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INTER-AMERICAN INVESTMENT CORPORATION

**BELIZE**

**IDB GROUP COUNTRY STRATEGY WITH BELIZE  
2022-2025**

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## ABBREVIATIONS

BCCAT	Belize COVID-19 Cash Transfer Program
BEMIS	Belize Education Monitoring Information System
CARICOM	Caribbean Community and Common Market
CARTAC	International Monetary Fund's Caribbean Regional Technical Assistance
CBB	Central Bank of Belize
CDB	Caribbean Development Bank
CCPF	Compete Caribbean Partnership Facility
CDC	Country Development Challenges
CNTMP	Comprehensive National Transportation Master Plan
CS	Country Strategy
DRM	Disaster Risk Management
EC	European Commission
EQIP	Education Quality Improvement Program
ESPF	Environmental and Social Policy Framework
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFN	Gross Financing Needs
GST	General Sales Tax
ICT	Information and Communication Technologies
IDB	Inter-American Development Bank
IDBG	IDB Group
IFPG	Firm Performance and Gender
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of International Organization of Supreme Audit Institutions
ITU	International Telecommunication Union
LAC	Latin America and the Caribbean
LFS	Labor Force Survey
MEFDI	Ministry of Finance, Economic Development and Investment
MHI	Mesoamerica Health Initiative
MSMEs	Micro, Small and Medium Sized Enterprises
NDC	Nationally Determined Contribution
NEMO	National Emergency Management Organization
NSG	Non-Sovereign Guarantee
OAG	Office of the Auditor General
OPEC	Organization of Petroleum Exporting Countries
OVE	Office of Evaluation and Oversight
PBL	Policy-Based Loan
PER	Public Expenditure Review
PFM	Public Financial Management
PUP	People United Party
PYD	Positive Youth Development
SEMCAR	World Bank's Supporting Economic Management in the Caribbean
SG	Sovereign Guaranteed
STEM/STEAM	Science, Technology, Engineering and Math
TC	Technical Cooperation
TFFP	Trade Finance Facilitation Program
TNC	The Nature Conservancy
URP	Unemployment Relief Program
WB	World Bank
WGI	World Governance Indicators

## EXECUTIVE SUMMARY

<b>Context</b>	The COVID-19 pandemic represented an unprecedented shock for Belize's tourism-dependent economy, with GDP contracting by 14% in 2020. Fiscal revenues dropped sharply, and spending rose to address the health and economic crisis, exacerbating an already fragile fiscal and debt situation. Even before the pandemic, Belize had witnessed years of slow economic growth and stagnant per capita income, with rising poverty rates and limited progress in social development indicators. Hurricanes, droughts and flooding have further weakened economic activity and the government's fiscal position. Belize urgently needs to generate faster, sustainable, and inclusive growth to mitigate the effects of the crisis and overcome long-standing fiscal fragility. This requires efforts to: (i) bring public finances back to a sustainable path; (ii) reactivate private sector-led growth; and (iii) strengthen human capital, building relevant skills for the post COVID-19 economy and providing access to quality basic services.
<b>The IDB Group in Belize</b>	The Bank's Country Strategy with Belize for the 2013-2021 period <sup>1</sup> prioritized six areas: (i) education; (ii) tourism; (iii) transport; (iv) trade and tax policy; (v) climate change and disaster risk management; and (vi) citizen security. Between 2013 and 2021, the Bank approved 13 SG operations (12 loans and one Guarantee) for US\$143 million as part of the regular program (30% of which went to the country's COVID-19 response), and one US\$10 million Contingent Loan for Natural Disaster Emergencies. The Bank also approved US\$18.4 million in technical cooperation (TC) and investment grants. IDB Invest approved 4 operations for US\$52.8 million, including three long-term loans for US\$41 million and US\$11.8 million under the Trade Finance Facilitation Program (TFFP). IDB Lab approved US\$5.3 million in TC grants to support the priority areas and the COVID-19 response.
<b>Priority areas</b>	The IDB Group Country Strategy with Belize 2022-2025 aims to help Belize overcome the impact of the COVID-19 pandemic and support efforts to achieve long-term robust, inclusive, and sustainable growth, with actions in three priority areas: (i) fiscal sustainability and management; (ii) private sector productivity and sustainable growth, with a focus on MSMEs; and (iii) human capital. Dialogue areas will focus on migration and citizen security. Support to cross-cutting issues relating to gender and diversity, institutional capacity and rule of law, digital transformation, and climate change and disaster risk management will be streamlined into each of the priority areas considering the potential contribution of financial, non-financial and knowledge products.
<b>Projected lending</b>	The Bank projects SG approvals of US\$23.8 million a year on average, or US\$95 million over the 2022-2025 period. At the end of the strategy, the IDB would hold 32% of Belize's multilateral debt and 5% of its total public debt.
<b>Implementation</b>	The Bank will work with the authorities to support improved portfolio execution and pursue synergies within the IDB Group and with the international donor community. IDB will continue to support the development of national financial, procurement and environmental protection systems.
<b>Risks</b>	The main risks stem from the fiscal, financial, and social challenges the country faces in the wake of the COVID-19 crisis. Additionally, a natural disaster could disrupt strategy implementation and affect investment as the government's priorities shift towards immediate response needs. The proposed strategy envisages actions to help mitigate these risks.

