...	...
LABOUR FORCE					
Unemployment Rate (%)	9.4	8.5	...	...	...
Male	...	...	...	...	...
Female	15.0	...	...	...	...
Participation Rate (%)	57.6	59.2	...	...	...
Male	...	...	...	...	...
Female	...	...	...	...	...

COUNTRY DATA: BELIZE

	1970	1980	1990	2000	2008
INDICATORS OF HUMAN DEVELOPMENT					
HEALTH AND EDUCATION					
Life Expectancy at Birth (years)	67.6	71.4	71.4	73.8	...
Male	66.9	70.4	70.4	72.6	...
Female	68.3	72.6	72.6	75.3	...
Dependency Ratio	1.17	1.03	1.03	0.93	...
Male	1.19	1.01	1.01	0.92	...
Female	1.15	1.05	1.05	0.93	...
Human Development Index	...	0.707	0.707	0.747	...
HOUSING AND ENVIRONMENT					
Households with piped water (%)	19.3	45.7	45.7	49.2	...
Households with access to flush toilets (%)	14.1	21.1	21.1	34.8	...
Households with electricity (%)	...	59.4	59.4	67.2	...

Environmental strategy or action plan (year prepared): 2003

Source(s): Central Bank of Belize.

... not available

Data as at June 14, 2011

EXECUTIVE SUMMARY

1. This Country Strategy Paper (CSP) sets out the pillars of support to Belize over the period 2011-15. The CSP is informed by several realities. First, though the macroeconomic fundamentals are improving, there are macro-fiscal risks that must be carefully managed in an effort to support economic and social stability. Within this context, the strategy will build on the previous strategy which was partly geared to stabilising the economy, strengthening institutions and improving policy frameworks. Second, while past growth has been commendable, it did not translate into commensurate social gains. Greater development effort will be required to attack poverty through several fronts, these include: addressing significant needs in education; supporting strategies to reduce crime and enhance security, as well as support for sustainable livelihood projects in agriculture and tourism.

Trends in Economic Performance

2. Growth in Real Gross Domestic Product (GDP), at basic prices, averaged 4 per cent (%) annually in Belize between 2002 and 2009. Growth slowed during the latter part of the period with a 1.7% annual increase between 2007 and 2009, compared with growth of 5.4% annually over the previous years. Slower growth during the latter period was due to declines in agriculture and fishing, as well as the impact of the global economic crisis, which impacted tourism strongly. Real GDP grew by an estimated 2.9% during 2010. This growth was fuelled by the expansion in the generation of electricity, higher output of tourism services and government services, and increased wholesale and retail trade. Output of electricity grew by 19.7% as new domestic generation capacity was commissioned. Some rebound in stay-over tourism activity has been registered during 2010, reflected by a 2.2% increase in stay-over arrivals.

3. Given current macroeconomic policies, output growth is projected to amount to 2.5% in 2011 and to average within one percentage point above that level over the three subsequent years. Growth over the medium term is anticipated to be driven by strong increases in agricultural output, continued increases in the production of electricity and moderate growth in tourism activity. Further, oil production is expected to remain stable or to increase. With the continued pursuit of sustainable fiscal targets, the overall deficit on Central Government's (CG's) operations is projected to average about 1.9% of GDP. CG's debt is thus projected to decline moderately over the medium term from about 80.2% of GDP, at the end of 2010, to 74% at the end of 2014. External debt accounted for approximately 83.7% of total CG's debt at the end of 2010. If Real GDP growth averages between 2 and 3% annually (led by foreign exchange earning sectors), and the overall fiscal deficit remains around 2.5% and is accompanied by an appropriate monetary stance, the level of international reserves is expected to remain adequate over the next three years. Appendix 1 shows selected economic and financial sector indicators for the period 2001-15.

Development Challenges

4. The overriding challenge for Belize, over the medium to long term, will be to accelerate national income growth and improve income distribution to significantly reduce poverty and improve social conditions. A stable macroeconomic environment will be a necessary foundation for growth. The main emphasis of Caribbean Development Bank's (CDB) previous strategy was to help Belize deal with the most critical challenge it was facing at the time, which was the correction of fiscal and external imbalances. In that regard, CDB provided assistance through a USD25 mn Policy-Based Loan (PBL) to help Belize avoid disorderly macroeconomic adjustment. It would be important to build on the success of this PBL to help Belize entrench the gains it has made and support the continued improvement in Public Financial Management (PFM). In that regard, the Government of Belize (GOBZ) will need to closely monitor the evolution of fiscal and debt operations and take necessary actions, on a timely basis, to avert future difficulties. Further, improved economic planning and budget execution will be critical to

(ii)

improving the prospects for output growth. This will include shifting towards programme budgeting, and as a priority, strengthening human resource capacity within the Ministry of Finance (MoF) and the Ministry of Economic Development (MoED). Moreover, there is need to foster an appropriate investment climate. In that regard, GOBZ would need to, *inter alia*,: (i) foster an appropriate environment to promote private sector growth; (ii) address infrastructure needs; and (iii) implement appropriate measures to support the development of key sectors, including agriculture and tourism. With respect to social sector development, it will be necessary, among other strategies, to: (i) address crime and security issues; (ii) improve the quality of human resources; and (iii) pay due attention to social cohesion, including addressing the needs of the poor and under-privileged groups.

5. Addressing the deficiencies in education is an important strategy to improve long-term national income growth prospects, address societal ills that threaten citizens' security, and improve life chances for persons to escape poverty. However, the challenges in the education sector are significant, particularly in relation to the low participation rates at all levels. The strong correlation between gender inequality, poverty and economic development will continue to present challenges to the effective engagement of human capacity and the potential for economic growth. Further, recognising that the health of the country's environment is critical to its economic stability, there are a number of constraints that will need to be addressed to improve environmental and disaster risk management (DRM). These include: (i) funding shortages resulting in insufficient technical and financial resources; (ii) insufficient devolution of environmental responsibilities to the local level; (iii) insufficient mainstreaming of environmental considerations in sensitive sectoral ministries; (iv) limited environmental monitoring at the national and local levels; (v) weak enforcement of environmental legislation; and (vi) limited data collection and management, resulting in paucity of good quality data required to inform decision-making.

Focus of Belize's Medium-Term Development Strategy

6. Belize's current Medium-term Development Strategy (MTDS) (2010-13) incorporates measures to improve the economic and social structures and the capacity of its citizens to embrace economic opportunities, in the face of the ongoing economic crisis, and to proactively manage economic shocks and natural disasters. The strategy represents a good starting point for strengthening economic planning over the medium term. It articulates the development context, including the severity of poverty, human development challenges and growing concern over citizen's security issues, and affirms GOBZ's commitment to meeting the Millennium Development Goals^{1/} (MDGs), while recognising that the current challenging global macroeconomic environment, the country's own fiscal challenges, the availability of financing, and limited human resource capacity, will influence its ability to implement its medium-term development agenda. Further, the MTDS rightly recognises that, given the high share of commodity exports and tourism to Belize's trade receipts, and the importance of ecotourism, the health of the country's environment is critical to economic stability. Additionally, the strategy highlighted the need for

^{1/} The MDGs are a set of eight time-bound goals with targets and indicators agreed to by members of the United Nations (UN) in 2000 that articulate the advances that are required to achieve substantial gains in human development. The eight goals meant to be achieved by 2015 are as follows:

- Goal 1 Eradicate extreme poverty and hunger;
- Goal 2 Achieve universal primary education;
- Goal 3 Promote gender equality and empower women;
- Goal 4 Reduce child mortality;
- Goal 5 Improve maternal health;
- Goal 6 Combat Human Immuno Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS), malaria and other diseases;
- Goal 7 Ensure environmental sustainability; and
- Goal 8 Develop a global partnership for development.

(iii)

an improved approach to DRM, given the country's susceptibility to tropical cyclones and other natural hazards. CDB welcomes GOBZ's resolve to continue enhancing governance as a necessary means to improve achievement of the country's development objectives. Intentions in that regard are reasonably detailed in the Strategy, including the need to improve planning, budgeting, the framework for financial accountability, and the capacity of the public sector to implement plans, programmes and projects. GOBZ will require assistance from development partners to implement these intentions. However, it is important that Belize takes a lead role in the coordination of a work programme with its development partners, to take advantage of opportunities, complementarities and synergies.

Assessment of Caribbean Development Bank Strategy for Belize 2007-09

7. In December 2006, the Board of Directors (BOD) of CDB approved an assistance strategy for Belize, as outlined in Board Paper 69/06 - Country Strategy Paper, 2007-09, Belize. The major objective of the strategy was to enhance sustainable economic growth by:

- (a) supporting attempts to correct fiscal and external imbalances;
- (b) financing investments deemed critical for enhancing growth;
- (c) lending to eligible private sector entities; and
- (d) financing critical social development projects.

8. Generally, CDB's strategy was successful with respect to the attainment of the immediate objectives. The USD25 mn PBL assisted Belize to correct fiscal and external imbalances while the infrastructure projects approved were critical to boost economic activity and to replace critical infrastructure damaged during tropical storm Arthur. Resources were made available to the private sector through the Development Finance Corporation (DFC) and there were several interventions to support social sector development, including technical assistance (TA) to enhance the policy and strategic framework needed for the further development of the education sector.

Focus of Caribbean Development Bank's Proposed Assistance to Belize

9. CDB proposes to address poverty in Belize on several fronts. First, given the need to enhance growth as an anchor for poverty reduction, CDB proposes to assist Belize to strengthen the environment and institutional framework for sustainable growth. Hence, CDB's interventions are designed to contribute to the following outcomes:

- (a) maintenance of a stable macroeconomic environment;
- (b) improved PFM; and
- (c) enhanced environment for output growth.

10. To ensure that an appropriate macroeconomic environment to support growth is maintained, Belize will still need to continue on the current fiscal course over the medium term which will require maintaining an overall deficit of 2-3% of GDP. CDB proposes to provide Belize with support through a PBL to help the country meet its financing requirements. This will be necessary given the risks that Belize is likely to continue to face with respect to: (i) the volatility of Government earnings and grant receipts; (ii) expenditure pressures stemming from the stepped-up interest payments on the "super-bond"; and (iii) the need to maintain critical social expenditure and undertake other expenditure necessary to

reduce poverty and address crime and security. Such financing continues to be important to Belize, given that the country's access to international capital markets is still severely constrained.

11. Second, recognising that growth by itself may not be sufficient to reduce poverty, CDB proposes to assist Belize to close the growth-poverty gap by: improving the opportunities for persons to escape poverty, increasing inclusivity and reducing vulnerability. Thus, other CDB interventions are designed to contribute to the following additional outcomes:

- (a) improved quality and access to education and training;
- (b) enhanced social and community development; and
- (c) improved environmental sustainability.

12. Indicative financing requirements for the proposed CDB strategy amount to approximately USD172.89 mn. The Table below shows indicative amounts for various projects or groups of projects. The mix of projects proposed reflects a preference of GOBZ to use government revenue to address non-capital social sector projects and share responsibility with donors with respect to other projects. The mix of projects also reflects consideration of the assistance being provided by other development partners. Even so, given limited human and financial resource absorptive capacity, Belize will not be able to address all its challenges to the extent that it desires over the medium term. CDB will encourage Belize to improve its planning and budget implementation capabilities in order to ensure that limited resources are directed to areas with the potential to deliver the best results.

Monitoring Results

13. CDB will utilise a results-based management framework in the implementation of its strategy, and intends to partner with GOBZ in this regard. The Matrix at Appendix 5 outlines the results (country outcomes and impacts) that are envisaged at this early stage from CDB's proposed interventions. These proposed interventions are aligned to the country's development strategy and Government's priorities, as indicated to CDB. Where specific projects have not yet been identified, (e.g. Education Sector Interventions) the Matrix will be updated subsequently.

INDICATIVE CARIBBEAN DEVELOPMENT BANK LENDING PROGRAMME
TO BELIZE 2011-15
(USD mn)

Project/Programme	Amount
<u>Maintenance of a Stable Macroeconomic Environment</u>	
PBL	50.0
<u>Improved PFM</u>	
PBL as above	
Parallel PBL TA	3.0
<u>Enhanced Environment for Output Growth</u>	
<i>Enhanced Economic Infrastructure</i>	
Northern Highway Upgrade	20.0
Ambergris Cay/Belize City or Belmopan Water and Sewerage System	20.0
TA – Institutional Strengthening (Planning and Maintenance Management support)	0.5
Road Safety Capital Project and TA	6.0
<i>Enhanced Environment for Private Sector Development</i>	
TA - Establishment of Inter-Bank Payment System	2.5
TA - Establishment of Credit Bureau	2.5
TA - Central Bank Supervision Framework re: DFC	0.1
TA - Establishment of Appropriate Export Credit/Guarantee Regime	0.25
TA - Financing of Export Credit/Guarantee Regime	10.0
TA – Belize Trade and Investment Development Services (BELTRAIDE) - Sector Studies/Institutional Strengthening	15.0
Additional Line of Credit	
<i>Specific Intervention in Agriculture and Tourism</i>	1.0
TA for Developing Irrigation Master Plan	1.0
Agriculture Pilot Project	1.0
TA – Implementation of community level sustainable livelihood project	
<u>Improved Quality and Access To Education and Training</u>	
Interventions in Education emanating from Education Sector Strategy	30.0
<u>Enhanced Social and Community Development</u>	
Basic Needs Trust Fund (BNTF) VII (tentative subject to allocation criteria)	3.2
Youth at Risk Interventions	5.2
TA - Housing Policy and Strategy	0.1
<u>Improved Environmental Sustainability</u>	
TA – Improved policy and planning for environmental management	0.5
TA – Improved DRM Capacity and Mainstreaming	0.15
TA – Climate Change Adaptation	0.3
Total	172.80

1. DEVELOPMENT CONTEXT: CURRENT TRENDS, ISSUES AND CONSTRAINTS

Country Profile

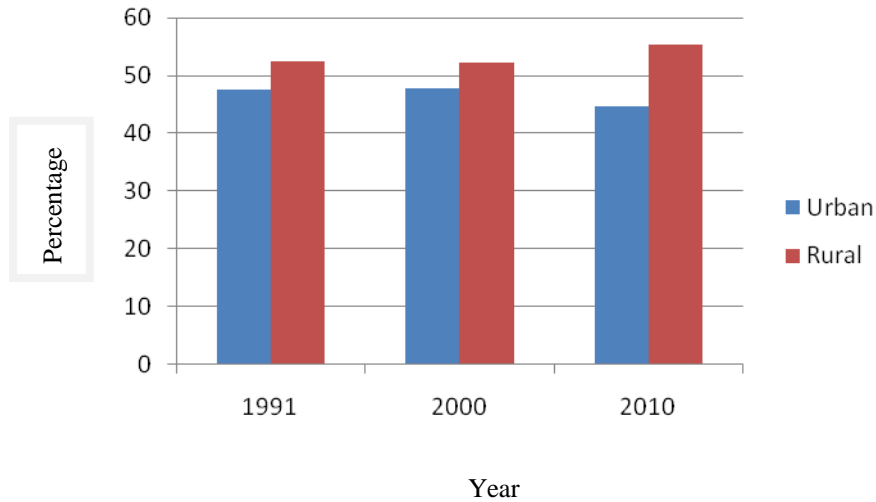
1.01 Belize is located in Central America and is bordered by Mexico to the north, Guatemala to the west and south and the Caribbean Sea to the east. A former British colony, it is the only English-speaking Caribbean country in Central America and shares more similarities with other English-speaking Caribbean countries, in history, politics and economy, than with its Central American neighbours. However, due to its location, Spanish is widely spoken and Latin American cultural practices are evident. The total land area is 22,966 square kilometres (km²) (8,867 square miles), the country has a population of about 303,422 and a resultant population density of approximately 13.2 persons per km², which is quite low in comparison with both Caribbean and Central American countries. Belize's territory includes a wide range of ecosystems and a great diversity of species. It has the world's second longest barrier reef, with an estimated 247,000 hectares, enjoying protection under the World Heritage designation. An estimated 2.8 % of its overall territory is designated for conservation. Forest cover is estimated at 72% of the land area, although over half is designated for resource extraction. Its Mayan archaeology, beautiful landscapes and sea vistas, contribute to its increasing popularity as a tourism destination.

1.02 Its population is almost evenly divided between males and females and has been growing at a phenomenal rate in the last 10 years. There was an average population growth rate of about 2.65 % per annum (p.a.), between 2000 and 2010, making it among the fastest growing countries in the Caribbean Basin. The high rate of population growth has been influenced mainly by a high crude birth rate and immigration from its neighbours. Other factors, such as declining death and infant mortality rates, have also contributed to population increase. The country also has a very high youth population. In 2009, about 40% of the population was under 15 years old and 70% under 35 years old. At the same time, increased life expectancy has resulted in significant increases in the proportion of persons 65 years and over.

1.03 The country is predominantly rural and, as indicated in Figure 1.1, the rural population is increasing at a greater rate than the urban population. This increase is being fueled by migrants from neighbouring countries, in search of employment and improved living conditions.

1.04 The economy of Belize is small and open and is closely tied to its natural resource endowments. Throughout the colonial period until the mid-20th century, the export of forestry and forest products dominated the economy. The contemporary economy is dominated by primary agricultural production, with sugar, citrus, bananas and marine products being the backbone of production. Over the last two decades, tourism has grown in importance and is now the most important foreign exchange earner. The tourism industry has been built largely on the basis of Belize's spectacular natural attractions and its cultural heritage. Manufacturing and international business services also contribute to economic activity. The export of modest quantities of crude oil, since 2005, has contributed significantly to economic growth. Despite modest growth performance, poverty reduction remains a major challenge for GOBZ. The Country Poverty Assessment (CPA), conducted in 2009, showed that the level has increased to 41%, compared with 33% of the population in 2002.

FIGURE 1.1: CHANGES IN RURAL AND URBAN POPULATION IN THE LAST THREE CENSUSES



Source: Statistical Institute of Belize

Trends in Economic Performance

(a) Background

1.05 Real GDP growth, at basic prices, averaged 4% annually in Belize between 2002 and 2009. This growth has been generally broad-based. Growth slowed during the latter part of the period with a 1.7% average annual increase between 2007 and 2009, compared with average growth of 5.4% annually over the previous years. Slower growth during the latter period was due to declines in agriculture and fishing, as well as the impact of the global economic crisis which impacted tourism strongly. The decline in agriculture and fishing was the result of adverse terms of trade movements, disease infestations and the impact of adverse weather conditions. Further, higher growth averaging 5.4% annually between 2002 and 2006 was in part buttressed by an unsustainable fiscal expansionary stance. Key aspects of macroeconomic performance between 2004 and 2009 are summarised in Figure 1.2.

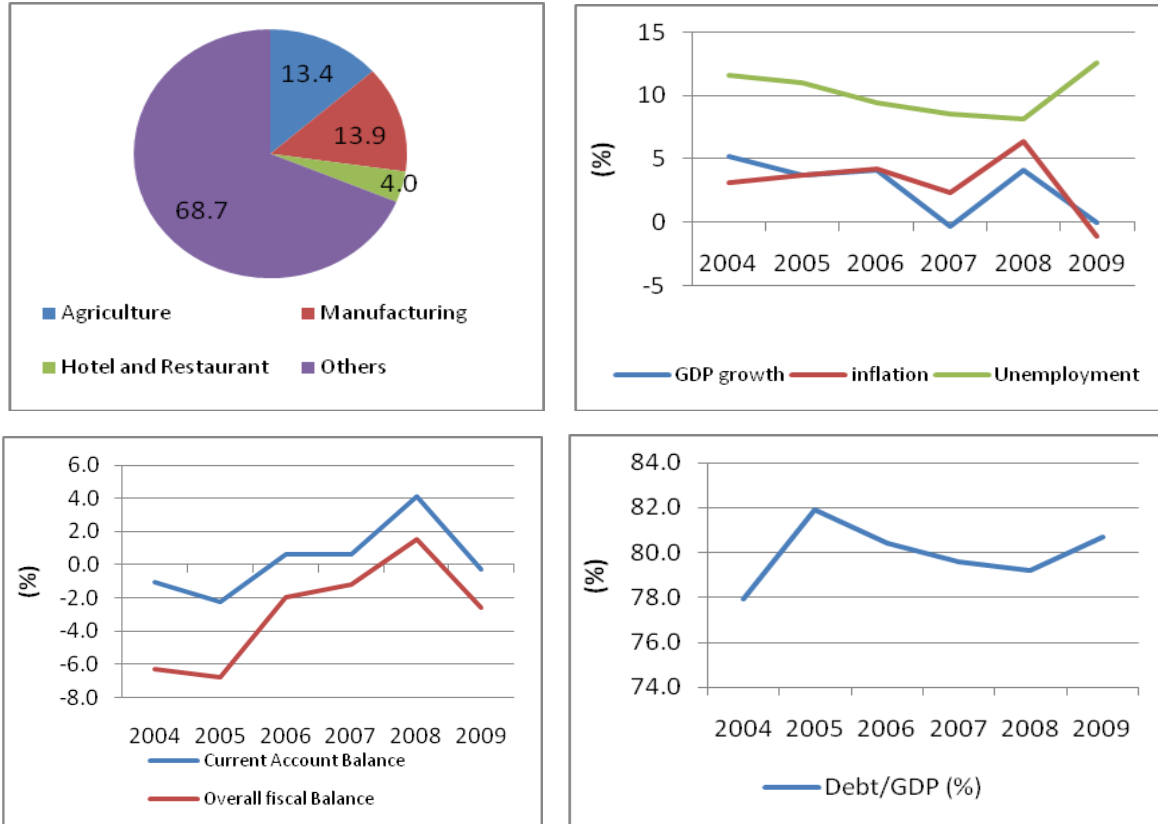
(b) Recent Macroeconomic Performance and Expectations

(i) *Output and Prices*

1.06 Real GDP grew by an estimated 2.9% during 2010. Growth was fuelled by the expansion in the generation of electricity, higher output of tourism services and government services, and increased wholesale and retail trade. Output of electricity grew by 19.7% as new domestic generation capacity was commissioned. Some rebound in stay-over tourism activity has been registered during 2010, reflected by a 2.2% increase in stay-over arrivals. By contrast, declines in stay-over visitors of 5.2 and 2.6% were registered during 2009 and 2008, respectively, and largely reflected the adverse impact of the recent global economic crisis. Cruise tourism, though its contribution to tourism earnings is considerably less than that of stay-over tourism, has continued to perform well with arrivals increasing by 8.4% during the year, compared with an increase by 18% during 2009. Growth in government services (6.5%) was in part associated with the conduct of the population census, while a 6.2% increase in wholesale and retail trade was in part due to increased activity in the commercial free zone. The Consumer Price Index fell by 1.1% during 2009, compared with an increase of 6.4% during the previous year. The fall in prices was generally driven by the drop in the international prices for crude oil and other commodities, following

record high levels attained by July 2008. By November 2010, prices remained stable on average, compared with the position at November 2009. During the quarter ending February 2011, prices grew by an average of 1.1% and were driven by rising international fuel prices.

