1. Management thinks that in general the recommendations are sensible and appropriate. They are constructive and have been helpful in the formulation of the Country Strategy for 2008-2012. In particular, we would wish to highlight the following:

- We concur with the primacy of orienting the country strategy towards the achievement of fiscal sustainability. This is consistent with the analytical work we have undertaken in preparation for the country strategy, particularly the growth diagnostic for Belize. The lending program of the next country strategy will be framed within the context of a comprehensive fiscal sustainability analysis and a key strategic objective will be to help the government with reforms and public financial management measures to reinforce fiscal sustainability.

- In light of the above, we also agree with the recommendations to support a comprehensive fiduciary assessment and support basic institutional reforms to improve public expenditure efficiency. We are supporting the execution of a European Union led Public Expenditure and Financial Accountability (PEFA) Framework and have offered to support the implementation of its recommendations. Similarly, the next country strategy will include support for improving public sector efficiency.

- We concur with the recommendation for a private sector strategy with Belize. In preparation for the upcoming country strategy, an assessment of principal challenges related to Belize’s competitiveness, trade, and private sector development was done, including diagnostic of credit for SMEs and dialogue with government. Focus of Bank assistance will be on strategic engagement private sector in key sectors for growth (tourism, agriculture), that are also supported by our proposed sovereign lending, and TCs for improvements in the financial sector.

- Regarding the recommendation to focus Bank financing on measures aimed at improving the sustainability and to correct the most important shortcomings of previous operations, we will ensure that policy dialogue with government precedes provision of financing. The country strategy will emphasize costing of operations/maintenance for investments financed by the Bank, such as solid waste and tourism. Technical assistance will be sought to find measures to improve planning and execution of maintenance. With respect to specific pending
investments, the country strategy will first include sector dialogue to review and evaluate the needs leading to a GOB strategy and specific support from the Bank.

- We agree that improving IDB supervision capacity is needed, and CID is working on improvements to supervision tools, will work together with VPS to improve administrative resources supporting future operations in Belize, and will focus operations on institutional capacity building for executing agencies in the area of development effectiveness.

2. The CPE states that the Bank’s program “did not anticipate the seriousness of the economic and political problems of Belize”. However, considerable evidence exists concerning the Bank’s understanding of the macroeconomic issues.¹ Under difficult circumstances, the Bank was frank and forthright in expressing its diagnosis and recommendations for reform and proactive in trying to work with the Government of Belize on constructive ways that would improve the situation.

- The Bank played a highly proactive role in supporting high-level policy advice to the government, carrying out important fiscal analysis, and coordinated very closely with IMF on the macroeconomic situation.

- However, the Bank was constrained in the design of its country strategy by the fact that the CS “with Belize” had to be approved by the Belizean Government. The Bank was unable to garner GOB interest in working together on the institutional and other challenges to fiscal problems; not until the macroeconomic PBL did the Bank have any leverage.

¹ Policy Dialogue Paper (2003); “The Current Debt Situation of Belize considering Recent Government Efforts to Improve the Country’s Debt Profile” by Carlos Noriega, Deputy Secretary of Finance and Public Credit of Mexico; analytical work prepared by SDS on the Belizean Financial Sector (Rogerio Studart and Edgardo Demaestri). Another important example of Management’s pro-activity on this issue was the hiring of Angel Gurría (Former Mexican Minister of Finance and at present Secretary General of OECD). His consultancy aimed at assisting the GOBL to design a “home-grown” program to create conditions for a stable and supportive macroeconomic framework. The results of his work became the “backbone” of Prime Minister Said Musa’s economic and fiscal program, who held an official visit to former President Iglesias in Washington to ask for IDB support (October 3rd, 2004),