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<sup>1</sup> The Strategy, originally approved for 2013-2017, was extended to 2019 and then updated for 2020-2021.

## I. COUNTRY CONTEXT

- 1.1 **Belize is a small, tourism-based economy that entered the COVID-19 pandemic with a slowing economy and low per capita income relative to peers.** Travel and tourism, which have been the main engine of growth in Belize, represent 10.3% of GDP, and 37.2% of GDP considering indirect spillovers to other sectors.<sup>2</sup> This sector concentration makes the country vulnerable to shocks that affect its main tourism source markets (the United States accounts for 66% of arrivals), and to disasters and other domestic shocks. Belize's economic growth between 2013 and 2019 was volatile: GDP grew by 1.9% a year in the period 2013-2017, by 2.9% in 2018, and slowed to 1.8% in 2019<sup>3</sup>. Long-term performance has been insufficient to drive meaningful improvements in citizen welfare: average per capita income declined by 0.9% a year in the period 2010-2019, compared to an annual increase of 4.9% in the Central American region<sup>4</sup> and 1.1% in the Caribbean economies. GDP per capita was US\$4,699 in 2019, roughly half the Central American average of US\$9,292 and a third of the Caribbean average of US\$14,895.
- 1.2 **The pandemic constituted an unprecedented shock to the Belizean economy.** Inbound tourism declined by more than 70% in 2020 and revenues from services exports (mainly tourism) halved. As a result, GDP fell by 14.1% in 2020, shrinking the size of the economy, in constant terms, back to the 2012 level. Per capita income fell from US\$4,699 in 2019 to US\$3,944 in 2020. Major flooding from Hurricanes Eta and Iota exacerbated the crisis, affecting more 15% of the population and causing economic damage equivalent to 0.4% of GDP, according to estimates by the country's National Emergency Management Organization (NEMO).
- 1.3 **Post COVID-19 recovery will likely be protracted.** Current forecasts predict a 1.5% growth in 2021, based on a slow recovery in tourism. A stronger rebound of 6.2% is expected in 2022, with average annual growth of 2.7% in the 2023-2025 period. In this scenario, per capita income will recover its pre-crisis levels in 2025. However, downside risks to these forecasts arise from: (i) slower than expected tourism recovery, caused by new waves of contagion in source countries and more stringent travel requirements worldwide; (ii) delays in vaccine deployment or uptake in Belize, falling short of the 30% initial population target set for 2021; (iii) the phasing out of financial support programs; (iv) fiscal restrictions that remain unattended, challenging the government's ability to continue supporting vulnerable households; and (v) the country's high vulnerability to natural disasters.
- 1.4 **Long-standing fiscal vulnerabilities worsened during the pandemic.** The government implemented a forceful fiscal adjustment in 2017 and 2018, meeting the targets established in the last debt restructuring in 2016-2017<sup>5</sup>. However, it missed the 2019 target, recording

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<sup>2</sup> Source: Belize Central Bank; World Travel & Tourism Council: <https://wttc.org/Research/Economic-Impact>.

<sup>3</sup> During the past CS period (2014-2019), sectors related to tourism (hotels and restaurants, wholesale and retail trade, and services) showed a more dynamic growth than primary and secondary sectors, except construction.

<sup>4</sup> Regional averages for growth in per capita GDP and income levels exclude Belize, for comparison purposes.

<sup>5</sup> A major debt restructuring in 2006 consolidated the government's 1987-2007 external commercial obligations with the private sector into a single US\$550 million "Superbond", maturing in 2029. The Superbond was again restructured in 2012-2013 and in 2016-2017, when the authorities committed to 3 percentage points fiscal tightening in FY2017/18 and maintaining a primary surplus of 2.0% of GDP for three years. The Superbond currently matures in 2034 and has an outstanding principal of US\$526.5 million (30% of total public debt).

an overall fiscal deficit of 3.8% of GDP and a debt-to-GDP ratio of 97.5% in that year.<sup>6</sup> The pandemic significantly worsened the already fragile fiscal position. In 2020, the primary and overall deficits reached 6.7% and 9.8% of GDP, respectively; the debt/GDP ratio rose to 127.4% and debt service was 10.2% of GDP, despite temporary relief from the capitalization of “Superbond” interests.<sup>7</sup> Continuous deficits have been financed by external debt (mainly from multilateral and bilateral partners) and, increasingly, the issuance of domestic debt.<sup>8</sup> The latter grew significantly in 2020, prompting a decline in Belize’s sovereign rating (Standard and Poor’s currently rates Belize debt at CC). Fiscal consolidation and reform are necessary to reduce the fiscal deficit, lower the debt burden and protect the fixed exchange rate, which has been paramount to controlling inflation since 1976.<sup>9</sup>

**1.5 The government is committed to implementing a comprehensive fiscal consolidation plan in the short and medium term.**<sup>10</sup> The government’s plan for returning to fiscal sustainability builds on several of the recommendations issued by the International Monetary Fund (IMF) in its latest Article IV consultation with Belize.<sup>11</sup> It includes measures to reduce spending, boost revenues, reduce debt<sup>12</sup>, strengthen public financial management, and implement fiscal rules and medium-term fiscal frameworks once the crisis abates. The IMF has commented that the contents of the government’s fiscal plan are not distant from a potential IMF program, but the plan’s sustained implementation in the medium term faces challenges<sup>13</sup>.