FIGURE 1.2: KEY ASPECTS OF ECONOMIC PERFORMANCE



(ii) Fiscal Operations and Debt

1.07 An overall deficit of \$43 mn (1.5% of GDP) was recorded on CG’s operations during 2010, and this was \$33.3 mn lower than the \$76.3 mn or 2.8% of GDP attained during 2009. By contrast, a surplus of 1.5% of GDP was recorded during 2008. The outturn for 2010 reflected an 8.7% increase in revenue and grants and the containment of expenditure growth to 3.6%. The largest contribution to the higher receipts was from income tax receipts on the petroleum industry which grew by 17.7% or \$35.3 mn. The collection of a General Sales Tax (similar to a Value Added Tax) also increased significantly (up by 20.6% or \$31.2 mn) and this was due largely to an increase in the tax rate by 2.5 percentage points to 12.5% effective from April 2010.

(iii) External Sector

1.08 During 2010, the external current account deficit fell to 2.9% of GDP from 6.2% in 2009 and 10.7% in 2008. The change in 2009 reflected higher prices for key domestic exports, including petroleum, improved tourism performance and higher inward transfers. During 2010, there was further decline in imports, reflecting the continued weak economic environment. The surplus on the capital and financial account declined for a second consecutive year reaching 2.3% of GDP in 2010, compared with 10% in 2009 and 15.7% in 2008. The decline in the capital and financial account during 2009 and 2010,

reflected significant reductions in foreign direct investments (FDI) and the building up of foreign assets by commercial banks given weak expansion in domestic credit; both factors symptomatic of the challenging global economic environment and its impact on Belize. Net international reserves (NIR) held by the Central Bank of Belize (CBB) grew by \$8.6 mn in 2010, following an increase of \$94.5 mn during 2009. By the end of 2010, NIR amounting to \$445.6 mn, equivalent to approximately 4.5 months of merchandise imports, exceeded the international benchmark of three months.

(iv) *Financial Sector*

1.09 The broad money supply stood at \$2.1 billion at the end of 2010, largely unchanged compared to the position at the end of 2009 which was 6.4% higher than the level at the end of 2008. The money supply grew much quicker (at an average of 13.9% annually) during the three years prior to 2009. The slower growth in 2009 and 2010 largely reflected the slower pace of economic activity. The weak economic environment during 2009 and 2010, which was fuelled by the global economic crisis, also manifested in the banking system through slow expansion of credit to the private sector, with growth of 4.1% registered during 2009 and a decline of 2.3% during 2010. Increases in credit to the private sector averaged 12.9% annually during the three years prior to 2009. As a consequence of the weak growth in commercial bank credit, liquidity increased, and reflecting this, the excess holding of statutory liquid assets by commercial banks grew by more than 50% between December 2009 and 2010. Liquidity continued to increase during the first four months of 2011, with excess holding of statutory reserves assets rising by a further 24.1%. The weak economic conditions also resulted in a worsening of commercial banks' asset quality, however, in general commercial banks remained adequately capitalised.

(c) Outlook

1.10 Given current macroeconomic policies, output growth is projected to amount to 2.5% in 2011 and to average within one percentage point above that level over the three subsequent years. Growth over the medium term is anticipated to be driven by strong increases in agricultural output, continued increases in the production of electricity and moderate growth in tourism activity. Domestic production of electricity increased over the last three years and is expected to continue to rise over the next two years, given new electricity generation capacity that has been installed, thus displacing electricity imports from Mexico. While the passage of hurricane Richard during October 2010 had some impact on the agricultural sector, agricultural output is still expected to grow during 2011, albeit slower than would have otherwise occurred. Further, good market opportunities with respect to non-traditional agriculture are expected to boost growth over the medium term. Manufacturing production (excluding oil production) is largely agro-based and is thus expected to largely move in line with agricultural output. Further, oil production, which has made a significant contribution to output growth since commercial production commenced in 2006, is expected to remain stable or to increase. Production of oil from the first of two discovered commercial oil fields has reached peak production. Output from the smaller reserves of the second field is expected to increase and to outweigh the decline in production from the first field. A third oil field has been discovered and its commercial viability is being assessed. With respect to the non-oil sectors, while the prospects for growth are good, prolonged weak recovery from the recent global economic crisis, among Belize's major trading partners and sources of FDI, is a major risk to the expectations. Continued sluggish recovery could dampen the demand for Belize's agricultural product, as well as its tourism services.

1.11 Over the medium term, with the continued pursuit of sustainable fiscal targets, the overall deficit on CG's operations is projected to average about 1.9% of GDP. CG's debt is thus projected to decline moderately over the medium term from about 80.2% of GDP, at the end of 2010, to 74% at the end of 2014. External debt accounted for approximately 83.7% of total CG's debt at the end of 2010. However, with the 2009 compulsory purchase of Belize Telemedia Company Limited (BTL), as well as the recent

Government takeover of Belize Electricity Limited (BEL), fiscal pressures are likely to increase should the Government have to find resources to compensate the previous owners or pay for legal damages that may ensue. Given that the Government had been providing financial support to BEL just prior to the takeover, GOBZ would likely have to continue subsidising the operations unless there is an appropriate tariff adjustment, the regulatory environment is strengthened and the resale of the company is timely. The assets of BTL and BEL are estimated to be worth USD127.5 mn and USD220 mn, respectively. Money and credit conditions are expected to move in tandem with real sector and fiscal activity. If Real GDP growth averages between 2 and 3% annually (led by foreign exchange earning sectors), and the overall fiscal deficit remains around 2.5% and is accompanied by an appropriate monetary stance, the level of international reserves is expected to remain adequate over the next three years. Appendix 1 shows selected economic and financial sector indicators for the period 2001-15.

Public Financial Management

1.12 The performance of an economy depends, in part, on the quality of PFM, including planning and budgeting. An Inter-American Development Bank (IDB)-funded Public Expenditure Review Report (April 2006) highlighted several critical PFM issues, including: (i) the absence of medium-term planning and budgeting; (ii) little or no budget analysis in most ministries and no information on unit costs of services provided to guide budget allocations; and (iii) the use of prior years' approved budgets, instead of actual expenditure or information on service usage, to guide budget allocations. The Report also noted the disparity in management practices used for the capital budget, *vis-à-vis*, the recurrent budget and little monitoring of programme performance. The Government's capital budget operations were characterised by *ad hoc* project selection and the absence of project appraisals to determine project suitability or worth. There were also concerns over the efficiency and equity of the tax system, including concerns related to tax evasion and avoidance and particularly with respect to customs duties and taxes.

1.13 As part of its adjustment programme which has been in place since 2006, GOBZ has initiated several measures and/or programmes aimed at improving PFM and governance, in general. These included a CDB-financed consultancy to make recommendations for the modernisation of financial regulations, which was completed in 2009. Partly as a follow-up to this consultancy, some amendments to the Principal (Parent) Act – The Finance and Audit (Reform) Act (No. 12 of 2005) - have been passed. These amendments aim to: (i) improve the effectiveness of the Act by providing sanctions for the violation of the provisions of the Act; (ii) enhance transparency in the tendering process for government procurement and sale contracts; (iii) enlarge the regulations-making power of the Minister in the interest of expediency; (iv) restore the Financial Orders and Stores Orders to their original status of subsidiary legislation; and (v) provide for matters connected and incidental to these.

1.14 Another CDB-financed consultancy, which made recommendations on an appropriate institutional framework for macroeconomic management, was completed in 2009. The key recommendation was for Cabinet's appointment of a high-level technical team, chaired by the Financial Secretary, and with representation from CBB and MoED, among others. It was envisaged that the high-level technical team would make recommendations to MoF regarding economic management. Under the proposed institutional arrangement, key institutions, including CBB, MoF and MoED, were to collaborate on the preparation of macroeconomic framework projections under various scenarios. These projections would inform deliberations of the high-level technical team, which has already been appointed.

1.15 Another step in improving PFM was taken in 2010 when the National Assembly approved the Fiscal Transparency and Responsibility Regulations 2010, as a subsidiary legislation under the Finance and Audit (Reform) Act of 2005. The regulations were aimed at encouraging better fiscal outcomes by improving the formulation and reporting of fiscal policy. The legislation includes provisions to ensure greater discipline in policy formulation, enhanced public scrutiny through regular statements of fiscal

objectives, and increased accountability in relation to Government's fiscal performance. The legislation will provide an anchor for multiyear budgeting and is an important step towards programme-based budgeting.

1.16 In addition, under an IDB-financed consultancy finalised in 2010, recommendations were submitted to GOBZ, for improving the formulation of the Public Sector Investment Programme (PSIP). GOBZ is therefore seeking to improve the PSIP formulation process by, *inter alia*, the enactment of support legislation for the formulation of the PSIP. This is expected to be consistent with, and complementary to, the Fiscal Transparency and Responsibility Regulation 2010.

1.17 Other ongoing initiatives to improve PFM include those to enhance procurement procedures, strengthen auditing and improve accounting, as well as the establishment of a timetable for continued implementation of PFM reforms, based on the 2008 Public Expenditure and Financial Accountability (PEFA) Report. GOBZ is also working with IDB and World Bank (WB), as listed in Appendix 4.

Human and Social Development

(a) Poverty

1.18 Poverty levels in Belize are relatively high, particularly when compared with other Borrowing Member Countries (BMCs). As indicated in Table 1.1, the 2009 CPA revealed that poverty levels have increased substantially since the first CPA was conducted in 1995. The relative poverty level in 2009 was 41% of the population, as compared with 33% in 1995 and 2002. Indigence or extreme poverty also increased from 11% in 2002 to 16%. This increase is also observed for all major demographic groups, suggesting that the internal and external factors that contributed to the decline in living conditions had a pervasive effect on the country as a whole. This is particularly significant in light of the fact that, for other Caribbean countries recording increased poverty, indigence declined. Belize is the only Caribbean country that conducted a CPA in the last five years to have shown increases in both poverty and indigence levels.

TABLE 1.1: POVERTY ESTIMATES FOR SELECTED DEMOGRAPHIC GROUPS
(%)

Year	Poor H/hold	Poor Pop.	Indigent H/hold	Indigent Pop.	Youth (14-24)	Aged (65+)	Female	Male	Male H/hold Heads	Female H/hold Heads
1995	25	33	10	13	32	28	33	33	24	31
2002	26	33	8	11	34	27	33	34	26	22
2009	31	41	10	16	43	34	40	42	32	29

Source: Belize CPAs: 1995, 2002 and 2009

1.19 Table 1.2 indicates that poverty levels increased in both the urban and rural areas, with the rural areas remaining above the national average. The high incidence of poverty in the rural areas is attributed partly to the large number of migrants from neighbouring countries who moved to Belize in search of improved living conditions. The subsequent movement of these persons, and other rural residents, to the urban areas has also contributed to both high rural-to-urban migration and increased levels of urban poverty.

1.20 Poverty levels increased in each district, except for the southern rural district of Toledo in which, although having the highest level of deprivation, the proportion living below the poverty line decreased significantly from what obtained in the previous CPAs. The northern districts of Corozal and Orange Walk, however, recorded substantial increases in both indigence and overall poverty levels. Poverty

levels in these districts rose above the national average, with Corozal moving from having the second lowest poverty level in the country in 2002 to being the second highest. The proportion of persons living below the poverty line, including the indigent, doubled in Corozal. While the increase was not as dramatic as in Orange Walk, an additional 8% of the population in the district was added among the poor (from 35%) between 2002 and 2009.

**TABLE 1.2: SELECTED POVERTY CHARACTERISTICS
COUNTRY POVERTY ASSESSMENTS (2002 AND 2009)**

Characteristic	Percentage Poor	
	2002	2009
Country	33	41
Urban	24	28
Rural	44	55
District		
Corozal	26	56
Orange Walk	35	43
Belize	25	29
Cayo	27	41
Stann Creek	35	44
Toledo	79	60
Ethnicity		
Creole	26.5	32
Garifuna	24.3	39
Maya	76.0	68
Mestizo	30.0	42
Other	27.8	35

Source: Belize CPAs: 2002 and 2009

1.21 Belize's poverty profile is characterised by large households (6+ persons), persons who did not complete primary school, the unemployed and, as in other countries in the Caribbean, significant levels of the working poor.^{2/} An estimated 29% of employed persons are classified as being poor; with occupational groups like agricultural workers, persons engaged in other elementary occupations, such as petty traders and domestic services and those in primary extraction industries like forestry and fishing having the highest levels. Another feature related to the occupational distribution of poverty points to the phenomenon of chronic poverty,^{3/} evident among the Mayan populations. Although poverty levels among the Mayan population of Belize declined from 76% in 2002 to 68% in 2009, like other indigenous Amerindian groups elsewhere in the Caribbean, they are substantially higher than the national average. This situation is likely to continue unless special and persistent measures are employed to address some of the root causes of poverty, such as: inadequate basic social services in rural areas, poor education and low skill levels, and meagre economic returns to agricultural production.

1.22 While the main causes of poverty are primarily economic, the 2009 CPA Report indicates that structural factors also affect living conditions in Belize. Key among these factors is the issue of income inequality. Although there is no direct correlation between a country's poverty level and income

^{2/} Families and individuals who are employed in formal or informal occupations but whose consumption levels are below the poverty line.

^{3/} Chronic poverty speaks to structural or personal factors that prescribe a household or group to inter-generational poverty.

distribution, the effects of poverty on a society are compounded when, as in the case of Belize, high poverty levels are accompanied by high income inequality. In 2009, Belize's Gini Coefficient^{4/} increased to 0.42 from 0.40 in 2002, which indicates that the poorest 20% of households accounts for only 6% of the country's consumption, while the richest 20% consumes almost 50%. Gender norms and practices also exacerbate the effects of scarcity and insecurity in already at risk communities and groups. Issues such as urban-rural migration, crime and violence, alcohol and other types of drug consumption systematically deprive both women and men, in different ways, from accessing social services, resulting in accrued social and economic costs, a loss of human capital and unrealised potential for the development of families and communities. Maternal morbidity and mortality rates remain high among women in rural areas. Gender disparities for males relate to their vulnerability to injury and disability. Socialisation, linked to cultural practices and deeply entrenched norms of aggression, is among the root causes impacting young men as both victims and perpetrators of violence. These disparities, when merged with factors like family breakdown, pressures on the household heads to generate income, early parenthood, school non-attendance and dropouts, create a number of other development issues. They perpetuate a culture of poverty involving feelings of marginality, helplessness and dependency that persist across several generations. The 2009 CPA Report suggests that these issues are affecting living conditions of households in both rural and urban communities.

1.23 Cognisant of these challenges, GOBZ prepared a National Poverty Elimination Strategy and Action Plan (NPESAP), immediately after the 1995 CPA, to provide a framework for coordination of its poverty reduction interventions. The NPESAP was revised for the period 2006-10 following the 2002 CPA. That revision included a poverty map to facilitate better targeting of poverty reduction programmes. Following the 2008 change in administration, the 2006 NPESAP was revised and greater emphasis was placed on strategies to address both income poverty and the public poverty gap. The Action Plan expanded the strategic priorities of the previous versions by incorporating specific targets to support the country's poverty elimination objective during the period 2009-13. However, it appears, based on the increased poverty levels recorded in 2009, that achievement of NPESAP's objective will continue to be a major challenge for GOBZ.

1.24 A National Gender Policy (NGP) was developed in 2003 aimed at addressing gender discrimination in five policy areas, with 215 commitments in health, wealth and employment, violence producing conditions; education and skills training and power and decision making. While the focus has been on the development of mechanisms for formulating policy and advocacy for change, capacity, institutional and financial constraints have impeded implementation.

(b) Progress in Human and Social Development

1.25 Notwithstanding these challenges, due to the country's performance in other areas, Belize was ranked in the High Human Development category of the United Nations Development Programme (UNDP) 2010 Human Development Report (HDR). It attained a Human Development Index^{5/} (HDI) rank of 78, for 2008, out of 169 countries and areas assessed.^{6/} Table 1.3 shows the

^{4/} The Gini Coefficient represents the deviation of the actual expenditure distribution in a population from one that is perfectly equal, for example, assuming every person had the same consumption. It has a value between 0 and 1, where 0 would denote a completely equal distribution and 1 would denote one that is completely unequal.

^{5/} The HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life; access to knowledge; and a decent standard of living. In previous reports these basic dimensions were measured by life expectancy at birth; adult literacy rate and combined gross enrolment in education; and GDP per capita in purchasing power parity (PPP) USD, respectively.

measures for the HDI components for 2005 and 2008. Nonetheless, with a 2008 HDI of 0.694 Belize's performance is below the average of 0.704 for countries in Latin America and the Caribbean (LAC), as well as that of the high human development countries group which has an average of 0.717. Table 1.4 compares Belize to the average score for LAC, High HDI countries and selected CDB BMCs.

**TABLE 1.3: BELIZE'S HUMAN DEVELOPMENT INDEX TRENDS
BASED ON CONSISTENT TIME SERIES DATA**

Years	Life expectancy at birth	Expected years of schooling	Means years of schooling	GNI per capita (PPP USD)	HDI value
2005	75.4	12.4	9.0	6,073	0.690
2010	76.9	12.4	9.2	5,693	0.694

Source: Explanation Note on 2010 HDR Composite Indices

**TABLE 1.4: BELIZE'S HUMAN DEVELOPMENT INDICATORS FOR 2010,
RELATIVE TO LATIN AMERICA AND THE CARIBBEAN AND SOME
SELECTED COUNTRIES**

Country/Region	HDI Value	HDI Rank	Life Expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (PPP USD)
Belize	0.694	78	76.9	12.4	9.2	5,693
Bahamas	0.784	43	74.4	11.6	11.1	25,201
Jamaica	0.688	80	72.3	11.7	9.6	7,207
Barbados	0.788	42	77.7	13.4	9.3	21,673
LAC	0.704	-	74.0	13.7	7.9	10,678
High HDI Countries	0.717	-	72.6	13.8	8.3	12,286

Source: Explanation Note on 2010 HDR Composite Indices

1.26 Associated closely with HDI is the country's performance with regard to achievement of the MDGs. An assessment in 2009 of the country's progress towards these goals, set out in the MDG Scorecard and Outlook Report (September 2010), noted that Belize has done well with its health-related investments and that, if its current health investment package is refined and improved, it will be on track to achieve targets with respect to the following health-related and environmental goals: (i) child mortality - expressed in MDG4, but with slow progress; (ii) major disease - expressed in MDG6; and (iii) the environmental goals - expressed in MDG7, with respect to which progress is slow. However, the Report

^{6/} The indicators measuring access to knowledge and a decent standard of living have changed in the 2010 Report. Access to knowledge is measured by: (i) mean years of adult education, which is the average number of years of education received in a lifetime by people aged 25 years and older; and (ii) expected years of schooling for children of school-entrance age, which is the total number of years of schooling a child of school-entrance age can expect to receive if prevailing patterns of age-specific enrolment rates stay the same throughout the child's life. These new measures are used because a number of countries, especially those at the top of the HDI ladder, have achieved high levels of combined gross enrolment ratios and adult literacy rates. As such, the discriminatory power of these indicators has weakened. Mean years of adult education and expected years of schooling for children capture the concept of education better than the previous indicators and have stronger discriminating power across countries. These indicators are also better at capturing recent changes in education and school enrolment. However, as with the previous indicators, they do not assess quality of education. Standard of living is now measured by Gross National Income (GNI) per capita in PPP USD, instead of GDP per capita in PPP USD. While GDP is a measure of economic output, it does not reflect a country's disposable income - some profits may be repatriated, some residents receive remittances from abroad and, in some cases, inbound aid flows may be sizeable. GNI adjusts the GDP for these factors and is therefore a better measure of a country's level of income.

indicated that the poverty and indigence reduction goals expressed in MDG1, the education goals expressed in MDG2, the gender goal expressed in MDG3 and the debt management goal embodied in MDG8, are not likely to be achieved by 2015. The Report noted that, given data limitations, no assessment was possible with respect to MDG6 - combat HIV/AIDS. Further, there was significant improvement with respect to MDG5, though Belize was not on track to achieve the aspect related to the maternal mortality rate. Appendix 2 provides further details on MDG progress in Belize, as excerpted from the MDG Scorecard and Outlook Report - Belize.

1.27 Human resource capacity is critical to national development. The achievement of Human Resource Development (HRD) targets will be largely driven by development of the education and training sector. However, significant deficiencies in the sector will likely inhibit the achievement of these goals. Besides Haiti, Belize is currently the only BMC that has not achieved universal primary education. In 2008-09, the net primary enrolment rate was 83.7%. This reflects the country's inability to keep pace with a growing population - part of which arises from its porous borders - as well as inefficiencies in the sector. Minimal dropout rates at this level suggest that many children are not registering for school in the first place. In addition, during the same period, net enrolment at the secondary level was 40.7%. This suggests that more than half of the nation's children of secondary age are not participating in education. At the tertiary level, despite the fact that in the last four years enrolment at the University of Belize has increased by an average of approximately 6% annually, gross enrolment is still only around 3%. Females account for approximately 66% of participants at this level. These enrolment statistics have significant implications for the achievement of the country's HRD goals, since enrolment at each level influences throughput to the next level. Higher levels of educational achievement also correlate positively with reductions in poverty and greater possibilities for national development. If the economic and social development of Belize is to be realised, therefore, there must be significant improvement in the participation rates in education at all levels.

1.28 Some progress has been made in addressing gender discrimination through the implementation of the NGP. Notable achievements were made in policy development in areas of sexual and reproductive health, labour, social security and education reform. The MDG Scorecard Outlook Report for 2010 on MDG 3 indicates the need to implement measures for the achievement of established targets by 2015. However, it must also be noted that the prospects for achieving the MDGs, overall, are both directly and indirectly improved by enhancing gender equality; suggesting that gender equality is cross-cutting and efforts directed at achieving all targets must be seen as interlinked.

1.29 Belize will need to prioritise implementation of already established policies in sexual and reproductive health, and action plans, in the areas to safeguard the rights of vulnerable women and men in areas of social protection and labour. Further, policy and programming should be anchored in eliminating any form of gender bias or gender-related discrimination. The strong correlation between gender inequality, poverty and economic development will continue to present challenges to effective engagement of the human capacity and potential for economic growth.

(c) Crime and Citizen Security

1.30 Recent high-profile violent incidents in Belize City, including daytime murders and other violent acts, have resulted in the issues of crime and personal security becoming areas of increasing concern for the country. The 2009-10 Central American HDR^{7/} indicates that Belize's homicide rate is 31 per 100,000 population. Though lower than El Salvador's 65 per 100,000 and Jamaica's 49 per 100,000, it is

^{7/} This report describes citizen security as protection against the risk of suffering violent or harmful offence. It focuses on crimes against persons and against public and private property. (Referenced in the Belize MTDS, 2010-13 p. 21).

higher than the Latin American average of 25 per 100,000. This situation and the nexus between poverty and crime suggest a need for the country to implement a comprehensive approach to this threat to national development that also incorporates matters of economic and social development. Such an approach was initiated recently with the establishment of “Restore Belize” in 2010 to pay greater attention to the root causes of crime and to coordinate GOBZ’s and civil society organisations’ response to issues of crime and citizens’ security.

Environmental and Disaster Risk Management

1.31 Despite significant progress with the establishment of an administrative and institutional framework for environmental management, pressing environmental problems remain, these include: forest loss and degradation; coral reef decline; degradation of coastal resources; over-fishing; and pollution threat to ground and surface water resources. The rapid increase in the growth of urban centres has proceeded largely without plans and capital investment in appropriate levels of service for solid waste, water and wastewater that further increases pressure on the country’s natural resources. The conversion of wetlands to coastal tourism and housing development, as well as intensified aquaculture and agriculture are also issues which reduce the level of beneficial ecosystem services such as coastal protection, aquifer recharge and the degradation of critical fish nursery habitats, and further exacerbates the vulnerability of large segments of the population to natural hazards such as hurricanes, flooding and coastal erosion. Belize started the exploitation of the country’s oil reserves in 2005 and indications are that there may be significant reserves within the country’s exclusive economic zone, in close proximity to recognised precious coastal and marine resources, many of which enjoy protection under national and international legislation. Future marine exploration and extraction of oil will likely increase tensions between environmental management policies and the country’s energy development objectives.

1.32 Belize remains prone to the devastating impact of natural hazards; mainly hurricanes and flooding in the low-lying coastal zone, where most of the population resides. It is expected that increased frequency and intensity of hydro-meteorological hazards associated with elevated sea temperatures and changing climatic conditions will exacerbate that impact, with the more vulnerable and poor populations suffering disproportionately highly. In 2007, economic damage and losses were estimated at USD97 mn from hurricane Dean and more recently, preliminarily at USD19 mn from hurricane Richard in 2010. Significant institutional and capacity resource constraints remain, despite the progress made, and GOBZ acknowledges that there is need for improved mainstreaming of environmental considerations in sectoral policies and plans. Although good progress has been made in managing disaster events and raising public awareness, significant challenges remain in the context of the attainment of comprehensive disaster management. Work to further advance, achieve and consolidate the strategic interventions of: (i) streamlining disaster risk reduction into national development and sector policy and planning; (ii) strengthening the legislative framework for hazard risk reduction; (iii) building institutional and individual capacities to manage risk; (iv) empowering and mobilising communities to manage risk; (v) establishing a hazard risk reduction information system; (vi) increasing and better integrating gender perspectives into national DRM; and (vii) accessing financial resources, consistent with articulated policy commitments, remains.

Development Challenges

1.33 The overriding challenge for Belize, over the medium to long term, will be to accelerate national income growth to surpass population growth and improve income distribution to significantly reduce poverty and improve social conditions. Box 1 provides a discussion on the likely factors contributing to an increase in poverty between 2002 and 2009, in spite of economic growth. The potential for growth in Belize appears to be significant and is likely to be fuelled by growth in agriculture, agro-processing, tourism and crude oil extraction. However, the optimal realisation of growth in these sectors and, in the

economy as a whole, will require the implementation of appropriate public policies, strategies and measures. A stable macroeconomic environment will be a necessary foundation for growth, thus, built on the success of its ongoing home-grown adjustment programme, GOBZ will need to closely monitor the evolution of fiscal and debt operations and take necessary actions, on a timely basis, to avert future difficulties. Attention will have to be paid to the repayment of debt under the “super-bond”.^{8/} Further, Belize will also need to continue its efforts to increase revenue yields by improving the efficiency of collection and, where necessary, through new measures. GOBZ will still need to finance an overall deficit of between 2-3% of GDP annually over the medium term. Financing from international financial institutions and other development partners will be critical, given that Belize’s access to international capital markets and other commercial sources is severely constrained.

1.34 Improved economic planning and budget execution will be critical to improving the prospects for output growth. In that regard, given its stage of development and level of infrastructure, Belize will need to increase expenditure in some areas, as well as enhance the efficiency of all expenditure, including capital expenditure. However, Government’s efforts will be constrained by significant limitations in both financial and human resources. Addressing these constraints will require strengthening PFM systems; improving planning (including manpower planning); shifting towards programme budgeting; as a priority strengthening human resource capacity within MoF and MoED; and enacting appropriate enabling legislation. These efforts can be further buttressed if conducted within a wider public sector reform framework.

1.35 There is need to foster an appropriate investment climate. In addition to improving social conditions and addressing crime and security, GOBZ would need to, *inter alia*: (i) foster an appropriate environment to promote private sector growth; (ii) address infrastructure needs; and (iii) implement appropriate measures to support the development of key sectors, including agriculture and tourism. To encourage private sector development it will be necessary to improve the financial intermediation; improve access to financing, including reducing its cost and increasing access to export financing; improve business facilitation, including customs and port procedures and costs; and enhance the business regulatory regime. With respect to the latter, there are challenges related to the regulation of the public utilities sector that will need speedy resolution, both to improve direct prospects for growth within that sector, as well as to ensure that the correct signals are sent to the market. In particular, the 2009 compulsory purchase of BTL, and the recent (June 2011) nationalisation of BEL can pose severe challenges to attracting investments in the electricity and telecommunications industries. With respect to infrastructure, the road network is extremely important to support development but there are several key issues and constraints affecting the road sector in Belize. These include: inadequate funding for routine and periodic maintenance; the approaching of capacity limits on some of the key road networks; road safety; and limited institutional capacity. These affect the efficiency of transportation.

^{8/} A USD563.2 mn 22-year bond which was exchanged for pre-existing commercial debt in 2007. The bond is payable semi-annually beginning in 2019 with interest rates payable semi-annually at 4.25% during 2007-09, 6% during 2010-11, and 8% for the remaining years of the bond.

Box 1: The Poverty-Growth Paradox

The CPA, conducted in 2009, showed that the level of poverty increased to 41%, compared with 33% of the population in 2002. This significant increase occurred despite average annual growth of 4% over the same period. With fairly stable employment levels and without any change in income distribution, this level of real output growth should have led to a reduction in poverty, given that population growth averaged 2.6% over the period. Given that poverty is greatly influenced by employment, one of the major factors explaining the increase in poverty is the fact that the 2009 CPA was conducted during a period of relatively high unemployment. In April 2009, the labour force survey placed unemployment at 13.1%, significantly higher than the 10% registered in April 2002, the year when the previous CPA was conducted. Further, reflecting the continuing impact of the global economic crisis, unemployment continued to rise in 2010 reaching 23.1% according to the 2010 population and housing census, compared to unemployment of 8.2% reflected in the labour force survey of May 2008, the period immediately prior to the onset of the global crisis. Further, there were external shocks to the economy that may have contributed to the increased level of poverty, and these included the commodity price shocks of 2008/09 and severe flooding in Belize during 2008.

The distribution of income also changed, as reflected in an increase in Belize's Gini Coefficient from 0.4 in 2002 to 0.42 in 2009. There are several related and underlying factors that explain the unfavourable change in income distribution. There was a shift in the structure of the economy over the period towards less labour-intensive activity, affecting income distribution. The contribution of primary industries (dominated by agriculture and fishing) to GDP in current prices declined from 13.2% in 2002 to 11.1% in 2008, while that for secondary industries (manufacturing, electricity and water, and construction) rose from 16.5 to 19.3% over the same period. The contribution from tertiary industries (wholesale and retail trade, hotels and restaurant activity, other business services and government services) moved from 60.2 to 61% over the same period. Consequently, the share of labour in national income was likely to have declined with adverse impacts on poverty. Further, within the secondary industries sector, the contribution to GDP from the highly labour-intensive manufacturing of textiles, clothing and footwear, was completely eroded by 2008 from a contribution of 0.6% in 2002. Over the same period, the contribution to GDP from other manufacturing, including petroleum, rose from 1.2% in 2002 to 6.8% in 2008. The latter resulted from the introduction of the highly profitable domestic petroleum extraction industry in 2006, which has had a huge impact on output growth but very little impact on employment, thus skewing the distribution of income.

The above confluence of factors seems to explain the paradox of increases in poverty, in spite of economic growth. While more effective implementation of social and economic development programmes would have helped to mitigate the increase in poverty, the task facing GOBZ has been daunting, both in terms of resources to address the issues, as well as in terms of the timeframe for implementing appropriate policy strategies and measures. Addressing poverty will, therefore, necessitate a mixed approach. Fundamental to the issue is that of restoring growth in the economy and reducing unemployment. However, beyond the need for Belize to recover from the impact of the global economic crisis, a necessary condition for the reduction of poverty remains that of achieving real growth in excess of population growth. This must be buttressed by strategies to increase economic activity that would have a greater impact on employment and poverty and strategies to help improve the distribution of income and reduce vulnerability to poverty, including those related to gender, housing, education, health, access to water, rural infrastructure, environment, and DRM.

1.36 Additionally, to facilitate the expansion of economic activity, as well as to improve living conditions, there are significant needs with respect to the distribution of water and the collection and treatment of sewerage. GOBZ's objective is for universal water coverage; currently overall coverage stands at approximately 90%, with rural areas substantially less at 69%. Increasing access to water is a key aspect in the fight to reduce poverty and improve social conditions. GOBZ also wishes to increase the percentage of wastewater that is treated to ensure tourism, health and the environment are not adversely affected. There is a need for significant investment to expand water supply, as well as capacity for sewerage collection and treatment in urban areas, including Belize City, Belmopan and San Pedro. While water supply management in urban areas is fairly adequate, rural areas are primarily serviced by

Village Water Boards which often lack technical and managerial capacity to adequately operate and maintain their systems. These Boards are also not adequately regulated and water quality and levels of service can vary considerably between Boards. With funding from CDB under the Belize Social Investment Fund (BSIF), a review of the management and operations of Village Water Boards is being conducted to provide practical recommendations and solutions for the provision of water on a sustainable basis.

1.37 Strategies to spur growth at the sectoral level should ideally be influenced by the need to address concerns related to reducing poverty. Given good prospects for the export of both traditional and non-traditional agricultural products and the significant contribution that the sector can make to poverty reduction, it is important for Belize to address constraints in the sector. Such constraints include: access to credit; insufficient production and marketing infrastructure and services; inadequate water management systems; and insufficient organisations to support small farmers, among others. Further, given the significant growth in the tourism sector, it is important to continue efforts to implement measures to improve the country's product offerings, attract additional investments and market the destination. However, it is also important to seek means through which communities can be integrated into the provision of tourism services in order to increase the contribution of the sector to poverty reduction.

1.38 With respect to social sector development, it will be necessary, among other strategies, to: (i) address crime and security issues; (ii) improve the quality of human resources; and (iii) pay due attention to social cohesion, including addressing the needs of the poor and under-privileged groups. Given the potential for crime to derail economic growth and to adversely impact quality of life, allocating more resources towards addressing the issue has become necessary. The "Restore Belize" initiative which aims at addressing crime and security, on the basis of two pillars - enforcement and social measures - is a positive move in this direction. GOBZ is currently reviewing a national security strategy (NSS). It is important to finalise this strategy, as a major priority, and to move quickly to secure sufficient financing for its implementation, including putting in place the necessary monitoring and evaluation framework to promote its success.

1.39 Addressing the deficiencies in education is also an important strategy to improve long-term national income growth prospects; addressing societal ills that threaten citizens' security; and improve life chances for persons to escape poverty. However, the challenges in the education sector are significant, particularly in relation to the low participation rates at all levels. These rates are influenced by a number of systemic factors including: access; inadequate physical capacity; limited enabling support programmes; prohibitive education costs; and internal inefficiencies manifested in high repetition and dropout rates. In addition, teacher quality significantly impacts student outcomes since only 43% of teachers at the primary level and 30% of those at the secondary level are pedagogically trained. This contributes, in large measure, to the consistently low performance standards achieved by primary and secondary students. The overarching issue hindering development in education, however, appears to be the absence of a clear regulatory and policy framework, leading to fragmentation and duplication across the sector. Coupled with weak linkages across the sub-sectors, the result is a system with an absence of standards, and one in which quality remains an elusive objective. This is further compounded by inadequate sector management and planning capacity.

1.40 With the urgency of addressing emerging issues such as crime, violence and loss of human capital and given their nexus to poverty and economic growth, there will be need for strategic repositioning of priorities and the introduction of mechanisms and processes for measurement and evaluation. Strong institutional and human resource capacity will be required for implementation of the gender mainstreaming strategy of the revised NGP. Mechanisms will be needed for the implementation of activities and coordination across sectors for achievement of specific gender targets. Adequate sex disaggregated data for the design of interventions to effectively monitor and evaluate the impact of

policies, plans and programmes will also be needed. Further, a major challenge is to improve access to reproductive health care. Maternal mortality rates are still high in rural areas, indicative of the need to improve coverage and quality of affordable health care. Crime and violence reduction, including domestic violence and human trafficking will require comprehensive measures in which the gender dimensions must be considered. Further, gender and rights-based approaches are critical in efforts to increase opportunities and bridge gaps in access, quality of services, labour and representation for isolated populations.

1.41 Recognising that the health of the country's environment is critical to its economic stability, there are a number of constraints that will need to be addressed to improve environmental and DRM. These include: (i) funding shortages resulting in insufficient technical and financial resources; (ii) insufficient devolution of environmental responsibilities to the local level; (iii) insufficient mainstreaming of environmental considerations in sensitive sectoral ministries; (iv) limited environmental monitoring at the national and local levels; (v) weak enforcement of environmental legislation; and (vi) limited data collection and management resulting in a paucity of good quality data required to inform decision-making.

2. THE GOVERNMENT'S DEVELOPMENT STRATEGY

2.01 In 2010, with funding assistance from CDB, Belize completed the preparation of the MTDS document. The document was formulated through consultation with the main government ministries, agencies and departments. It incorporates issues and solutions, identified during stakeholder consultation processes, for the formulation and/or revision of the 2008/09 and 2009/10 fiscal budgets, as well as the 2007-11 and 2009-13 NPESAP. The MTDS will be adjusted, as necessary, upon approval of the long-term planning document - Horizon 2030. Technical work on the document has been completed. A CPA, funded by CDB, was completed in 2010 and will inform subsequent revisions to NPESAP. Further, the MDG's Scorecard and Outlook Report for Belize was completed in September 2010. The report provides updated information and analysis of Belize's implementation status for all the MDGs and includes suggested fiscal considerations to inform policies to invest in MDG achievement. The Revised NGP (2010), which is undergoing Cabinet review (at the time of writing), is also a notable progression.

Focus of Belize's Medium-Term Development Strategy

2.02 The current MTDS, over the 2010-13 period, incorporates measures to improve the economic and social structures and the capacity of its citizens to embrace economic opportunities in the face of the ongoing economic crisis and to proactively manage economic shocks and natural disasters. In that regard, measures are proposed to support the continued development of traditional and emerging industries and the expansion of small, medium and micro-enterprises. Aligned to this, measures are proposed to increase the country's trade capacity and competitiveness. This area covers measures to increase Belize's market access through: (i) better negotiating capacity; (ii) improvements in quality management; and (iii) national quality certification capacity. This area also covers strategies to improve the availability of export financing, as well as continued attempts to improve trade facilitation through improving customs procedures and systems.

2.03 Ensuring that individuals have decent living conditions, sources of income and an assurance of resources for future consumption, will require the sustainable use of natural resources. Consequently, Belize has identified a range of objectives and policy initiatives, to be implemented over the medium term, that are expected to strengthen environmental and natural resource management, including the development and implementation of a national land-use policy and plan, improvements to the sustainability of the tourism sector, strengthening of the management of national parks and protected areas, and the integration of communities dependent on natural resources participating in their management and protection, while at the same time improving their livelihoods.

2.04 Furthermore, recognising that the ability of each citizen to reach his/her full development potential and to make meaningful contributions to his/her community requires a sound foundation, during the strategy period, Belize proposes to increase investment in education, health delivery and social safety net provisions. The latter will include measures aimed at specific groups, such as women, youth and the aging. In addition, to secure the wellbeing of citizens and to secure the borders, given increasing levels of crime, much attention will be paid in the strategy period to developing measures to improve border security and reduce levels of crime.

2.05 Focusing attention on the above areas, in pursuit of its development objectives, will require that resources and attention be dedicated to a number of cross-cutting areas critical to enabling or propelling development. The cross-cutting measures put forward in the MTDS are intended to fill existing gaps and/or to ensure effective implementation of the strategy. First, the achievement of objectives under the areas of focus of the MTDS will depend, in large part, on Belize's ability to maintain a stable macroeconomic environment. To this end, GOBZ thus proposes to contain fiscal expenditures and private sector credit to improve government revenues, consistent with its public sector debt management

objective. A major consideration in this regard is the level of resources that must be directed to servicing the “super-bond” and the further difficulties imposed on efforts to contain the fiscal deficit to GDP ratio that are being generated by the world economic crisis.

2.06 Another major limiting cross-cutting factor in pursuing the MTDS is the human and financial resources available to ministries to execute their mandates. Thus, along with the need for improved efficiency in service delivery, the strategy emphasises that public sector institutional strengthening will be critical to its implementation. Aside from additional human resources, the strategy identified the need for capacity-building activities. In addition to training in the various areas of specific service delivery, training in the following area were identified as important:

- strategic planning;
- customer service;
- information and communication technology (ICTs);
- financial resource mobilisation; and
- management.

2.07 Moreover, Belize recognises that there continues to be a pressing need to improve PFM and governance, in general, including the capacity of the key oversight agencies. These agencies, particularly the Ombudsman, Auditor General and Contractor General are central to the effective operation of the ministries and to their relationship of accountability with the citizenry. Their institutional strengthening is therefore of primary importance over the medium-term period.

2.08 Notwithstanding human resource constraints, output levels can be improved significantly by applying ICTs to established systems and processes. Whilst the implementation of a computerised financial management system (Smartstream) has led to some improvement in recent years in Belize, there is a need for better use of communication technologies and for enterprise solutions to fit key operational activities. Importantly too, ICTs can play a critical role in meeting the needs of those living in the rural sectors. Examples of recent efforts in this regard include the Belize Rural Development Project (BRDP) initiative to construct tele-centers in rural communities and to facilitate real-time transmission of agricultural market information from the districts. Over the medium term, efforts will be intensified through initiatives such as the Agricultural Services Programme and the Agriculture Enterprise Development Project.

2.09 Further, GOBZ’s MTDS indicated that the medium-term activities in the focus areas cited above will be complemented by investments aimed at expanding road infrastructure, upgrading bridges and extending the telecommunication network.

Caribbean Development Bank’s Assessment of Development Strategy

2.10 Belize’s MTDS 2010-13 represents a good starting point for strengthening economic planning over the medium term and should be revised periodically under an appropriate macroeconomic planning institutional framework. The MTDS is comprehensive in its coverage and is consistent with NPESAP for the period 2009-13. The strategy is also expected to be consistent with Horizon 2030.

2.11 The MTDS articulates the development context including: the severity of poverty, human development challenges and growing concern over citizen security issues, and affirms GOBZ’s commitment to meeting the MDGs, while recognising that the current challenging global macro-economic environment, the country’s own fiscal challenges, the availability of financing, and limited human resource capacity, will influence its ability to implement its medium-term development agenda.

Further, the MTDS rightly recognises that, given the high share of commodity exports and tourism to Belize's trade receipts and the importance of ecotourism, the health of the country's environment is critical to economic stability. Additionally, the strategy highlighted the need for an improved approach to DRM, given the country's susceptibility to tropical cyclones and other natural hazards.

2.12 With respect to the strategies proposed, CDB welcomes GOBZ's resolve to continue enhancing governance as a necessary means to improve achievement of the country's development objectives. Intentions in that regard are reasonably detailed in the strategy, including the need to improve planning, budgeting, the framework for financial accountability and the capacity of the public sector to implement plans, programmes and projects. GOBZ will require assistance from development partners to implement these intentions. In addition to providing a good framework for strengthening economic planning and management, the MTDS specifies specific strategies for enhancing GOBZ's governance systems which are consistent with CDB's targeted assistance to its BMCs under its Governance Strategy. The institutional strengthening of key oversight agencies, such as the Ombudsman, the Auditor General and the Contractor General would be critical to promoting transparency and improving accountability across the public sector, as well as PFM. Institutional strengthening of the National Security Secretariat has also been identified under the MTDS. The National Security Secretariat (the Secretariat) is charged with supporting inter-agency integration, strategic policy development, implementation and oversight of security policy and programmes tied to the comprehensive NSS. Strengthening the institutional capacity of the Secretariat would facilitate achievement of NSS, which includes upgrading the delivery of public services under the ambit of Law, Justice and Security, another of CDB's key governance intervention areas.

2.13 CDB welcomes the several initiatives by Belize under NPESAP to improve the targeting of its social development programme. Among these initiatives, which has largely been in response to issues highlighted in the CPAs, is the introduction of a social protection national registry system by the Ministry of Human Development (MoHD). This system, which is currently at the design stage, will include an integrated database system and a single beneficiary register for the administration of all Government, social welfare and cash transfer programmes. MoHD proposes to continue upgrading the Conditional Cash Transfer (CCT) programme to address the needs of indigent households and families unable to meet basic needs, such as food and education costs. The CCT programme, which interfaces with the Ministry of Education's School Subsidy System, covers students up to 21 years of age and provides both age and sex differentiated incentives to address the issue of a high male dropout rate in primary schools after age 10. Generally, a broad range of agencies are engaged in the delivery of social development services but there needs to be effective coordination of both government and civil society organisations engaged in the delivery of these services. In this regard, MoHD has indicated a need to strengthen the Ministry's capability to operate programmes from a systems perspective.

2.14 While several strategies are identified with respect to focal areas, in some cases, there will be the need to further develop broad intentions into more concrete plans, programmes and projects and to relate these closely to the budget - both recurrent and capital. With respect to the link to the budget, the system to forge a close link need to be enhanced and, in that regard, GOBZ's plans to improve planning and budgeting are well placed. However, the transformation to this improved budgeting framework will require much time, perhaps upwards of five years. Given that actions towards programme budgeting have commenced, where feasible, attempts should be made to improve the framework within which the existing MTDS is cast, through annual updates linked appropriately to the medium-term fiscal framework.

2.15 A significant number of projects that are expected to contribute to the realisation of the medium-term objective have been proposed or were in the pipeline at the time the MTDS was finalised. Among major plans, the portfolio of new initiatives included infrastructure projects for roads, bridges, medical facilities and water systems. It is expected that the portfolio will be updated to include investment in the education sector, based on recommendations expected from the ongoing consultancy funded by CDB, with respect to the enhancement of the policy and strategic framework needed for the further development of the education sector. While these projects are considered to be among the priority needs, implementation will depend heavily on Belize's ability to increase savings or to raise sufficient financing, subject to its fiscal and debt sustainability targets, and to have in place the necessary implementation capacity. Further, it is important that Belize takes a lead role in the coordination of a work programme with its development partners to take advantage of opportunities, complementarities and synergies.

3. CARIBBEAN DEVELOPMENT BANK'S ASSISTANCE STRATEGY

Review of Caribbean Development Bank's Past Strategy Implementation, Country Portfolio Performance and Lessons Learnt

3.01 In December 2006, the BOD of CDB approved an assistance strategy for Belize, as outlined in Board Paper 69/06 - Country Strategy Paper, 2007-09, Belize. The major objective of the strategy was to enhance sustainable economic growth by:

- (a) supporting attempts to correct fiscal and external imbalances;
- (b) financing investments deemed critical for enhancing growth;
- (c) lending to eligible private sector entities; and
- (d) financing critical social development projects.

3.02 CDB's strategy also sought to promote good governance and to foster inclusive social development. The specific interventions proposed were expected to contribute towards the attainment of the above objectives. The proposed lending programme amounted to a total value of USD109.8 mn. This excludes projects under implementation during the period 2005-08. Several projects were approved and commenced during the strategy period and in 2010. Projects approved and implemented in 2010 are considered as a continuation of the 2007-09 strategy. Appendix 3 provides an assessment of the performance of CDB's Country Strategy.

(a) Assessment of Caribbean Development Bank Strategy for Belize 2007-09

(i) *Overall*

3.03 Projects approved and implemented from 2007-10 were all consistent with CDB's strategy for Belize (2007-09). Total loan approvals during the period 2007-10 amounted to USD103.5 mn, while approvals of grants amounted to USD3.5 mn, including USD2.8 mn under the BNTF V and VI Projects. Thus, total approvals fell just short of the USD109.8 mn broad indication given in the CSP. Approval was given by CDB during the period for several of the specific projects that were indicated in the strategy, while other approvals, though not specifically indicated, fell within the letter and spirit of the strategy. These approvals/interventions are discussed in greater detail in Appendix 3. There were only two areas indicated in the CSP for which there were no approvals of assistance during the strategy period. There was no direct private sector lending, although there was one request from an agricultural enterprise. CDB did not proceed with the appraisal of this request as viability was questionable. In addition, the proposal to encourage exports through an export credit/guarantee scheme has not yet been pursued, but is proposed to be pursued during the strategy period 2011-15.

3.04 Generally, CDB's strategy was successful with respect to the attainment of the immediate objectives. The main emphasis of the strategy was to help Belize deal with the most critical challenge it was facing, which was the correction of fiscal and external imbalances. To assist the Government to continue with its attempts to correct the fiscal and external imbalances, CDB provided a PBL of USD25 mn to GOBZ. IDB had also proposed support through a similar-sized PBL. The continuation of these imbalances would have severely affected the Government's ability to undertake critical investments in social, economic and institutional infrastructure to sustain growth, and would have placed severe constraints on its ability to implement poverty reduction and general support programmes for the poor and other vulnerable groups in the society. The imbalances also fostered an environment of uncertainty which

was adversely impacting business and investor confidence, which in turn would have had an adverse impact on output growth and social cohesion. The resources from CDB's and IDB's PBLs were intended to help Government close the financing gap over the short to medium term.

3.05 The PBL successfully contributed to the correction of fiscal and external imbalances. The first disbursement of the PBL was made in 2007, while the second disbursement was made during the first quarter of 2009. Since 2005, Belize has made significant efforts to correct unsustainable fiscal and external imbalances. GOBZ was successful in reducing the fiscal deficit and an overall fiscal deficit of 1.9% of GDP was attained in 2006, compared with one of 6.8% of GDP during the previous year. The PBL supported the continuation of the adjustment efforts by encouraging the implementation of various measures, including the restructuring of debt. Belize successfully restructured its external commercial debt, during the first quarter of 2007, with the issue of USD536.2 mn worth of bonds which were exchanged for pre-existing debt. Under the debt restructuring programme, outstanding commercial debt (with high interest rates and uneven payments schedule) was replaced by a 22-year bond (the super-bond) maturing in 2029, repayable in semi-annual instalments beginning in 2019, with interest rates payable semi-annually at 4.25% p.a. during 2007-09, 6% during 2010-11 and 8% for the remaining years of the bonds. The debt restructuring resulted in lower debt servicing cost over the medium term, thus contributing to more sustainable fiscal operations and an improved external position.

3.06 Under its fiscal adjustment programme, Belize set targets aimed at attaining sustainable operations over the medium term. These targets are to achieve an overall fiscal deficit of 2.5% of GDP or less; and a primary surplus of at least 3.5% of GDP. These targets were met between 2006 and 2008. The targets were not met in 2009 with the overall deficit of 2.8% of GDP, a primary surplus of 0.8% of GDP, and an increase in total CG debt from 79.2% of GDP, at the end of 2008, to 81.3% at the end of 2009. The level of debt at the end of 2008 had declined from 92% at the end of 2005. The performance in 2009 was due to the adverse impact of the recent global economic recession on the economy of Belize. GOBZ has responded to the deterioration in fiscal performance by implementing additional tax measures and restraining the growth in expenditure and, as a result, in 2010, attained an overall deficit of 1.1%, a primary surplus of 2.3% of GDP and consequently a reduction in CG's debt to 79.6% of GDP - indicative of fiscal and debt sustainability. Belize continues to aim to maintain debt at or below the current level and this generally requires the continued pursuit of fiscal deficits of around 2.5% of GDP, given the existing effective interest rate level and, if moderate growth (2 to 3% annually) ensues, Belize is expected to achieve sustainable fiscal and debt operations over the medium term, given its commitment to meeting the fiscal targets, but there are several risks discussed further below. With respect to the external position, net foreign assets of the banking system exceeded three months of merchandise imports since 2008. By the end of 2010, reserves assets held by CBB amounted to over four months of merchandise imports, exceeding the international benchmark of three months. Since 2007, there has been no queuing for foreign exchange in the official system. Thus, Belize avoided disorderly macroeconomic adjustment. It would be important to build on the success of this PBL to help Belize entrench the gains it has made and to support continued improvement in PFM. Belize now needs to focus on reducing poverty, given the increase in poverty recorded between 2002 and 2009. In that regard, the maintenance of a stable macroeconomic environment remains important.

3.07 The consequential stable macroeconomic position facilitated the approval and/or implementation of the other projects which are discussed in greater details in Appendix 3. Parallel to the PBL, CDB provided TA support to help in the design and implementation of institutional changes to improve fiscal management and overall governance, with a particular focus on transparency and accountability in management and decision-making. The infrastructure projects approved were critical to boost economic activity and to replace critical infrastructure damaged during tropical storm Arthur. Resources were made available to the private sector through the DFC and several interventions were undertaken to support social sector development, including the enhancement of the policy and strategic framework needed for

the further development of the education sector, and a TA to develop an intervention towards the transformation of South Side Belize City targeting youth at risk.

(b) Lessons Learnt With Respect to the Implementation of the Country Strategy Paper

3.08 The following factors, among others, contributed to the success of the CSP:

- (i) the CSP was aligned to the country's development goals and objectives. This contributed to full country ownership of the projects/interventions proposed;
- (ii) the interventions proposed were realistic and were based on critical needs expressed by and discussed with Belize. The number and scale of interventions proposed took into consideration the country's limited financial capacity expectations over the medium term;
- (iii) there was close supervision by CDB to ensure that interventions were aligned to priorities identified; and
- (iv) CDB's appraisal of projects proceeded expeditiously; once project applications were received.

3.09 The following areas for improvement have been identified:

- (a) Explicit preparation of the CSP within a results-based framework: Notwithstanding the success of the strategy for Belize for the period 2007-09, it was not designed within an explicit results framework. Thus, for the strategy period 2011-15, arrangements for monitoring the implementation of the CSP to ensure that results are achieved will be made more explicit.
- (b) Appraisal of projects within a results-based framework: Projects approved for CDB funding relied exclusively on a logical framework analysis at appraisal, but an explicit result model was not employed. Thus, going forward in partnership with Belize, CDB will seek to enhance the results focus during project appraisal.
- (c) Gender focus: With recent complements to staffing, CDB will be able to strengthen the gender focus during appraisal of interventions.

Caribbean Development Bank's Strategic Focus

3.10 CDB works with BMCs towards the systematic reduction of poverty through social and economic development. With that underpinning, CDB's strategic objectives for 2010-14 include: (i) promoting broad-based economic growth and inclusive social development; (ii) promoting environmental sustainability and DRM; and (iii) promoting good governance. With respect to the promotion of broad-based economic growth and inclusive social development, corporate priorities are to: (i) strengthen and modernise social and economic infrastructure; (ii) support agriculture and rural development; (iii) improve the quality and access to education and training; (iv) support private sector development; and (v) promote social protection measures. Promoting climate change mitigation and adaptation and improving the protection and sustainable management of natural resources are priorities related to the promotion of environmental sustainability and DRM. To promote good governance, the Bank's priorities are to support capacity development, strengthen economic management and promote social partnerships.

3.11 CDB's poverty focus cuts across all sectors financed by CDB and is incorporated into the appraisal of all projects. Further, CDB will support efforts that will reduce the exposure of BMCs to various shocks, minimise their effects, and facilitate recovery in the shortest possible time. CDB will also seek to promote an efficient, accountable and transparent government and support activities appropriate for the development of a modern state, committed to enhancing the wellbeing of all its citizens. Moreover, CDB's strategy includes addressing gender inequality as an important element in enhancing social protection and reducing poverty. CDB will therefore mainstream gender, in consideration of interventions to be undertaken, and will support the undertaking of gender assessments in all its BMCs.

Focus of Caribbean Development Bank's Proposed Assistance to Belize

3.12 It is proposed that CDB support the efforts of Belize to achieve its development objectives in a sustainable manner, consistent with the Bank's capacity, strategic objectives and corporate priorities, and in coordination with the country's other development partners. The proposed intervention strategy for Belize covers the period 2011-15. Staff assessments of the development challenges confronting Belize was informed by a review of the country's MTDS and NPESAP, a number of other sector plans, strategies and policies, discussions with various stakeholders including government officials, selected private sector bodies and Non-governmental Organisations (NGOs). An important part of the process involved discussions with the country's other development partners, while participation in the International Monetary Fund's (IMF) consultations with Belize provided valuable information.

3.13 It is proposed that CDB address poverty in Belize on several fronts. First, given the need to enhance growth as an anchor for poverty reduction, it is proposed that CDB assist Belize to strengthen the environment and institutional framework for sustainable growth. Hence, the proposed CDB interventions are designed to contribute to the following outcomes:

- (a) maintenance of a stable macroeconomic environment;
- (b) improved PFM; and
- (c) enhanced environment for output growth.

3.14 Second, recognising that growth by itself may not be sufficient to reduce poverty, it is proposed that CDB assist Belize to close the growth-poverty gap by improving the opportunities for persons to escape poverty, increasing inclusivity and reducing vulnerability. Thus, other proposed CDB interventions are designed to contribute to the following additional outcomes:

- (a) improved quality and access to education and training;
- (b) enhanced social and community development; and
- (c) improved environmental and DRM.

3.15 The specific areas/interventions for consideration by CDB to contribute to the achievement of each of the broad desired outcomes are discussed below.

- (a) Maintenance of a Stable Macroeconomic Environment

3.16 To ensure that an appropriate macroeconomic environment to support growth is maintained, Belize will still need to continue on the current fiscal course over the medium term which will require maintaining an overall deficit of about 2.5% of GDP. To consolidate and build on the gains that Belize

has made with respect to fiscal reforms and PFM, the country has expressed keen interest in receiving a further PBL from CDB. Therefore, it is proposed that CDB provide Belize with such support to encourage the country to maintain a stable macroeconomic environment. This will be necessary given the risks that Belize is likely to continue to face with respect to the volatility of government earnings and grant receipts, as well as expenditure pressures stemming from the stepped-up interest payments on the “super-bond” and given the need to maintain critical social expenditure and undertake other expenditure necessary to reduce poverty and address crime and security. The PBL financing will encourage Belize to continue with fiscal prudence which may require the undertaking of additional fiscal effort, given likely risks. Further, such financing continues to be important to Belize, given that the country’s access to international capital markets is still severely constrained.

3.17 It is proposed that three related single-tranche PBL operations, totally USD50 mn, be considered for disbursement over a three-year period. Appropriate triggers related to macroeconomic targets will be set, and these will be informed by discussions with IMF and GOBZ. Towards this end, CDB’s staff will participate in the IMF Article IV Consultations with Belize planned for August 2011.

(b) Improved Public Sector Financial Management

3.18 The PBL resources will also support the deepening of Belize’s reform agenda. While a number of actions have already been undertaken towards improving PFM, including the several recommendations arising from consultancies, more action is necessary to strengthen macroeconomic planning, programme budgeting, PSIP formulation, and expenditure oversight. Improved economic management is a critical factor if Belize is to accelerate economic growth, given its debt and fiscal constraints. Improving PFM is also one means through which human resource capacity constraints can be addressed. Thus, triggers for the release of the PBLs would also include the attainment of targets/milestones for improving PFM, including adequate staffing in areas deemed critical. The PBLs could be backward-looking, that is, with financing support being provided after the achievement of PFM reform targets/milestones and the attainment of agreed macroeconomic targets under a programme of reform, with BOD’s approval of the PBL to be sought after attainment of the targets/milestones. Thus, CDB proposes to commence discussion with Belize to arrive at a programme of reforms that could be encouraged through the PBL. BOD’s approval will be sought with respect to the release of the first of these PBLs. It is intended that CDB’s staff work closely with Belize to encourage the attainment of the milestones/targets during the period leading up to the request for BOD’s approval. This pattern will be repeated for each of the related PBLs.

3.19 To support the implementation of the PFM reforms, parallel TA would be considered. TA could be provided to support initiatives arising out of previously financed PFM interventions, including those supported by CDB, as parallel assistance to its first PBL to Belize, as well as to address human resource capacity constraints. In particular, training of various Ministries in multiyear budgeting, programme-budgeting and monitoring and evaluation, along with relevant upgrades to existing accounting and reporting systems would support implementation of the Fiscal Transparency and Responsibility Regulations 2010. Ongoing and planned interventions by other development partners would be considered in determining the areas to be supported by CDB, and, where relevant, such training should take advantage of other interventions being financed or supported by these partners (such as IDB and WB). CDB could also provide TA to GOBZ for institutional strengthening of oversight agencies such as the Ombudsman, the Auditor General and the Contractor General Department, and the Public Utilities Commission. The proposed TA could entail funding for legislative drafting, managerial and technical training and the provision of specialist expertise, on contractual basis, to augment existing human resource capacity within these agencies. The Bank will discuss with GOBZ the appropriateness and scope of a proposed TA intervention for these oversight agencies.

3.20 CDB's partnership with Belize in these areas would be consistent with CDB's overall strategies to promote broad-based growth and good governance. With respect to good governance, one of CDB's corporate priorities is to strengthen economic management. Further, as reflected in its MTDS, Belize recognises the need for continued strong commitment to fiscal and debt sustainability and for continued access to financing from its development partners.

(c) Enhanced Environment For Output Growth

3.21 To address some of the constraints to growth, CDB proposes interventions under three broad areas.

(i) *Economic Infrastructure*

3.22 Accelerating economic growth will require significant investments in economic infrastructure and this is clearly recognised in Belize's MTDS 2010-13 as a major cross-cutting area for focus. Further, to promote broad-based economic growth, one of the Bank's corporate priorities is to strengthen/modernise economic infrastructure. From among the various infrastructure projects included on the PSIP appended to the MTDS, CDB proposes to assist Belize with the construction or upgrade of selected roads, bridges and water and sewerage systems. In addition, CDB proposes to assist Belize to improve road safety and to build capacity within the Ministry of Works for planning, weight enforcement and maintenance management, among other areas. These efforts will contribute towards increasing the efficiency of the transportation sector, the expansion of access to water and increasing the treatment of wastewater. CDB has significant experience with the implementation of road and water infrastructure projects both in Belize and within the region.

(ii) *Enabling Environment For Private Sector Development*

3.23 CDB proposes to support the development of the financial architecture in Belize, and in particular, to assist with the establishment of an inter-bank real time payment system and a Credit Bureau. These mechanisms will help improve financial intermediation and the quality of credit risk assessment, thus contributing to a reduction in the cost of credit. Further, given the importance of development finance and the need for effective supervision to ensure its sustainability, CDB proposes to assist CBB in the development of an appropriate framework for the supervision of the DFC. CDB also proposes to further enhance development financing in Belize by supporting the establishment of an appropriate export financing/guarantee regime. Belize's MTDS proposes to support the continued development of traditional and emerging industries and to undertake various actions to improve export financing. Export financing is especially important to facilitate the further development of the agriculture and agro-processing sectors. There may also be need to address backward-linked interventions where these are necessary for the success of the proposed export financing initiative. Assistance to Belize to develop an appropriate export financing regime was proposed under CDB's strategy for Belize for the period 2007-09, as discussed in Appendix 3. This proposal remains relevant and critical to accelerating output growth. This proposal is consistent with CDB's corporate priority to support private sector development, within the strategy to promote broad-based growth and inclusive social development.

3.24 CDB remains committed to providing additional lines of credit for on-lending to the private sector and for education. CDB will also continue to extend support directly to the private sector through Caribbean Technological Consultancy Services. An indication from GOBZ is that they will encourage and facilitate greater use of these services by the private sector, as part of its strategy for enterprise development. To help Belize enhance the environment for trade and investment, CDB proposes to provide TA to BELTRAIDE to enhance its capacity for trade and investment promotion.

(iii) *Specific Interventions in Tourism and Agriculture*

3.25 Additionally, to support growth, CDB will consider undertaking interventions to improve contributions from tourism and agriculture. Attention will be given to projects with the greatest potential for reducing poverty. With respect to agriculture, CDB will consider providing support to improve water resource management, initially through the development of an irrigation master plan. CDB will also consider providing support for a pilot project to demonstrate the potential for increasing agricultural output in poor rural communities through investments in appropriate production, post-harvest and marketing technologies. CDB will also consider initiatives to improve sustainable livelihoods through projects in tourism, agriculture and national parks systems management.

(d) Improved Quality and Access To Education and Training

3.26 CDB also proposes interventions in education to assist persons to escape poverty. CDB recently approved a grant to Belize, to assist in meeting the cost of consultancy services, for the enhancement of the policy and strategic framework needed for the further development of the education sector. The activities which are currently being undertaken include:

- (i) conduct of a sector diagnosis;
- (ii) development of a school location plan, a school transportation policy and a school mapping model;
- (iii) formulation of an education sector strategy; and
- (iv) development of a comprehensive education sector investment programme, identifying priority areas for intervention.

3.27 It is proposed that CDB provide support to this sector in keeping with the recommendations from the sector review. However, it is clear that a primary focus must be the development of a regulatory framework around which all interventions will be located. Opportunities to collaborate with other donors in that regard will be pursued. Such interventions will be in line with CDB's corporate priorities to improve quality and access to education and training, with respect to the strategy to improve broad-based growth and inclusive social development. In designing interventions, CDB will build on its significant experience in implementing education projects in its BMCs and has the required expertise on staff for the appraisal and supervision of such projects. This area is also consistent with Belize's MTDS which puts forward "human development" as one of the sectors for focus through, among other strategies, investment in education.

(e) Enhanced Social and Community Development

3.28 In order to address vulnerability to poverty, improve inclusiveness and reduce vulnerability, CDB will continue to provide assistance to Belize under the BNTF programme and through the recent BSIF II loan. The BNTF, a direct targeted poverty reduction programme, will continue investments in communities characterised by chronic and severe poverty through the provision of basic infrastructure in education, health, water, rural roads and markets, and capacity building to improve access to services and livelihoods. Under the current Sixth Programme (BNTF VI), integrated community-based approaches are being applied to concentrate and sustain development of the most vulnerable population groups such as the indigenous Mayan communities, communities at grave social risk and those with low-income earning capacities.

3.29 Given the severity of poverty, and grave concerns over socially deviant behavior, especially among youth, CDB proposes to consider other strategies to directly address these issues. Belize is pursuing a multi-faceted approach to tackling crime and security and this will be undergirded by a NSS which is currently being reviewed. CDB proposes to support the implementation of appropriate recommendations emanating from the strategy. It is expected that CDB will seek opportunities to build on its current engagement with Belize, with respect to the Belize City Youth and Community Transformation Project. Additionally, CDB will seek to encourage increased agricultural output in rural communities, as well as the increased participation of communities in the provision of sustainable tourism services, as a direct strategy to reduce poverty. The importance of housing as a social cohesion tool is recognised and some support to improve the policy and strategic direction is also being contemplated. The TA to conduct a Country Gender Assessment scheduled for completion during the implementation of the CSP will further inform CDB's gender mainstreaming strategy in Belize.

(f) Improved Environmental Sustainability

3.30 With the high population growth and increasing levels of poverty and indigence, particularly in the rural areas, CDB will continue to support GOBZ's efforts to maintain and improve on the achievements made with respect to access to improved water and sanitation, as well as wider poverty reduction objectives that help to reduce the degradation of environment and natural resources and climate resiliency, using the ongoing BNTF and BSIF programmes. The Bank will also continue to ensure that all its investment interventions incorporate environmental, climate change resiliency, disaster risk reduction and social safeguards in their design and implementation.

3.31 The Bank will support discrete TA interventions that strengthen technical capacities and administrative structures of key environmental management and disaster risk reduction institutions to improve: (i) decision-making; (ii) knowledge management, enforcement, monitoring and reporting systems; (iii) mainstreaming of environmental, climate change, and disaster risk reduction in sectoral policies; and (iv) the design and implementation of initiatives that will help to improve livelihoods of the poor while strengthening the management and protection of the valuable parks and protected areas/system.

Lending Programme

3.32 Indicative financing requirements for the proposed CDB strategy amount to approximately USD172.80 mn. Table 3.1 shows indicative amounts for various projects or groups of projects. The mix of projects proposed reflects a preference of GOBZ to use government revenue to address non-capital social sector projects and share responsibility with donors with respect to other projects. The mix also reflects consideration of the assistance being provided by other development partners. Even so, given limited human and financial resource absorptive capacity, Belize will not be able to address all its challenges to the extent that it desires over the medium term. CDB will encourage Belize to improve its planning and budget implementation capabilities in order to ensure that limited resources are focused on areas with the potential to deliver the best results.

Donor Coordination

3.33 Given that Belize is still effectively unable to access long-term capital markets, except through costly special private placements, multilateral and bilateral financing will continue to take on high importance. Appendix 4 shows interventions under implementation, funded by Belize's major development partners.

3.34 The European Union (EU) is the largest donor to Belize with respect to grants. EU's assistance to Belize focuses on assisting the country to adjust to increased trade liberalisation, with respect to the export of sugar and bananas exported to the EU market under preferential arrangements. Thus, significant resources have been used and allocated for the support of the banana industry, under the Special Framework of Assistance (SFA) Programme, as well as for assistance to strengthen the sugar industry under the programme labelled "Accompanying Measures for Sugar." EU's assistance to Belize also includes interventions to help the country adjust to the changes in the trade regime, as well as tackle the wider issue of rural development - under the BRDP, and addressing climate change and adaptation, among other interventions. EU's assistance to Belize over the medium term is expected to continue to focus on these areas.

3.35 IDB is currently the largest single (multilateral or bilateral) lender to Belize. IDB's 2008-12 strategy focuses on three broad themes, namely: strengthening fiscal management; conditions to promote private sector-led growth; and poverty reduction - particularly in the southern part of the country. With respect to strengthening fiscal management, IDB assisted Belize through TA, as well as through a social sector PBL which included conditions related to fiscal management. Further, there are ongoing interventions in the tourism sector aimed at improving the sustainability of the sector. There are various other interventions as indicated in Appendix 4. IDB has not yet commenced work on a new strategy but preliminary indications, based on staff discussions, suggest that interventions in the education sector may be a major area for consideration. CDB will pursue opportunities to collaborate with IDB in that regard.

3.36 WB's investments in Belize over the past five years were not significant and included TA related to improving governance and developing plans, responses and strategies related to specific concerns in housing, health, education and DRM. WB is currently preparing a new Country Assistance Strategy for Belize for the period 2012-15, and preliminary indications are that WB will focus its assistance to help GOBZ achieve inclusive and sustainable natural resource-based growth and enhanced climate resilience. The proposed WB programme to protect the natural capital of Belize would not only help improve growth prospects but would also likely benefit the poor who tend to depend on the natural resource-driven sectors in Belize. Assistance is likely to be provided under three broad result areas, namely, mainstreaming of natural resources and climate resilience; institutional capacity strengthening for natural resource management and climate change; and strengthening climate resilience. WB intends to develop the specific activities during the course of the annual programming exercises, and this will depend on the availability of resources. WB will aim to enhance GOBZ's institutional capacity, with respect to the result areas, as well as to finance investment programmes targeting natural resources and the improvement and/or development of climate resilient infrastructure.

3.37 The Caribbean Regional Technical Assistance Centre (CARTAC) has provided TA to Belize in the area of PFM, and in more recent periods, has focused such assistance in the area of tax management. CDB is a contributor to CARTAC. In the past, assistance from the Organisation of Petroleum Exporting Countries' (OPEC) Fund for International Development (OFID) and that from Kuwait have focused on infrastructure development but there are some indications that these donors are increasingly willing to consider social sector interventions. A number of other multilateral and bilateral donors have also assisted Belize, but have done so either less frequently or on a lesser scale. These donors include UNDP, the Central American Bank for Economic Integration (CABEI), the Republic of China (Taiwan), Venezuela, India and Russia.

3.38 CDB has, in the past, undertaken joint funding of programmes with other donors and will continue to seek to collaborate with other funding agencies to maximise the comprehensiveness, effectiveness and adequacy of its interventions in line with the principles of the Paris Declaration on Aid Effectiveness.

TABLE 3.1: INDICATIVE CARIBBEAN DEVELOPMENT BANK LENDING PROGRAMME
TO BELIZE 2011-15
(USD mn)

Project/Programme	Amount
<u>Maintenance of a Stable Macroeconomic Environment</u>	
PBL	50.0
<u>Improved PFM</u>	
PBL as above	
Parallel PBL TA	3.0
<u>Enhanced Environment for Output Growth</u>	
<i>Enhanced Economic Infrastructure</i>	
Northern Highway Upgrade	20.0
Ambergris Cay/Belize City or Belmopan Water and Sewerage System	20.0
TA – Institutional Strengthening (Planning and Maintenance Management support)	0.5
Road Safety Capital Project and TA	6.0
<i>Enhanced Environment for Private Sector Development</i>	
TA - Establishment of Inter-Bank Payment System	2.5
TA - Establishment of Credit Bureau	2.5
TA - Central Bank Supervision Framework re: DFC	0.1
TA - Establishment of Appropriate Export Credit/Guarantee Regime	0.25
TA - Financing of Export Credit/Guarantee Regime	10.0
TA - BELTRAIDE - Sector Studies/Institutional Strengthening	0.5
Additional Line of Credit	15.0
<i>Specific Intervention in Agriculture and Tourism</i>	
TA for Developing Irrigation Master Plan	1.0
Agriculture Pilot Project	1.0
TA – Implementation of community level sustainable livelihood project	1.0
<u>Improved Quality and Access To Education and Training</u>	
Interventions in Education emanating from Education Sector Strategy	30.0
<u>Enhanced Social and Community Development</u>	
BNTF VII (tentative, subject to allocation criteria)	3.2
Youth at Risk Interventions	5.2
TA - Housing Policy and Strategy	0.1
<u>Improved Environmental Sustainability</u>	
TA – Improved policy and planning for environmental management	0.5
TA – Improved DRM capacity and mainstreaming	0.15
TA – Climate Change Adaptation	0.3
Total	172.80

4. RISKS MONITORING AND EVALUATION FRAMEWORK

Monitoring Results

4.01 CDB will utilise a results-based management framework in the implementation of its strategy; and intends to partner with GOBZ in this regard. As an aspect of its MTDS, GOBZ intends to pursue policy-based budgeting as part of an action plan to address the PEFA review recommendations. IDB is expected to provide assistance with the definition and implementation of this action plan. In this regard, the implementation of policy-based budgeting, which is essentially results-focused, will be encouraged by CDB through the second PBL and, where necessary, through other parallel TA. Full conversion to policy-based budgeting is expected to take in excess of five years. However, to encourage that process, CDB will partner with Belize to appraise each proposed intervention using a results-based framework. Thus, for each intervention CDB will ensure that: (i) the desired country outcomes and impacts of the projects are clearly understood; (ii) these desired results are clearly linked to the country's overall development strategy and the specific sector strategies; (iii) appropriate indicators for measuring results are agreed to, and arrangements made to ensure the availability of the information that will be required as a consequence; (iv) an appropriate monitoring and evaluation regime is designed and implemented; and (v) these are linked to the overall country budget and the specific programme budgets where possible. The matrix at Appendix 5 outlines the results (country outcomes and impacts) that are envisaged at this early stage from CDB's proposed interventions. These proposed interventions are aligned to the country's development strategy and GOBZ's priorities. Where specific projects have not yet been identified, as in those pertaining to education, once these are identified the Matrix will be updated to reflect this.

(a) Monitoring the Implementation of the Country Strategy Paper

4.02 In order to support the efforts of Belize to achieve its development objectives in a sustainable manner, CDB will continue to consult with GOBZ concerning its development strategy. Effective implementation of the CSP requires monitoring to ensure that the projects indicated in the CSP are submitted for financing, are appraised by CDB and, once approved by CDB's BOD, the funds will be disbursed expeditiously to facilitate implementation by GOBZ. In that regard, CDB will interface with GOBZ to ensure that once applications are submitted for the financing of projects identified in the CSP, they are appraised expeditiously using a results-based framework and when projects are approved, implementation is monitored by the appropriate government agencies and CDB's personnel under the results-based framework.

4.03 Additionally, CDB will closely monitor the development context in Belize, have regular dialogue with country officials and propose changes to the strategy which may become necessary to reflect changing realities and priorities. At the end of the strategy period, CDB will evaluate the implementation of the CSP. This evaluation will not only discuss whether projects identified in the CSP were implemented as envisaged, but will discuss the circumstances surrounding departures from the original strategy and make recommendations for strengthening the strategy for the next period. Even if projects were to be implemented as originally envisaged, at the end of the period, CDB will evaluate whether the projects selected represented the optimal choice. While it may be impossible to directly answer this question, an attempt will be made to evaluate the impact of the strategy on the country's development outcomes and/or point to the likely impacts, especially where it may be too soon for project impacts to be discerned or perceived. To assist in closely monitoring whether the proposed interventions indicated in the CSP are submitted for financing and are appraised and implemented as envisaged, that is, with respect to timelines and activities undertaken towards those timelines and with a results focus, a CSP implementation matrix and schedule will be used, as shown in Appendix 6 and 7. Appendix 6 shows the results expected with respect to the preparation of the CSP, while Appendix 7 shows the related CSP

implementation schedule. Appendix 6 also reflects the desired results with respect to policy dialogue with Belize, as well as with respect to the implementation of projects, as these activities are closely related. The implementation schedule will be updated each time project interventions are determined specifically, and timelines agreed to where they were not previously specifically determined or agreed on. At this juncture, GOBZ has not yet synchronised its PSIP with its medium-term expenditure framework/budget. Under the recently established Fiscal Transparency Legislation, by 2012, the MoF will be required to lay a medium-term budget before Parliament, as part of the Appropriations Bill. This will require more precise alignment of the PSIP with the medium-term budget. Belize is working towards this goal and better information on the timing, with respect to the implementation of CDB projects will be forthcoming. PBL and TA under this proposed strategy will support reforms facilitating improvements in planning and budgeting.

4.04 The CSP implementation will be monitored by CDB with respect to progress towards the borrowers' request for CDB's assistance. It is proposed that this be done on a formal, bi-annual basis through meetings between CDB, MoF, and other relevant ministries. Informal and frequent consultations between CDB's staff and staff in MoF, the Ministry of Planning and CBB will continue as they currently do, as part of the effort to address issues as they arise and to maintain a continuous dialogue on policy and operational matters. With respect to CDB's staff, the monitoring of the implementation of the CSP will be the responsibility of the team involved in the preparation of the CSP. The conduct of Country Portfolio reviews will also provide an opportunity for the review of the progress of the strategy.

4.05 CDB's Evaluation and Oversight Division will engage in formal oversight of the strategy and its implementation, both to assist the Operations area of the Bank in improving the development effectiveness of its activities on an informal, ongoing basis, and through a formal review of the interventions and processes, to inform a more structured approach to improving Bank operations.

Risks and Mitigation Actions

4.06 The success of implementation of the Country Strategy hinges on how well risks are minimised and/or mitigated. CDB will explore avenues to provide technical expertise to help Government contemplate feasible options for reducing fiscal and other risks to the economy. The risks to the strategy are assessed as:

(a) Implementation Capacity

4.07 Capacity constraints within the public service are a pressing issue for Belize. Human resource constraints, along with constraints in financial resources, have persisted for some time and are not likely to be overcome easily given the small population base and the dispersal of communities over a relatively wide land mass. This will impact on the number and the pace of interventions that can be undertaken by Ministries. One way to mitigate this challenge is to improve the results of government activity. The PBL that CDB is proposing will support the implementation of measures to improve planning and budgeting to enhance the results focus. CDB will work closely with other development partners to encourage and assist Belize to improve the structure and the capacity within MOF and MoED to oversee the implementation of the MTDS as an integral element of results-based budgeting. As necessary, CDB will provide TA to Belize to build human resource capacity in the public sector. Additionally, the issue will be given due consideration in the design of projects to be funded by CDB.

(b) Uncertainty About The Pace and Magnitude of the Global Recovery

4.08 Notwithstanding the nascent global recovery, macroeconomic risks abound and these are likely to be tilted to the downside in the medium term. Recent steep increases in international fuel prices threaten

to dampen global recovery. Recovery in the United States of America (USA) - Belize's major source market for tourism and investments has thus far largely been jobless, and points to continued sluggishness in the USA economy. The tenuous global economic conditions can indeed derail Government's efforts at meeting its fiscal and debt targets, although higher oil prices will mitigate this to some extent, given the impact of the small but important crude oil extraction industry in Belize. Generally, the slower the growth in global economic activity and the more protracted the recovery proves to be, the more constrained GOBZ will be in implementing its MTDS and, consequently, borrowing from CDB could be lower than anticipated in the CSP. Through CSP and PBL monitoring, CDB will seek to undertake timely policy discussion with GOBZ to find means of pursuing the MTDS, should the growth out-turn be slower than expected.

(c) Natural Disasters

4.09 Severe tropical weather conditions continue to pose risks to Belize. In recent years, significant resources have been diverted to disaster response activity, thus reducing that available to pursue critical development outcomes. CDB will continue to support Belize to respond expeditiously to disaster events and to finance the replacement of critical infrastructure affected by these events, to ensure they have minimal impacts on economic activity. Further, all capital projects financed by CDB will be appraised to ensure that appropriate design standards are incorporated in relation to resistance to natural disaster impacts. TA to further strengthen DRM as proposed earlier, will also help mitigate this risk.

(d) Other Risks

4.10 Given a recent court of appeal ruling regarding the legality of the 2009 compulsory purchase of BTL by GOBZ, there could be fiscal risks which would in turn impact GOBZ's ability to finance its development programme. Should GOBZ have to find the resources to compensate the previous owners for these assets, as well as for profits accrued while under its control, then GOBZ's debt will increase and/or resources which would have otherwise been used to finance development programmes could be diverted. These risks could be contained to the extent that the sale of shares covers the compensation that may have to be paid to the previous owners. However, the precise fiscal impact is not clear because the situation is evolving. There could be similar risks arising out of the recent nationalisation of BEL, depending on the legal outcome.

BELIZE: SELECTED ECONOMIC AND FINANCIAL INDICATORS

(Base Scenario 2010-15)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real Sector															
Real GDP Growth	5.0	5.1	9.3	4.6	3.0	4.7	1.3	3.6	0.0	2.9	2.5	2.7	2.6	2.2	2.4
Domestic Demand	3.3	3.8	4.7	1.5	5.5	(1.3)	6.8	14.3	(2.9)	(2.3)	5.5	6.5	6.4	4.8	5.2
Consumer Prices	1.1	2.3	2.6	3.1	3.7	4.2	2.3	6.4	(1.1)	0.9	2.0	2.0	2.3	2.5	2.5
External Sector															
	<i>(In percent of GDP, unless otherwise indicated)</i>														
Current Account	(21.8)	(17.7)	(18.7)	(14.7)	(13.7)	(2.1)	(4.1)	(10.7)	(6.1)	(2.9)	(4.0)	(6.9)	(7.9)	(7.6)	(7.4)
Trade Balance	(24.0)	(20.1)	(20.9)	(16.3)	(20.9)	(15.1)	(16.9)	(22.7)	(17.5)	(12.4)	(12.2)	(13.9)	(15.2)	(15.3)	(15.4)
Service Balance	5.3	4.9	7.2	8.4	12.9	17.3	17.9	16.0	13.5	14.3	13.2	13.2	13.2	13.3	13.3
Of which:															
Travel credit	12.8	13.0	15.2	15.9	19.3	21.3	22.5	20.5	18.9	18.9	18.6	18.4	18.3	18.3	18.2
Overall Balance (BZD mn)	(5.5)	(10.9)	(60.1)	(62.3)	(24.4)	99.6	45.8	115.8	94.5	8.6	49.9	(14.3)	(77.5)	(3.9)	(27.6)
Reserves (BZD mn)	238.6	229.3	169.2	106.5	71.6	171.4	217.2	333.0	427.5	436.1	486.0	471.7	394.2	390.3	362.7
Import Coverage (months of imports)	3.2	3.2	2.1	1.4	0.8	1.8	2.3	2.8	4.2	4.5	4.8	4.5	3.7	3.6	3.2
FA Commercial banks (% chg)	(3.6)	(15.1)	4.6	8.9	14.2	22.2	12.7	15.8	(13.4)	11.1	3.3	(0.8)	10.8	9.7	1.8
FL Commercial banks (% chg)	35.2	4.8	84.8	(0.6)	4.3	(18.4)	(46.5)	108.2	(47.1)	(40.1)	(16.9)	22.0	11.1	10.0	9.1
Fiscal Sector															
Total Revenue and Grants	26.2	28.1	23.4	24.3	24.1	24.8	29.9	29.5	25.8	27.0	27.4	26.6	25.9	25.6	25.3
Current Revenue	21.5	23.2	21.7	21.4	22.9	23.3	25.4	26.8	24.2	26.2	26.7	25.8	25.1	24.8	24.5
Total Expenditure	33.8	31.8	32.8	30.6	30.9	26.7	31.1	27.9	28.6	28.6	28.7	28.4	28.2	27.5	26.9
Current Expenditure	19.1	17.9	20.8	22.4	25.2	22.7	24.8	22.7	24.4	24.1	23.3	23.3	23.2	22.7	22.1
Capital Expenditure and net lending	14.7	14.0	12.0	8.2	5.7	4.0	6.3	5.2	4.2	4.5	5.4	5.1	5.0	4.8	4.8
Primary Balance	(4.5)	(0.9)	(4.6)	(0.5)	(0.1)	3.9	4.1	5.4	0.8	1.9	2.3	2.3	2.1	2.4	2.5
Overall Balance	(7.6)	(3.7)	(9.4)	(6.3)	(6.8)	(1.9)	(1.2)	1.5	(2.8)	(1.5)	(1.3)	(1.8)	(2.4)	(1.9)	(1.6)
Financing															
External	3.2	18.0	20.3	8.5	5.8	3.0	0.0	(0.1)	2.2	0.2	1.6	1.4	0.1	1.3	0.4
Domestic	6.0	(12.3)	(4.3)	(1.7)	(0.9)	(1.2)	1.3	(0.9)	0.7	0.1	(0.3)	0.4	2.3	0.6	1.3
Other	(1.6)	(2.0)	(1.4)	0.0	(0.1)	0.1	0.0	(0.5)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0
Total CG Debt (stock)	52.53	64.96	86.00	90.61	92.00	87.41	83.70	79.22	81.40	80.17	78.39	78.53	75.91	74.03	71.54
External	40.55	55.74	73.02	77.44	79.47	75.05	71.14	66.97	69.50	67.09	65.75	64.16	61.18	59.68	57.19
Domestic	11.97	9.22	12.98	13.17	12.53	12.36	12.56	12.25	11.80	13.08	12.64	14.37	14.72	14.34	14.35
Monetary Sector															
	<i>(Annual percentage change, unless otherwise indicated)</i>														
Broad Money (M2)	7.8	2.2	3.5	13.4	6.7	13.0	14.8	13.9	6.4	(0.1)	5.8	4.3	5.0	4.8	5.0
Domestic Credit	19.9	(3.5)	18.7	19.8	4.2	11.0	14.4	7.9	3.6	(2.6)	2.4	5.6	7.8	4.0	6.2
Net Credit to CG	164.7	(72.2)	193.8	93.5	(16.5)	25.2	15.3	(9.9)	1.1	(2.9)	(4.6)	(2.9)	20.0	(3.7)	11.8
Private sector credit	13.5	14.5	14.2	11.1	6.4	12.6	15.4	10.6	4.1	(2.3)	3.2	6.5	6.8	4.8	5.7
Velocity	1.67	1.75	1.79	1.69	1.66	1.62	1.48	1.38	1.29	1.3	1.3	1.3	1.3	1.3	1.3
Real credit to private sector	12.2	6.3	5.5	3.6	6.1	12.1	15.1	9.9	4.2	(2.3)	3.1	6.4	6.6	4.7	5.6
Memorandum Items:															
Real GDP (BZD mn)	1,746.6	1,835.7	2,006.8	2,099.5	2,163.1	2,263.8	2,294.1	2,377.7	2,377.6	2,447.0	2,508.5	2,577.3	2,645.2	2,703.5	2,769.8
Current GDP (BZD mn)	1,743.7	1,865.4	1,976.4	2,112.6	2,229.7	2,426.2	2,563.2	2,717.4	2,707.0	2,802.0	2,929.8	3,070.4	3,223.8	3,377.2	3,546.5
Growth Rate (nominal GDP)	4.8	7.0	6.0	6.9	5.5	8.8	5.6	6.0	(0.4)	3.5	4.6	4.8	5.0	4.8	5.0
Balance on goods/services (net exports)	(325.7)	(282.3)	(271.4)	(168.2)	(176.0)	51.9	27.0	(182.5)	(107.9)	52.1	30.0	(19.0)	(64.8)	(68.6)	(77.1)
Domestic Demand	2,069.4	2,147.6	2,247.8	2,280.8	2,405.8	2,374.3	2,536.3	2,899.9	2,814.9	2,749.9	2,899.8	3,089.4	3,288.6	3,445.9	3,623.6

Source: CBB – April 2011 Projections

THE MILLENIUM DEVELOPMENT GOALS PROGRESS AT A GLANCE

The Millennium Development Goals

At the beginning of the new millennium, world leaders made commitments to strengthen a global partnership to improve the lives of the world's poor in the course of one generation, from 1990 to 2015. This partnership was consolidated through the newly established MDGs which are now an integral component of the international development agenda of the UN. The agenda includes: quantitative targets to improve results in poverty reduction efforts, health, education, gender equality, and the protection of the environment through stronger partnerships between developed and developing countries and amongst developing countries, as well as partnerships with the private sector. The MDGs have become a platform for galvanising international efforts to reduce poverty and hunger and advance the agenda of human development in all countries.

The MDGs are a set of quantifiable, time-bound goals that articulate the social, economic and environmental advances that are required to achieve substantial gains in human development. Goals 1 to 7 are committed to raising the poor out of poverty and hunger, getting every child into school, empowering women, reducing child mortality, improving maternal health, combating HIV/AIDS, malaria and other diseases, and ensuring environmental sustainability. Goal 8 explicitly recognises that eradicating poverty worldwide can only be achieved through international cooperation. The challenges associated with the achievement of the MDGs cut across a vast array of interlinked issues – ranging from gender equality, through health and education, to sustainable development of the environment. The achievement of all the MDGs will result from government policies and the involvement of the private sector, civil society and the local communities.

Belize is slowly making progress toward integrating the MDGs into national development frameworks by creating MDG-based national, sectoral and local development strategies, and by using the MDGs to guide monitoring efforts. In supporting the country efforts, the UN Offices are committed to providing assistance through tracking progress towards the goals, assessing policy dimensions, building awareness, galvanising public support for action and supporting specific strategies to address key constraints that limit MDG achievement.

Belize MDG Progress at a Glance

Poverty has been increasing in Belize long before the current global crisis and the country's development strategy has not been sufficiently conducive to economic growth and poverty reduction. In spite of social protection programmes and new initiatives to widen the reach of the Belize safety net^{1/}, the number of poor people in Belize continues to rise. The current global crisis is likely to have additional negative impacts on the economic and social fabric of the country. This will further strain poverty reduction initiatives and efforts to achieve the MDGs.

^{1/} The roll-out of the National Health Insurance Scheme aimed at reaching poor and vulnerable populations in Southside Belize City and Toledo District, as well as the expansion of pension benefits to non-contributing elderly males and females from the Belize Social Security Board, have contributed to widening the reach of the safety net.

MDG1 - ERADICATE POVERTY AND HUNGER^{2/}

- The poverty rate increased from 33% in 1995 to 41.3% in 2009 - not on track to achieve the target of 16.8% by 2015.
- The poverty gap fell marginally from 10.9% in 2002 to 10.8% in 2009, representing only insignificant adjustment - not on track to achieve the target of 5.5% by 2015.
- The indigence rate increased from 10.8% in 2002 to 15.8% in 2009 - not on track to achieve the target of 6.7% by 2015.
- The Gini Coefficient of inequality increased significantly from 0.4, rounded up in 2002, to 0.42 in 2009 – not on track to support the targeted reduction of the poverty rate to 16.8% by 2015.

MDG2 - ACHIEVE UNIVERSAL PRIMARY EDUCATION

- The net enrolment rate fell from 88.1% in 2005 to 83.7% in 2008 - not on track to achieve the target of 100% by 2015.
- The proportion of students starting Grade 1 who reached the last grade of primary school (survival rate) increased from 89.5% in 2005 to 91.9% in 2008 – this slow growth indicates that we are not on track to achieve the target of 100% by 2015.

MDG3 - PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

- The ratio of girls to boys in primary school increased from 0.939 in 1995 to 1.01 in 2009, indicating that while the target for girls has been surpassed, there has been slippage with respect to boys. The ratio of girls to boys in secondary school increased from 1.105 in 1995 to 1.13 in 2009, also indicating that while the target for girls has been surpassed, there has been serious slippage with respect to boys. The ratio of females to males in tertiary school increased from 1.49 in 2002 to 1.73 in 2009, again indicating that while the target for females has been surpassed, there are serious lags with respect to males. Belize is not on track to achieve the target of parity by 2015.
- The share of women in non-agricultural wage employment increased from 38.7% in 1995 to 41.7% in 2007 - not on track to achieve the target of 50% by 2015.
- The percentage of women in the Lower House of the Belize Parliament fell from 3.45% of the seats in 1993 to zero in 2009 - not on track to achieve significant improvement by 2015.
- The literacy rate of 15-24 year-olds increased from 70.3% in 1992 to 94.7% in 2006, surpassing the literacy target of 90.6% for 2009 - on track to meet the target of 100% literacy among persons 15-24 years by 2015.

^{2/}Data for the poverty indicators are from the Final Report – Belize CPA 2009, prepared by Halcrow Group Limited for GOBZ and CDB, June 10, 2010.

MDG4 – REDUCE CHILD MORTALITY

- Belize was on track to reduce its under-5 mortality, from 23.7 per 1,000 live births in 1990 to 22.5 per 1,000 in 2009 – indicating very slow progress towards the target of 8 per 1,000 live births by 2015.
- The infant mortality rate increased from 17.6 per 1,000 live births in 1990 to 17.9 per 1,000 live births in 2009 - not on track to achieve the target of 8 per 1,000 live births by 2015.
- The percentage of children immunised against measles increased from 69% in 1992 to 96.6% in 2009 – on track to achieve the target of 100% by 2015.

MDG5 – IMPROVE MATERNAL HEALTH

- The Maternal Mortality Rate has increased from 41.7 per 100,000 live births in 1990 to 53.9 per 100,000 in 2009 – not on track to achieve the target of 10.4 per 100,000 live births by 2015.
- The proportion of births attended by skilled personnel increased from 79% in 1995 to 95% in 2008 - on track to achieve the target of 100% by 2015.

MDG6 – COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES

- The HIV prevalence among the population 15-24 years was officially established at 0.77% in 2009. No assessment of performance is possible until the next count.
- The incidence of malaria cases per 1,000 persons in the population fell significantly from 49.3 in 1994 to 1.7 per 1,000 persons in 2008 - on track to achieve the target of halting the spread of malaria by 2015.
- The infection rate of tuberculosis fell significantly from 49 cases per 100,000 persons in the population in 1990 to 24.7 cases per 100,000 in 2009 - on track to achieve the target of halting the spread of tuberculosis by 2015.
- The prevalence rate of tuberculosis in the population fell from 78 per 100,000 persons in 1990 to 26.7 per 100,000 cases in 2009 - on track to achieve the target of halting the spread of tuberculosis by 2015.

MDG7 - ENSURE ENVIRONMENTAL SUSTAINABILITY

- The current proportion of the land covered by forest is approximately 58% and the deforestation rate for Belize is approximately 0.6% per year – not on track to halt and reverse the proportion of land covered by forest by 2015.
- The country is poised to meet the implicit target of 100% access to improved water sources for both urban and rural communities.
- Per capita emissions have increased more than 4-fold since 1994. It should be noted, however, that the country's emission remains negligible when compared to global recorded levels of carbon dioxide.

- Preliminary data on carbon emissions (CFCs) for 2008 indicate consumption of 0.780 metric tons. This figure is 2.92 metric tons, or 78.9%, less than the ceiling awarded to Belize.
- Official data from the Statistical Institute of Belize indicate that the share of the population with an improved water source increased from 43.6% in 1995 to 76.4% in 2006 – on track to achieve the target of 100% access in 2015. Indeed, alternative estimates suggest that access to safe drinking water nationally grew to 99.5% in 2008, though rural areas lag behind at 90%.
- The share of the population with access to improved sanitation facilities increased from 41% in 1995 to 64% in 2007, and approximately 70% in 2008 – showing slow progress to the goal of 100% by 2015.

MDG8 - DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

- As the economy shifts to greater reliance on the service sector, which is less vulnerable to the type of exogenous price shocks that characterise the traditional specialist exports of goods, Belize's debt service as a percentage of gross exports has recently been falling fairly steadily from 17% in 2006 to 11.4% in 2008, becoming more sustainable in the process.
- The number of telephone landlines has been declining as individuals and households turn to more efficient means of continuous and on-demand cellular or internet communication. Cellular subscribers have been growing rapidly from 6.7 persons per 100 in 2000 to 53.2 per 100 in 2008.
- The number of persons with internet connection has increased slowly, from 6 per 100 in 2000 to only 11 per 100 in 2008. Faster progress is needed to meet the goal of rapid global information sharing and communication that characterises the process of poverty reduction through expansion of opportunity in education, health and efficiency.

Table 1.1: Summary Scorecard - Belize Achievements and Challenges at a Glance					
Goals, Targets and Indicators	Baseline	2009		Target 2015	Progress to 2015
		Target	Achievement		
GOAL 1: ERADICATE EXTREME POVERTY/ HUNGER					
Target 1: Halve, between 1990 and 2015, the proportion of people living below the Belize indigence line					
Population below Poverty Line (%)	33.5 (2002)	30.5	41.3 (2009)	16.8	Not on track; significant challenges to achieve this goal
Poverty Gap Ratio (%)	10.9 (2002)	10.1	10.8 (2009)	5.5	Not on track; no significant change
Target 2: Halve proportion population suffers hunger					
Proportion of population less than minimum dietary consumption (extreme poverty) (%)	10.8 (2002)	10.1	15.8 (2009)	6.7	Not on track
GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION					
Target 3: Ensure complete Primary School					
Net enrolment rate in Primary Education (%)	90.3 (1992)	92	83.7 (2008/09)	100	Not on track
Proportion of pupils entering Grade 1 G1, reaching 8 (%)	87.2 (2000)	93.6	91.9 (2009)	100	Not on track
Literacy rate of 15-24 year-olds (%)	70.3 (1992)	90.6	94.7 (2006)	100	Well on track; surpassed target for 2009
GOAL 3: PROMOTE GENDER EQUALITY AND WOMEN EMPLOYMENT					
Target 4: Eliminate Gender Disparity					
Ratio of girls-boys in Primary Education	0.939 (1995)	0.96.6	1.01 (2009)	100	On track; new challenges to ensure parity for boys
Ratio of girls-boys in Secondary Education	1.105 (1995)	107.1	1.13 (2009)	100	Not on track; significant challenges emerging for boys
Ratio of girls-boys in Tertiary Education.	1.49 (2002)	148.8	1.73 (2009)	100	Far off track; major problems for males
Share of Women in wage employment in non-agricultural sector (%)	38.7 (1995)		41.7 (2007)	50	Not on track
Proportion seats held by women Nat'l Parliament (%)	3.45 (1993)		0% (2009)		Not on track
GOAL 4: REDUCE CHILD MORTALITY					
Target 5: Reduce by 2/3 <5 yr. mortality rate					
Under 5 mortality rate (per 1,000 live births)	23.7 (1990)	8	22.5 (2009)	8	Slow progress
Infant mortality rate (per 1,000 live births)	17.6 (1990)	17.9	17.9(2009)	5.9	Not on track
Children immunized against measles (%)	69 (1992)	96.6	96.6 (2009)	100	On track
GOAL 5: IMPROVE MATERNAL HEALTH					
Target 6: Reduce maternal mortality					
Maternal mortality rate (per 100,000 live births)	41.7 (1990)		53.9 (2009)	10.4	Not on track (Qualitative progress)
Skilled birth attendance rate (%)	79 (1995)	97.5	95 (2008)	100	On track
GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER					
Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS					
HIV prevalence population 15-24 (%)	None		0.77% (2009)	None	No trend data available
Target 8: By 2015, halt tuberculosis and Malaria					
Incidence of malaria (cases per 1,000 population)	49.3 (1994)		1.7 (2008)		On track (dramatic reduction)
Incidence of tuberculosis (cases per 100,000)	49 (1990)		24.7 (2009)	None	On track
Prevalence rate of tuberculosis (cases per 100,000)	78 (1990)		26.7 (2009)		On track; high degree of vigilance needed

Table 1.1: Summary Scorecard – Belize Achievements and Challenges at a Glance					
Goals, Targets and Indicators	Baseline	2009	Target 2015	Progress to 2015	Goals, Targets and Indicators
GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY					
Target 9: Integrate the principles of sustainability					
Proportion of land area covered by forest	NA	NA	58% (2009)		Not on track; significant policy adjustment needed.
Land area protected to maintain environment	NA	NA	NA		
Carbon dioxide (CO2) emissions	2.7	NA	NA		On track – negligible emissions relative to global targets.
Consumption of ozone depleting CFCs	NA	NA	0.780 tons (2009)		On track – ceiling awarded Belize surpassed
GDP per unit of energy use	NA	NA	NA	NA	
Kilowatt hours of consumption	NA	NA	NA	NA	
Kilowatt hours of demand	NA	NA	NA	NA	
Target 10: Halve population without access to water					
Population with access to water source	43.8 (1995)	80.8	76.4 (2006)	100	On Track
Social Investment Fund Data - Urban	43.6 (1995)		99.5 (2008)		On Track
Social Investment Fund Data - Rural	51(1990)		90 (2008)		On Track, with continuous improvement
Target 11: By 2020, to have achieved livelihood improvement. Owners of their own dwelling					
Population with proper sanitation facilities	41 (1995)	94.6	64.4(2007)	100	Slow progress
Proportion of people with access to secure tenure	94.1	95.2	97.3	100	
Population with WC linked to sewage/septic tank					
GOAL 8: DEVELOP A GLOBAL PARTNERSHIP					
Target 15: Deal with debt problem in sustainable manner					
Debt service as % of exports	13.1	11	9.5	8.5	Slow progress
Target 16: Implement strategies for productive youth work					
Unemployment of young people 15-24 years old	21.8	18	15	12	Slow progress
Target 17: Provide access to essential drugs					
Proportion of population with access to essential drugs	NA	NA	NA	100	
Target 18: In cooperation w/private sector new techs					
Teledensity (fixed and mobile lines)					
Mobile	6.7 per 100 (2000)	NA	53.2 per 100 (2008)	NA	
Personal computers density	NA	NA	NA	NA	
Internet connections, dial-up and broadband	6 per 100 (2000)	NA	11 per 100 (2008)	NA	

CARIBBEAN DEVELOPMENT BANK'S DEVELOPMENT EXPERIENCE

Performance on Country Strategy Paper 2007-09

In December 2006, BOD of CDB approved an assistance strategy for Belize, as outlined in Board Paper 69/06 – Country Strategy Paper, 2007-09, Belize. The major objective of the Strategy Paper was to enhance sustainable economic growth by:

- (a) supporting attempts to correct fiscal and external imbalances;
- (b) financing investments deemed critical for enhancing growth;
- (c) lending to eligible private sector entities; and
- (d) financing critical social development projects.

2. CDB's strategy also sought to promote good governance and to foster inclusive social development. The specific interventions proposed were expected to contribute towards the attainment of the above objectives. The proposed lending programme amounted to a total value of USD109.8 mn, excluding projects that were ongoing during the period 2005-08. Several projects were approved and commenced during the strategy period and in 2010. Projects approved or implemented in 2010 represent a continuation of the 2007-09 strategy.

- (a) Caribbean Development Bank's Approved Assistance Strategy 2007-09

3. CDB's Country Strategy for Belize over the period 2007-09 was intended to support the efforts of GOBZ to achieve its development objectives in a sustainable manner, consistent with the Bank's capacity and focus, and in coordination with the interventions of the country's other development partners.

- (i) *Correcting Fiscal and External Sector Imbalances*

4. Thus, the main emphasis of the Strategy was to help Belize deal with the most critical challenge that it was facing, which was the correction of fiscal and external imbalances. To assist the Government to continue with its attempts to correct the fiscal and external imbalances, CDB provided a PBL of USD25 mn to GOBZ. IDB had also proposed support through a similar-sized PBL. The continuation of these imbalances would have severely affected the Government's ability to undertake critical investments in social, economic and institutional infrastructure to sustain growth, and would have placed severe constraints on its ability to implement poverty reduction and general support programmes for the poor and other vulnerable groups in the society. The imbalances also fostered an environment of uncertainty which was adversely impacting business and investor confidence, which in turn would have had an adverse impact on output growth and social cohesion. The resources from CDB's and IDB's PBLs were intended to help Government close the financing gap over the short to medium term.

5. Parallel to the PBL, CDB also proposed to provide TA support to help in the design and implementation of institutional changes to improve fiscal management and overall governance, with a particular focus on transparency and accountability in management and decision-making. The TA that CDB proposed to provide to Belize, in parallel with the PBL, was intended to be developed in coordination with the ongoing and proposed interventions of other development partners and agencies and was intended to reflect underlying requirements, as well as the priorities of the Belize authorities.

(ii) *Financing Critical or Highly Desirable Growth Enhancing Investments*

6. CDB, in the 2007-09 CSP for Belize, proposed supporting public sector investments that were deemed critical to enhancing economic growth or that were judged to be highly desirable to enhance economic growth prospects. The basis of this approach was to contribute towards the correction of macroeconomic imbalances by supporting sustainable growth. However, such lending to the public sector was to take place in the context of a sustainable fiscal and macroeconomic framework and, as such, was expected to take account of the total investment programme of the public sector. Given the performance of tourism industry growth at the time, public sector projects to support this area were to be given priority.

(iii) *Lending to Eligible Private Sector Entities*

7. CDB proposed to lend to eligible private sector firms, consistent with its private sector strategy, where such investments demonstrated the capacity to be viable, enhance foreign exchange earnings or contribute significantly towards foreign exchange savings and employment generation, while at the same time not requiring government guarantees. Given the critical importance of efficient and reliable utility and transportation-related services for competitive production, the Bank also proposed considering funding the expansion of such services, where appropriate, and where the policy requirements were met.

8. Further, CDB desired to continue its support for micro, small and medium-sized enterprises. Given the circumstances at the time, this may have required arrangements to replace, in some appropriate and sustainable fashion, the services that were performed in the past by DFC. As part of the adjustment effort, a decision had been taken at that time to cease DFC's new lending operations. Prior to that, CDB's support to the private sector in Belize was largely through DFC for on-lending. CDB proposed to support activities likely to contribute to sustainable expansion of the export sector, such as through export guarantee schemes.

(iv) *Financing Critical Social Development Projects*

9. CDB proposed to maintain a strong focus on interventions designed to reduce poverty and to address the critical needs of poor and vulnerable groups. Further, given the macroeconomic environment, CDB also proposed considering assisting Belize in making critical or important investments in the social sector, or in establishing institutional arrangements, where it is deemed that these can have a positive impact on growth and social cohesion over time. CDB's support to social development in Belize, under the BNTF programme, was expected to continue under BNTF VI cycle.

(v) *Resources*

10. Indicative financing requirements for the proposed CDB strategy amounted to about USD109.5 mn. Table 1 shows indicative amounts for various projects, or groups of projects, which fall under the four main categories discussed above, as proposed at the time of approval of the strategy.

11. The indicative interventions under the proposed country strategy were expected to be adjusted to accommodate expanded requirements as the country successfully addressed its fiscal and external account difficulties. The situation was to be closely monitored by CDB, with a view to revising the strategy as appropriate, and in consultation with the Belize authorities, domestic stakeholders, and the country's development partners.

TABLE 1: INDICATIVE AMOUNTS FOR VARIOUS PROJECTS
(USD mn)

Project/Project Group	Indicative Amount
PBL	25.00
PBL parallel TA	0.25
Upgrading of Placencia Road	12.60
Other infrastructure to support tourism development	25.00
Private sector direct lending	20.00
TA to develop successor to DFC	0.10
TA to design Housing Development Corporation	0.10
Export Credit/Guarantee Scheme	10.00
Resources for on-lending to productive sector	10.00
TA - Belize River Valley Water Project	0.15
Belize River Valley Water Project	3.00
TA to develop Human Resource Development Strategy	0.10
BNTF VI	3.01
Total	109.51

(b) Assessment of Caribbean Development Bank Strategy for Belize 2007-09

(i) *Overall*

12. Projects approved and implemented from 2007-10 were all consistent with CDB's strategy for Belize (2007-09). Total loan approvals during the period 2007-10 amounted to USD103.5 mn, while approvals of grants amounted to USD3.5 mn, including USD2.8 mn under the BNTF V and VI Projects. Thus, total approvals fell just short of the USD109.8 mn broad indication given in the CSP. Approval was given by CDB during the period for several of the specific projects that were indicated in the strategy, while other approvals, though not specifically indicated, fell within the spirit of the strategy. These approvals/interventions are discussed in greater detail in the sub-sections that follow. There were only two areas indicated in the CSP for which there were no loan or grant approvals by CDB during the strategy period. In that regard, there was no direct private sector lending, although there was one request from an agricultural enterprise. CDB did not proceed with the appraisal of this request as viability was questionable. Second, the proposal to encourage exports, through an export credit/guarantee scheme, has not yet been pursued and could possibly be pursued during the strategy period 2011-14.

13. Generally, CDB's strategy was successful with respect to the attainment of the immediate objectives. The PBL contributed to the correction of fiscal and external imbalances. As discussed below, the fiscal operations improved over the period and so did the external position. With respect to the external position, net foreign assets of the banking system have stood at close to three months or at greater levels since 2008. By the end of 2010, reserves assets held by the CBB amounted to over four months of imports of goods and services, exceeding the international benchmark of three months. Since 2007, there has been no queuing for foreign exchange in the official system. Thus, Belize avoided disorderly macroeconomic adjustment. The consequential stable macroeconomic position facilitated the approval and/or implementation of the other projects further discussed below. The infrastructure projects approved are highly desirable to boost economic activity or are critical, as in the case of the project, to reconstruct the bridges washed away by tropical storm Arthur. Resources were made available to the private sector through DFC and the need for further resources will be assessed with respect to the new strategy period. Several interventions were undertaken to support social sector development.

(c) Correcting Fiscal and External Account Balances

(i) *Policy-Based Loan*

14. CDB supported Belize's adjustment efforts through a PBL. The Loan of USD25 mn was instrumental in the success that Belize had with its adjustment efforts. The first disbursement of the PBL was made in 2007, while the second disbursement was made during the first quarter of 2009.

15. Since 2005, Belize has made significant efforts to correct unsustainable fiscal and external imbalances. GOBZ was successful in reducing the fiscal deficit and an overall fiscal deficit of 1.9% of GDP was attained in 2006, compared with one of 6.8% of GDP during the previous year. The PBL supported the continuation of the adjustment efforts by encouraging the implementation of various measures, including the restructuring of debt. Belize successfully restructured its external commercial debt, during the first quarter of 2007, with the issue of USD536.2 mn worth of bonds which were exchanged for pre-existing debt. Under the debt restructuring programme, outstanding commercial debt (with high interest rates and uneven payments schedule) was replaced by a 22-year bond maturing in 2029, repayable in semi-annual instalments beginning in 2019, with interest rates payable semi-annually at 4.25% p.a. during 2007-09, 6% during 2010-11 and 8% for the remaining years of the bonds. The debt restructuring resulted in lower debt servicing cost, thus contributing to a more sustainable fiscal operation and an improved external position.

16. Under its fiscal adjustment programme, Belize set targets aimed at attaining sustainable operations over the medium term. These targets are to achieve an overall fiscal deficit of 2.5% of GDP or less; and a primary surplus of at least 3.5% of GDP. These targets were met between 2006 and 2008. The targets were not met in 2009 with the overall deficit of 2.8% of GDP, a primary surplus of 0.8% of GDP, and an increase in total CG debt from 79.2% of GDP, at the end of 2008, to 81.3% at the end of 2009. The level of debt at the end of 2008 had declined from 92% at the end of 2005. The performance in 2009 was due to the adverse impact of the recent global economic recession on the economy of Belize. GOBZ has responded to the deterioration in fiscal performance by implementing additional tax measures and restraining the growth in expenditure and, as a result, in 2010, attained an overall deficit of 1.1%, a primary surplus of 2.3% of GDP and consequently a reduction in CG's debt to 79.6% of GDP - indicative of fiscal and debt sustainability. Belize continues to aim to maintain debt at or below the current level and this generally requires the continued pursuit of fiscal deficits of around 2.5% of GDP, given the existing effective interest rate level and, if moderate growth (2 to 3% annually) ensues, Belize is expected to achieve sustainable fiscal and debt operations over the medium term, given its commitment to meeting the fiscal targets.

(ii) *Parallel Policy-Based Loan Assistance*

17. TA, parallel to the PBL, has been extended to Belize under the following three projects:

- Modernisation of Customs and Excise Department Project;
- Institutional Framework for Conducting Macroeconomic Management;
and
- Modernisation and Revision of Financial Regulations.

18. In 2007, CDB approved a loan of USD2.52 mn to Belize for the implementation of a Modernisation of Customs and Excise Department Project. The project involves the implementation of modern and comprehensive computerisation system for customs control and clearance (Automated System for Customs Data World). This is expected to result in increased efficiency in the administration of border taxes and, consequently, contribute to improved fiscal performance. The first disbursement of the loan was made during the fourth quarter of 2008. The project is expected to be completed by June 2011. Implementation of this project has generally progressed smoothly. Significant benefits from this project will begin to materialise from 2010.

19. CDB approved a TA grant of \$101,200 to Belize to facilitate the establishment of an appropriate institutional framework for conducting macroeconomic management in Belize. The grant was disbursed in 2009 and the consultancy financed by the grant was completed. One key recommendation of the consultancy is that Cabinet appoint a high-level technical team, chaired by the Financial Secretary, and with representation from the CBB and MoED, among others. It was envisaged that the high-level technical team would make recommendations to MoF regarding economic management. Under the proposed institutional arrangement, macroeconomic framework projections under various scenarios were expected to be prepared through the collaboration of key institutions including the CBB, MoF and MoED. These projections would inform deliberations of the high-level technical team. The high-level technical team has already been appointed and some meetings have been held, but more frequent meetings were expected to ensue once the preparation of major planning documents was completed.

20. Effective planning commences with the formation of well thought-out policy, planning and strategy documents and Belize's efforts in that regard has increased in recent years. In 2010, with funding assistance from CDB (through a grant of USD21,000), Belize completed the preparation of the MTDS document. The document was formulated through consultation with the main government ministries, agencies and departments and incorporates issues and solutions, identified during stakeholder consultation processes, for the formulation and/or revision of the 2008/09 and 2009/10 fiscal budgets, and the 2007-11 and 2009-13 NPESAP. The document represents a good starting point for strengthening economic planning over the medium term and could be revised periodically, once an appropriate macroeconomic planning institutional framework is sufficiently entrenched. The MTDS is also expected to be adjusted, as necessary, upon the completion of the long-term planning document - Horizon 2030. Horizon 2030 is expected to be completed by the end of 2010 and will provide a broad roadmap for the social and economic development of Belize over a 20-year period.

21. CDB also approved a TA grant of USD101,200 to Belize to facilitate efforts to improve PFM in Belize through the modernisation and revision of regulations namely, Control of Public Expenditure (1966), Financial Orders (1965) and Stores Orders (1968). The grant was disbursed in January 2009 and the consultancy funded under the grant was completed. Partly as a follow-up to this consultancy, some amendments to the Principal (Parent) Act – The Finance and Audit (Reform) Act (No. 12 of 2005), have been drafted. These amendments are aimed at: (i) improving the effectiveness of the Act by providing sanctions for the violation of the provisions of the Act; (ii) enhancing transparency in the tendering process for government procurement and sale contracts; (iii) enlarging the regulations-making power of the Minister in the interest of expediency; (iv) restoring the Financial Orders and Stores Orders to their original status of subsidiary legislation; and (v) providing for matters connected and incidental to these.

(d) Financing Critical or Highly Desirable Growth Enhancing Investments

(i) *Upgrading of Placencia Road*

22. The Placencia Peninsula is an important and growing area for tourism activity. Thus, in 2007, CDB approved a loan of USD12.6 mn to Belize for the upgrading of the 33.4 kilometres Placencia Road, including the reconstruction of some sections. The project was expected to encourage further tourism and agricultural development of the Placencia Peninsula and, in general, to enhance the livelihood of the affected populations. This upgrading of the road was successfully completed in 2010 under budget. The impact of the project on tourism development and on livelihood is anticipated over the medium to long term.

(ii) *Natural Disaster Mitigation Bridge Rehabilitation – Tropical Storm Arthur*

23. In 2008, CDB approved a loan of USD8.8 mn to Belize for the reconstruction of the Kendall (Sittee River) and Mullins River bridges which were destroyed by floods generated from the passage of tropical storm Arthur. The reconstruction of these bridges will: (i) reconnect sections of southern Belize which had been totally cut off from the rest of the country (in the case of Kendall Bridge); (ii) reduce increased vehicle operating costs associated with a lengthy detour (in the case of the Mullins River Bridge); and (iii) assist in the restoration of Belize's productive capacity. Project mobilisation started towards the end of 2010.

(iii) *Fourth Road (Santa Elena/San Ignacio Bypass) Project*

24. In 2010, CDB approved a loan of USD24.7 mn for a project to provide a bypass road through the reconstruction of Loma Luz Boulevard and Joseph Andrews Drive, and through connecting these two existing streets with a new road and bridge crossing the Macal River. The project is expected to increase the efficiency of road transportation in and through the twin town of Santa Elena/San Ignacio by providing two-way all-weather access, and consequently, to contribute to sustaining and increasing economic activity in and through the area which is important for tourism, the transportation of crude oil and for trade with Guatemala.

(iv) *Water Supply – Ambergris Caye/Belize City – Technical Assistance*

25. In 2010, CDB approved a loan of USD1.6 mn to conduct a feasibility study for the expansion of water and sewerage facilities on Ambergris Caye. Ambergris Caye is an important one of Belize's major areas of concentrated tourism activity. The improvement of the water and sewerage system is thought to be important to sustain and boost tourism activity in the area. The objective of this intervention is the production of a feasibility study and phased capital works investment programme for Ambergris Caye to guide Belize Water Services Limited (BWSL).

(e) Lending to Eligible Private Sector Entities

(i) *Sixth Consolidated Line of Credit Development Finance Corporation*

26. In 2009, CDB approved a loan of USD10 mn to GOBZ, consisting of a line of credit for the financing of projects in the sectors of agriculture, industry, housing and education for management by DFC on an agency basis. CDB also provided a TA Grant for institutional strengthening of DFC.

The objectives of the project are to provide finance to:

- individuals and entities in the productive sectors for medium and long term loans;
- low to lower-middle income households in Belize for home improvement loans, as well as loans to first-time homeowners for new construction and purchase of newly constructed houses; and
- students seeking loans for self-improvement at the technical, vocational and professional levels.

27. Drawdown of the loan has commenced and is expected to proceed as was anticipated at appraisal. With respect to the institutional strengthening component, DFC has started implementing recommendations from the Consultant's report.

(f) Financing Critical Social Development Projects

(i) *Belize River Valley Rural Water Project*

28. Approximately USD3.3 mn was approved by CDB, in 2010, for GOBZ to establish a potable water supply system in Belize River Valley, to serve nine villages, by installation of pipeline, storage tanks, pumps and boreholes and connect the system to BWSL mains. Procurement of the supervision consultant is currently ongoing. CDB, in 2007, had provided grant financing of USD149,000 to study the feasibility of this undertaking. By increasing access to safe potable water supply systems, the project is expected to contribute to a reduction of risks to food and water-borne diseases and, in general, will contribute to the reduction in poverty and an improvement in the general quality of life of residents.

(ii) *Belize Social Investment Fund II*

29. Through a USD15 mn loan, approved in 2010, CDB will make resources available to the BSIF to fund small sub-projects in poor under-served communities. The sub-projects, to be selected on a demand-driven basis, will be in the following areas: water and sanitation; education; health; economic infrastructure; social infrastructure; and organisation strengthening. The project is expected to help improve living conditions and enhance social capital in poor communities in Belize. Interventions under BSIF are an integral component of Belize's poverty reduction strategy and action plan. CDB's funds will also allow for the development of a comprehensive results-based monitoring and evaluation system. This is the second loan approved by CDB to fund projects through BSIF, which was established by legislation to appraise, finance and supervise sub-projects in poor communities throughout Belize. The first loan was approved in 2003 and amounted to USD7.07 mn.

(iii) *Enhancement of Policy and Strategic Framework in the Education Sector*

30. CDB approved grant funding of USD260,000 in 2010 for the payment of consultancy services to assist GOBZ with the formulation of a policy and strategic framework for the education sector. This involves the development of a comprehensive education sector strategy, including a school location plan. The assignment will also assist GOBZ with the development of a proposal for a comprehensive investment programme for CDB's consideration.

(iv) *Conduct of Country Poverty Assessment*

31. As part of its regional programme entitled "Country Poverty Assessments and Poverty Reduction Strategies Programme in Borrowing Member Countries" approved by BOD on May 15, 2006 (BD 13/06), CDB approved a grant of USD49,500 in 2008 to assist with the conduct of a CPA in Belize. The assessment was completed in 2010 and the results are expected to assist officials in the public and private sectors, NGOs and church-based organisations, in planning and formulating short, medium and longer-term strategies to reduce poverty in the country. The results should also guide CDB and other development organisations in their efforts to assist the Government in addressing policy, and institutional and investment requirements for sustainable poverty reduction.

(v) *Basic Needs Trust Fund - Sixth Programme*

32. In March 2002, BSIF was given the mandate by GOBZ to manage the CDB-Funded BNTF programme; which is a similar poverty reduction initiative with a community driven approach. CDB has fully committed BNTF V funds and resources and under the BNTF VI Project, grant funds amounting to USD2 mn are expected to be disbursed over the next two years (2011-12). Under BNTF VI, CDB has devolved the responsibility of hiring and managing the technical consultants to the BNTF Office.

(g) Contribution of Country Strategy Policy to Economic Growth and its Impact on Baseline Conditions

33. The ultimate objective of the CSP was to enhance sustainable economic growth in Belize. While economic growth rates have slipped to under 2%, on average, between 2007 and 2010, this has been due to a decline in agriculture and fishing, as well as the impact of the global economic crisis which impacted tourism strongly. The decline in agriculture and fishing was the result of adverse terms of trade movements, disease infestations and the impact of adverse weather conditions. Further, higher growth averaging 5.4% annually, between 2002 and 2007, was in part buttressed by an unsustainable fiscal expansionary stance. It is plausible that, had not the macro economy been stabilised, output growth would have been yet lower or may have even declined between 2007 and 2010. CDB's strategy for Belize over the period 2007-09, has contributed to this stable environment, not only through the PBL but also by being an important source of funding to Belize for critical infrastructure and social development projects, given that Belize's access to international capital markets was severely impaired by the fiscal and external sector imbalances that have developed.

34. Going forward, a stable macroeconomic environment will be a necessary foundation for accelerated growth. Growth over the medium term is anticipated to be driven by strong increases in agriculture output and moderate growth in tourism activity. Manufacturing production (excluding oil production) is largely agro-based and is thus expected to grow in line with agricultural output. Crude oil production, which has made a significant contribution to output growth since commercial production commenced in 2006, is anticipated to decline over the medium term, barring new commercial discoveries. Production of oil from the first discovered of the two commercial oil fields has reached peak production, and output from the much smaller reserves of the second field is not expected to outweigh lower production from the first field. While the prospects for growth are good, prolonged weak recovery from the recent global economic crisis among Belize's major trading partners and sources of FDI is a major risk to the expectations. Continued sluggish recovery could dampen the demand for Belize's agricultural products, as well as demand for its tourism services.

35. However, under current macroeconomic policies and strategies, as reflected in the macroeconomic projections prepared by the CBB, annual growth of between 2 and 3%, expected over the medium term, may not be sufficient to have a significant impact on reducing poverty in Belize. Poverty in Belize was estimated at 41% of the population in 2009, compared with 34% estimated in 2002. The challenge for Belize over the medium to long term will be to accelerate national income growth as an essential element of a strategy to significantly reduce poverty, while at the same time maintaining sustainable fiscal and debt operations. CDB's strategy for the new period could focus on assisting Belize with this challenge and, in so doing, build on the success of the recent strategy period. Accelerating economic growth in Belize will require an appropriate strategy for: (i) accelerating growth; (ii) strong macroeconomic management; (iii) a strong focus on good governance; (iv) improved PFM, in general; (v) continued access to concessional financing, and (vi) continued efforts to directly address the needs of poor and vulnerable groups.

36. The sharp increase in poverty observed between 2002 and 2009 was largely related to the economic situation, as the slower growth in real GDP, even before the global economic recession, was not sufficient to raise GDP per-capita income. The impact of the global economic crisis made the situation even worse. Further, while a decline in agriculture has been offset by increased tourism output, as well as an increase in the extraction and export of crude oil, the multiplier effect of these activities on the local economy has not been as large as that with respect to agriculture. Thus, the increased poverty can be reasonably explained. However, the direct poverty reduction projects, approved by CDB during the strategy period, have contributed and are expected to continue to contribute towards improving the livelihoods of the poor and to the attainment of other MDGs, including sustainable access to safe drinking water. Through the implementation of CDB projects, including BNTF and BSIF sub-projects, due attention has been paid to issues related to gender equity and environmental sustainability.

Lessons Learnt With Respect To the Implementation of the Country Strategy Paper

37. Factors contributing to the success of the CSP included:

- (a) the alignment of the CSP to the country's development goals and objectives, and there was full country ownership of the projects or areas proposed;
- (b) the interventions proposed were realistic and were based on critical needs expressed by and discussed with Belize;
- (c) there was close CDB follow-up to ensure that Belize makes application for projects identified in the CSP; and
- (d) CDB appraisal of projects proceeded expeditiously once projects applications were received.

38. Areas for improvement:

- (a) Explicit preparation of the CSP within a results framework: Notwithstanding the success of the strategy for Belize for the period 2007-09, it was not designed within an explicit results framework. Thus for the strategy period 2011-14, arrangements for monitoring the implementation of the CSP to ensure that results are achieved will be made more explicit.

- (b) Appraisal of project within a results framework: Projects submitted to BOD for funding were not appraised within an explicit results model. Thus, in partnership with Belize, CDB will seek to enhance the results focus during project appraisal.
- (c) Gender focus: With recent improvements in staffing, CDB will be able to improve the gender focus during appraisal of interventions.

Overall Portfolio Performance

(a) Disbursement Performance

39. Table 2 below shows the disbursement performance of the Belize portfolio of capital projects over the 5-year period 2005-09, compared with that for CDB's entire capital portfolio.

TABLE 2: COMPARATIVE DISBURSEMENT PERFORMANCE 2005-09
(%)

Year	Disbursement Rate – Belize	Disbursement Rate – CDB's Capital Portfolio	Disbursement Efficiency Rate - Belize	Disbursement Efficiency Rate – CDB's Capital Portfolio
2005	22	25	158	95
2006	12	28	98	67
2007	19	28	121	93
2008	29	25	119	83
2009	20	21	73	89

Source: CDB's Annual Review of Portfolio Performance (ARPP) for 2005-09

40. The table indicates that disbursement rates for Belize fluctuated between 12% in 2006 and 29% in 2008. Most noticeable is the significant decline in 2006 which brought the country's disbursement rate to less than half that for the Bank's entire portfolio of capital projects. This decline may be attributed to the reduction in the number of projects under implementation, from 11 to 7, due to the completion of 3 projects in the preceding year and low disbursement activity on other projects due to various implementation challenges. The significant increase in the disbursement rate for 2008 can be attributed to the release of the first tranche of the USD25 mn PBL for Belize.

41. The portfolio was also characterised by wide fluctuations in the Disbursement Efficiency Ratio for 2005-09, which measures actual disbursements as a percentage of planned disbursements for the year, based on the experience of CDB's project supervisors. The Disbursement Efficiency Ratio for Belize fluctuated from a low of 73% in 2009 to a high of 158% in 2005. This reflects the bunching of payments for projects which experienced significant delays in the earlier years of implementation. The Belize portfolio also experienced the premature closure of the Rural Development project and the requested cancellation of the Fifth Power Project, which would have caused significant disparity between projected and actual disbursements. The above finding highlights the need for Belize and CDB to work even more closely to address implementation constraints that lead to delays in project execution and dramatic fluctuations in disbursements.

42. The Disbursement Rates above imply that the average disbursement cycle for projects in the Belize portfolio lengthened from approximately four point five years in 2005 to approximately eight years in 2006, before shortening again to approximately three years by 2008.^{10/} The accelerated disbursement performance from 2007 and the reduction in the age of the Belize portfolio from approximately five years in 2005 to approximately three point eight years in 2009 reflects the resolution of project execution challenges, the exiting from the portfolio of older projects with a history of implementation delays and the influence of fast disbursing interventions such as the PBL and Immediate Response Loan.

(b) Portfolio Performance

43. Table 3 presents the comparative portfolio performance of Belize and CDB’s capital loan portfolio for the five year period 2005-09, based on the computation of the Portfolio Performance Index (PPI).

TABLE 3: COMPARATIVE PORTFOLIO PERFORMANCE 2005-09

Country	2005		2006		...	2008		2009	
	No. of Projects	PPI	No. of Projects	PPI	...	No. of Projects	PPI	No. of Projects	PPI
Belize	11	5.9	7	6.1	...	9	6.2	8	5.9
All BMCs	107	6.1	102	6.2	...	87	6.0	96	6.1

Source: CDB’s ARPP for 2004-09.

(Data for 2007, excluded since the 2007 ARPP, did not analyse PPI by BMCs or sector due to the limited sample size which could have introduced bias in the results).

44. Table 3 indicates that, in most years, the Belize portfolio has consistently recorded a Satisfactory or Highly Satisfactory rating according to CDB’s Project Performance Evaluation System (PPES). This is compared to the Highly Satisfactory rating for the entire CDB loans portfolio over the same period. An analysis of the weighted PPES ratings between 2005 and 2009 reveals relatively high ratings for the Strategic Relevance and Poverty Relevance criteria for most projects, but generally much lower ratings for the Efficacy and Cost-Efficiency criteria. This indicates that the projects were expected to achieve their stated national and sector objectives, but not necessarily in a resource-efficient or effective manner. Likewise, ratings for the Institutional Development and Sustainability criteria are also lower than those for Strategic Relevance and Poverty Relevance, reflecting CDB’s concerns about the impact of implementation delays and institutional capacity constraints on the longevity of the realised outputs and outcomes after project implementation. This reinforces the ongoing need to strengthen GOBZ’s institutional capacity to improve the sustainability of project outcomes, both for the existing portfolio presented in Table 4 and for future projects.

^{10/} This compares noticeably against the estimated average of four to five years for CDB’s entire loan portfolio over the five-year period

TABLE 4: PROJECTS UNDER IMPLEMENTATION FOR BELIZE
AS AT DECEMBER 2009

Project Title	Approval Date	Amount Approved (USD)
Second Water (Expansion of Belize City Water) Project	1997	13,830
Health Sector Reform Programme	2001	5,591
Belize Social Investment Fund	2004	7,073
Belize Co-Generation Energy Limited - Belize	2005	8,250
Third Road (Placencia Road Upgrading) Project	2006	12,603
Tropical Storm Arthur - Immediate Response Loan	2008	500
Natural Disaster Management - Bridge Rehabilitation (Tropical Storm Arthur)	2008	8,800
6 th Consolidated Line of Credit	2009	10,000
Total		66,647

Key Outcomes and Lessons Learnt

45. Projects in the Belize portfolio have experienced several implementation setbacks. These have included: (i) ongoing financial and institutional problems; (ii) staff constraints and technical weaknesses in the unit responsible for project execution; (iii) low contractor productivity and (iv) adverse weather conditions. In a few instances, most notably the 4th and 5th Consolidated Lines of Credit and the Health Sector Reform Programme, either the executing agency or the project has had to be restructured. GOBZ's financial difficulties in 2004-05 also impacted upon the speed of project implementation. Notwithstanding the above, many of the projects in the Belize portfolio have delivered on their expected outputs and outcomes.

46. To ensure that the lessons learnt, thus far, from portfolio execution effectively inform future performance, the following needs are highlighted for critical attention:

- (a) establishment of adequate project management and institutional capacity within the Executing Agency and other agencies involved in programme/project implementation;
- (b) Government's commitment to providing the required counterpart resources for project execution;
- (c) establishment of adequate maintenance arrangements to ensure the sustainability of project outputs; and
- (d) implementation of an effective coordination mechanism for donor agency inputs for interventions financed by multiple donors.

DONOR HARMONISATION MATRIX

JUNE 2011

External Partner	Macroeconomic Policy	Productive Sectors	Infrastructure	Social Development	Environment/Disaster	Financial Sector
CDB	<ul style="list-style-type: none"> • Modernisation of Customs and Excise Department. 		<ul style="list-style-type: none"> • Belize River Valley Water Supply System. • Kendall / Mullins River Bridges. • Santa Elena/San Ignacio Bypass Road. 	<ul style="list-style-type: none"> • Technical and Vocational Training Project. • BSIF (BNTF - USD15 mn). 	<ul style="list-style-type: none"> • Hurricane Dean Emergency Relief. • National Disaster Management (Tropical Storm Arthur Recovery). 	<ul style="list-style-type: none"> • DFC Line of Credit.
IDB	<ul style="list-style-type: none"> • Strengthening results-based management in the Public Sector. • Strengthening Belize's Fiscal Transparency and Responsibility. • Programme to support the implementation of the medium-term action plan to enhance expenditure management - (TA). • Integrated Fiduciary Action Plan (IDB, EC). 	<ul style="list-style-type: none"> • Sustainable tourism loan. • Agricultural Services Programme. • Belize City Downtown Rehabilitation (TA). • Land Management Programme III (USD2.5 mn). 	<ul style="list-style-type: none"> • Post-hurricane Richard flood risk mitigation infrastructure in Belize City – (USD5 mn). • Integrated water and sanitation programme for the Placencia Peninsula. 	<ul style="list-style-type: none"> • Health Reform Project (with CDB/EU). • Education Programme (USD5mn) under preparation. • Community action for public safety (USD5 mn). • Social Policy Support (USD15 mn). • Strengthening of pension system in Belize (TA). 	<ul style="list-style-type: none"> • Solid waste management (and OFID). • DRM (Central American Probabilistic Risk Assessment [CAPRA]). • Support for the preparation of an integrated DRM (TA). 	<ul style="list-style-type: none"> • Institutional strengthening of the credit union sector (TA).
WB	<ul style="list-style-type: none"> • Institutional Development Fund - Building Institutional Capacity of the Auditor General and Improving Quality of Public Procurement. 		<ul style="list-style-type: none"> • Municipal Development Project. • National Housing and Urban Development Plan, non-lending TA. 	<ul style="list-style-type: none"> • CCT – Education. • Belize Influenza Detection and Response. • Japanese Social Development Fund - Improving Children's Health and Nutrition in Poor Mayan Communities in Toledo. 	<ul style="list-style-type: none"> • DRM (CAPRA, Global Facility for Disaster Reduction and Recovery) Meso-American Barrier Reef System Project II; Caribbean Catastrophic Risk Insurance Facility. 	
EC		<ul style="list-style-type: none"> • SFA - Banana Support Programme. • Accompanying Measures for Sugar Protocol Countries II. • BRDP II - (USD12.8 	<ul style="list-style-type: none"> • Rehabilitation of Sugar /Feeder Roads - Corozal/Orange Walk. 	<ul style="list-style-type: none"> • George Town High School; Technical High School Building - Stann Creek District. 	<ul style="list-style-type: none"> • Global Climate Change Alliance (USD4 mn). 	

DONOR HARMONISATION MATRIX
JUNE 2011

External Partner	Macroeconomic Policy	Productive Sectors	Infrastructure	Social Development	Environment/Disaster	Financial Sector
		mn).				
UN				<ul style="list-style-type: none"> • United Nations Children’s Fund (UNICEF) Programmes - Human Development (Strengthen Protection System for Children). • MDG Needs Assessment and Cost Prognosis. 	<ul style="list-style-type: none"> • Mainstreaming and Capacity Building for Sustainable Land Management Project (Global Environmental Facility [GEF]). • Integrating Protected Areas and Landscape Management in the Golden Stream Watershed. • Strengthening of Disaster Preparedness and Emergency Response Capacity in Belize. • Strengthening national capacities for the operationalisation, consolidation, and sustainability of Belize’s Protected Areas System (GEF). 	
OFID			<ul style="list-style-type: none"> • Southside (Belize City) Poverty Alleviation Project - Phase I, II, and III (and CABEL) Big Falls. • Belize/Guatemala Border (Completion of the Southern Highway Project) (and Kuwait 			
Others			<ul style="list-style-type: none"> • Mexico/Belize New International Border Crossing (CABEL). 	<ul style="list-style-type: none"> • HIV/AIDS prevention, care, treatment and support (Pan-American Health Organisation, UNICEF, United Nations Population Fund, United Nations Development Fund for Women, UNDP). 	<ul style="list-style-type: none"> • National Forest Programme Facility (Food and Agriculture Organisation). 	<ul style="list-style-type: none"> • Rural Finance Project (International Fund for Agricultural Development /CABEL)

RESULTS MATRIX
ALIGNMENT OF CARIBBEAN DEVELOPMENT BANK'S STRATEGY TO COUNTRY STRATEGY

CDB's Proposed Intervention in Belize	Resources to be allocated (USD mn)	CDB's Strategy and Corporate Priority		Expected Sector Outcomes	Outcome Indicators
		Strategy	Priority		
Maintenance of Macroeconomic Stability					
PBL	50.00	<ul style="list-style-type: none"> Promote broad-based growth. Promote good governance. 	<ul style="list-style-type: none"> Strengthen economic management. 	<ul style="list-style-type: none"> Maintenance of fiscal discipline. Effective debt management. Complementary monetary and financial sector policy. 	<ul style="list-style-type: none"> Targeted overall fiscal balance achieved. Targeted primary fiscal balance achieved. Targeted debt to GDP ratio achieved. Financial soundness indicators within prudential benchmarks
Improved PFM					
PBL	<ul style="list-style-type: none"> Same as above 	<ul style="list-style-type: none"> Same 	<ul style="list-style-type: none"> Same 	<ul style="list-style-type: none"> Enhanced economic management. Improved governance systems. Enhanced human resource capacity. 	<ul style="list-style-type: none"> Programme budgeting adopted. Targeted oversight agencies strengthened. Appropriate staffing levels and skills mix in place in key departments and agencies.
Parallel PBL TA	<ul style="list-style-type: none"> 3.00 				
Enhanced Environment For Output Growth					
<i>(i) Enhanced Economic Infrastructure</i>					
Northern Highway Upgrade	20.00	<ul style="list-style-type: none"> Promote broad-based economic growth. 	<ul style="list-style-type: none"> Strengthen/modernise economic infrastructure. 	<ul style="list-style-type: none"> Improved efficiency of the transportation sector. 	<ul style="list-style-type: none"> Improved free flow capacity. Reduced road injuries. Reduced transportation costs for farmers, businesses and exporters
Ambergris Cay/Belize City Belmopan Water and Sewerage System	30.00	<ul style="list-style-type: none"> Promote broad-based economic growth. 	<ul style="list-style-type: none"> Strengthen/modernise economic infrastructure. 	<ul style="list-style-type: none"> Increased capacity to accommodate business expansion and enhanced living conditions 	<ul style="list-style-type: none"> Increased water and sewerage coverage. Improved water quality. Increased economic activity in targeted areas

RESULTS MATRIX
ALIGNMENT OF CARIBBEAN DEVELOPMENT BANK'S STRATEGY TO COUNTRY STRATEGY

CDB's Proposed Intervention in Belize	Resources to be allocated (USD mn)	CDB's Strategy and Corporate Priority		Expected Sector Outcomes	Outcome Indicators
		Strategy	Priority		
TA – Ministry of Works Institutional Strengthening, Planning and Maintenance Management support	0.50	<ul style="list-style-type: none"> Enhancing organisational efficiency and effectiveness. 	<ul style="list-style-type: none"> Supporting the creation of a modern, effective and accountable public sector, capable of delivering valued public services. Improving management practice and work processes. 	<ul style="list-style-type: none"> Improved management of the transportation sector and more effective utilisation of resources. 	<ul style="list-style-type: none"> Increased expenditure on road maintenance. Transportation sector plans in place adopted.
TA - Road Safety Project	6.00	<ul style="list-style-type: none"> Promote broad-based economic growth. Enhancing organisational efficiency and effectiveness. 	<ul style="list-style-type: none"> Strengthen/modernise economic infrastructure. Supporting the creation of a modern, effective and accountable public sector, capable of delivering valued public services. Improving management practice and work processes. 	<ul style="list-style-type: none"> Economic losses due to poor road safety reduced. 	<ul style="list-style-type: none"> Reduction in lost work days due to traffic accidents.
<i>(ii) Enhanced Environment for Private Sector Development</i>					
TA - Establishment of inter-bank Payment System	2.50	<ul style="list-style-type: none"> Promote broad-based economic growth. 	<ul style="list-style-type: none"> Support private sector development. 	<ul style="list-style-type: none"> Improved financial intermediation. 	<ul style="list-style-type: none"> Interest rate spreads.
TA - Establishment of Credit Bureau	2.50	<ul style="list-style-type: none"> Promote broad-based economic growth. 	<ul style="list-style-type: none"> Support private sector development. 	<ul style="list-style-type: none"> Improved financial intermediation. 	<ul style="list-style-type: none"> Interest rate spreads. Private sector credit to GDP ratio.
TA - Central Bank Framework for supervision of DFC	0.10	<ul style="list-style-type: none"> Promote broad-based economic growth. 	<ul style="list-style-type: none"> Support private sector development. 	<ul style="list-style-type: none"> Improved financial intermediation. 	<ul style="list-style-type: none"> DFC's financial soundness indicators within prudential benchmarks.
TA - Establishment of Appropriate Export Credit/Guarantee Regime	0.25	<ul style="list-style-type: none"> Promote broad-based economic growth. 	<ul style="list-style-type: none"> Support agriculture and rural development. 	<ul style="list-style-type: none"> Improved market access for goods and services. 	<ul style="list-style-type: none"> Increased exports.

RESULTS MATRIX
ALIGNMENT OF CARIBBEAN DEVELOPMENT BANK'S STRATEGY TO COUNTRY STRATEGY

CDB's Proposed Intervention in Belize	Resources to be allocated (USD mn)	CDB's Strategy and Corporate Priority		Expected Sector Outcomes	Outcome Indicators
		Strategy	Priority		
TA - Financing of Export Credit/Guarantee Regime	10.00	<ul style="list-style-type: none"> Promote broad-based economic growth. 	<ul style="list-style-type: none"> Support agriculture and rural development. 	<ul style="list-style-type: none"> Improved market access for goods and services. 	<ul style="list-style-type: none"> Increased exports.
TA - BELTRAIDE – Sector Studies/Institutional Strengthening	0.50	<ul style="list-style-type: none"> Promote broad-based economic growth. 	<ul style="list-style-type: none"> Support private sector development. 	<ul style="list-style-type: none"> Enhanced trade and investment in Belize. 	<ul style="list-style-type: none"> Increased FDI. Increased exports. Reduced imports.
<i>(iii) Specific Interventions in Agriculture and Tourism</i>					
TA - Developing Irrigation Master Plan	1.00	<ul style="list-style-type: none"> Promote broad-based economic growth. 	<ul style="list-style-type: none"> Support agriculture and rural development. 	<ul style="list-style-type: none"> Growth in traditional and non-traditional agricultural products. 	<ul style="list-style-type: none"> Increased agricultural output. Increased agricultural exports.
Agriculture Pilot Project	1.00	<ul style="list-style-type: none"> Promote broad-based economic growth. 	<ul style="list-style-type: none"> Support agriculture and rural development. 	<ul style="list-style-type: none"> Increased livelihoods and reduced poverty in targeted areas. 	<ul style="list-style-type: none"> Reduction in the demand for government transfers from targeted areas.
Community-based Tourism	5.00	<ul style="list-style-type: none"> Promote broad-based economic growth. 	<ul style="list-style-type: none"> Support agriculture and rural development. 	<ul style="list-style-type: none"> Increased livelihoods and reduced poverty in targeted areas. 	<ul style="list-style-type: none"> Increased community involvement in tourism.
Improved Quality and Access To Education and Training					
Interventions in Education	25.00	<ul style="list-style-type: none"> Promote broad-based growth and inclusive social development. 	<ul style="list-style-type: none"> Improve quality and access to education. 	<ul style="list-style-type: none"> Enhanced human development through investments in education. 	<ul style="list-style-type: none"> Higher HDI rating for Education.
Enhanced Social and Community Development					
BNTF VII	3.22	<ul style="list-style-type: none"> Promote inclusive social development. 	<ul style="list-style-type: none"> Promote social protection measures. 	<ul style="list-style-type: none"> Enhanced human development through investments in social safety net provisions. 	<ul style="list-style-type: none"> Reduction in poverty in districts or communities where interventions are undertaken.
Youth at Risk Interventions	10.00	<ul style="list-style-type: none"> Promote inclusive social development. 	<ul style="list-style-type: none"> Promote social protection measures. 	<ul style="list-style-type: none"> Enhanced human development through investments in social safety net provisions. 	<ul style="list-style-type: none"> Reduce crime and violent behaviour among youth. Reduction in youth poverty in districts or communities where intervention are undertaken.
TA - Housing Policy and Strategy	0.10	<ul style="list-style-type: none"> Promote inclusive social development. 	<ul style="list-style-type: none"> Promote social protection measures. 	<ul style="list-style-type: none"> Inclusive social development. 	<ul style="list-style-type: none"> Increased home ownership, among lower income individuals/families.

RESULTS MATRIX
ALIGNMENT OF CARIBBEAN DEVELOPMENT BANK’S STRATEGY TO COUNTRY STRATEGY

CDB’s Proposed Intervention in Belize	Resources to be allocated (USD mn)	CDB’s Strategy and Corporate Priority		Expected Sector Outcomes	Outcome Indicators
		Strategy	Priority		
Improved Environmental Sustainability					
TA – Improved Policy and Planning for Environmental Management	0.50	<ul style="list-style-type: none"> Supporting environmental sustainability and DRM. 	<ul style="list-style-type: none"> Promote climate change mitigation and adaptation. Improve sustainable management of natural resources and DRM. 	<ul style="list-style-type: none"> Improved coordination and mainstreaming of environmental sustainability in GOBZ’s development plans. 	<ul style="list-style-type: none"> New or improved approaches to sustainable livelihoods in rural communities piloted by GOBZ. Removal of duplicated effort at the ministerial and departmental levels. Resolution of identified gaps in GOBZ’s environmental management practices.
TA – Improved DRM capacity	0.15	<ul style="list-style-type: none"> Supporting environmental sustainability and DRM. 	<ul style="list-style-type: none"> Promote climate change mitigation and adaptation. Improve sustainable management of natural resources and DRM. 	<ul style="list-style-type: none"> Improved emergency response capacity and damage and loss reporting. 	<ul style="list-style-type: none"> Increased communication flows and situation reporting between District Disaster Committees and the National Emergency Operations Centre during and post-event impact.
TA – Climate Change Adaptation.	0.30	<ul style="list-style-type: none"> Supporting environmental sustainability and DRM. 	<ul style="list-style-type: none"> Promote climate change mitigation and adaptation. Improve sustainable management of natural resources and DRM. 	<ul style="list-style-type: none"> Improved resiliency of climate sensitive sectors. 	<ul style="list-style-type: none"> Increase in Climate Change Adaptation and Mitigation initiatives in priority sectors.

* Gender Equality as a cross-cutting theme is intended to be mainstreamed in proposed interventions.

CARIBBEAN DEVELOPMENT BANK COUNTRY STRATEGY FOR BELIZE - IMPLEMENTATION MATRIX

CDB's Activity/Output	Resources to be Allocated	Desired Outcome of CDB's Activity	Outcome Indicators
Policy Dialogue	<ul style="list-style-type: none"> • Staff time. • Cost of travel. 	<ul style="list-style-type: none"> • Better understanding of development needs of Belize. • Improved Country Development Strategy. 	<ul style="list-style-type: none"> • Back-to-office reports as per work plan schedule. • Memorandum of Understanding as necessary. • Economic performance.
Preparation and implementation of CSP - Belize	<ul style="list-style-type: none"> • Staff time. • Cost of travel to Belize. 	<ul style="list-style-type: none"> • Improved CDB Choices with respect to assisting Belize meet its development objectives. 	<ul style="list-style-type: none"> • CDB staff reports on CSP follow-up activities as per CSP implementation schedule. • Project appraisal reports as per CSP implementation schedule. • PSRs as per CSP implementation schedule. • PCRs as per CSP implementation schedule. • Verification of the use of a results-based framework in project appraisal and supervision. • CSP completion report as per CSP implementation schedule.
Appraisal, implementation and supervision of projects	<ul style="list-style-type: none"> • Staff time. • Cost of travel. 	<ul style="list-style-type: none"> • Optimal development effectiveness with respect to each CDB interventions. 	<ul style="list-style-type: none"> • Project implementation reports showing assessment of project strategic relevance, poverty relevance, efficacy, cost efficiency, sustainability, and institutional development impact. • PSRs. • PCRs detailing impacts (or like impact as practical) of project on country outcomes.

CARIBBEAN DEVELOPMENT BANK COUNTRY STRATEGY FOR BELIZE - IMPLEMENTATION SCHEDULE

CDB Proposed Intervention in Belize	Date by which application for TA related to column D is expected to be received	Date by which TA is expected to be completed	Date by which application for Project is expected to be received	Date/s by which appraisal is expected to be completed and approve by BOD	Date by which implementation of project is expected to commence	Date by which implementation of project is expected to be completed
Maintenance of Macroeconomic Stability						
PBL			October 2011.	1 st PBL - Oct 2012. 2 nd PBL - Oct 2013. 3 rd PBL - Oct 2014.	October 2011.	October 2014.
Improved PFM						
PBL as above						
Parallel PBL TA	To be determined on design of PBL.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
Enhanced Environment for Output Growth						
<i>Enhanced Economic Infrastructure</i>						
Northern Highway Project		April 2012.	June 2012.	October 2012.	February 2013.	December 2015.
Water and Sewerage Intervention		May 2012.	July 2012.	December 2012.	March 2013.	December 2015.
TA – Ministry of Works		March 2013.	May 2013.	October 2013.	January 2014.	December 2015.
Road Safety Project		October 2011.	October 2011.	December 2011.	March 2012.	December 2015.
<i>Enhanced Environment for Private Sector Development</i>						
TA – Establishment of inter-bank payment system	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
TA – Establishment of Credit Bureau	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
TA – Central Bank Framework for supervision of DFC.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
TA – Establishment of appropriate export credit/guarantee regime	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
TA – Financing of Export Credit/Guarantee Regime	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
TA – BELTRAIDE – Sector Studies/Institutional Strengthening.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.

CARIBBEAN DEVELOPMENT BANK COUNTRY STRATEGY FOR BELIZE - IMPLEMENTATION SCHEDULE

CDB Proposed Intervention in Belize	Date by which application for TA related to column D is expected to be received	Date by which TA is expected to be completed	Date by which application for Project is expected to be received	Date/s by which appraisal is expected to be completed and approve by BOD	Date by which implementation of project is expected to commence	Date by which implementation of project is expected to be completed
<i>Specific Interventions in Agriculture and Tourism</i>						
TA – Developing Irrigation Master Plan	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
Agriculture Pilot Project	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
Community-based Tourism	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
Improved Quality and Access to Education and Training						
Interventions in Education	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
Enhanced Social and Community Development						
BNTF VII	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
Youth at Risk Interventions	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
TA – Housing Policy and Strategy	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
Improved Environmental Sustainability						
TA – Improved Policy and Planning for Environmental Management	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
TA – Improved DRM Capacity	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.
TA – Climate Change Adaptation	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.	To be determined.

MAP OF BELIZE