**1.6 Belize relies heavily on export revenue, and export-led growth is the most sustainable way to boost long-term growth, even more so in a context of fiscal austerity.** External trade has been an important driver of Belize’s economy, yet the country’s goods and services balance has been in constant deficit for decades. Tourism and travel explain 50% of total exports and agriculture and fisheries account for 90% of goods exports, but exports from both industries are concentrated in few destinations and products, respectively. Overnight visitors overwhelmingly flock to destinations along Belize’s Barrier Reef, seeking sun and sea, and 80% of them come from the United States and Canada. Meanwhile,

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<sup>6</sup> Deficits refer to fiscal year and central government level. Public debt covers central government and external financial and non-financial public sector debt and is recorded as a percentage of fiscal year GDP.

<sup>7</sup> The August 2020 amendment to the terms of the instrument, agreed between the government and bondholders, established that interest payments due on August 20, 2020, November 2020 and February 2021 would be capitalized. The measure provided temporary relief of US\$26 million (1.7% of 2020 GDP).

<sup>8</sup> External debt currently accounts for 70% of total public debt.

<sup>9</sup> Since May 1976, the Belize dollar has been pegged to the U.S. dollar at the rate of BZ\$2 per US\$1.

<sup>10</sup> <https://www.pressoffice.gov.bz/prime-ministers-budget-speech-for-fiscal-year-2021-2022/>.

<sup>11</sup> The government does not currently plan to pursue an IMF-backed program. <https://www.imf.org/en/News/Articles/2021/03/12/mcs031221-belize-staff-concluding-statement-of-the-2020-article-iv-mission>.

<sup>12</sup> In early September 2021, Belize reached an agreement in principle with a committee of bondholders holding about 50% of the total outstanding value of the Superbond for a buy-back, stating that the government will purchase the debt at a discount -\$0.55 per \$1 of principal, plus accrued and unpaid interest for holders that tender their bonds before the expiration date of the offer at the end of September 2021. A full buy-back requires the consent of the holders of at least 75% of the outstanding value (super majority). The full cash payment of the buy-back will be financed with funding from The Nature Conservancy (TNC), through the issuance of Blue Bonds under a program that uses private capital to refinance public debt to support marine conservation (“Debt for Nature Swap”). In exchange, Belize will accelerate its marine conservation commitments and will prefund (US\$11.7 million) a Marine Conservation Endowment Account.

<sup>13</sup> Such as: (i) the fragility of the economic recovery due to an increase in cases of COVID-19 globally and locally, leading to lower export and tax revenues, challenging the fiscal consolidation plan; (ii) a Supreme Court ruling declaring the government’s wage cut unconstitutional and forcing it to reverse the measure; (iii) lags in the implementation of measures to strengthen fiscal institutions and transparency (fiscal rules, medium-term fiscal frameworks), reducing the credibility of the government’s actions; and (iv) a result of the buyback of the Superbond that turns out to be less favorable than expected, leading to a slower-than-expected reduction in debt, questioning debt sustainability (however, the acceptance of the government’s offer by a vast majority of bondholders mitigates this risk).

agricultural exports are concentrated in citrus, banana, sugar, and marine products, and 80% of those go to the United Kingdom, United States and CARICOM countries.

- 1.7 **The export sector faces several structural challenges**, including the need to: (i) improve competitiveness and resilience, diversifying beyond traditional destinations and products; (ii) ensure the provision of adequate infrastructure services (roads, water and sanitation, waste management, irrigation); (iii) guarantee environment and natural capital protection, reducing visitor footprint, and adopting circular economy approaches to manage and reduce agricultural and food waste; and (iv) better access to productivity-enhancing services, such as market intelligence for tourism firms and productive credit for small-scale farmers and subsistence fisheries. The COVID-19 pandemic intensified these challenges, adding to them the need to support business survival and speed up digital transformation.
- 1.8 **Belize's private sector is dominated by small companies and faces capacity constraints in spearheading the post COVID-19 recovery.** Micro, small and medium-sized enterprises (MSMEs) generate over 70% of private-sector jobs and income in Belize and suffered disproportionately from the mobility restrictions imposed by the pandemic and the shock to tourism inflows.<sup>14</sup> There are also long-standing challenges to private sector growth, including credit constraints, infrastructure services bottlenecks, low quality of infrastructure related to poor maintenance, the lack of several public goods and services in key sectors, and low technology adoption and innovation, among others. In connectivity, Belize significantly lags the Latin American average.<sup>15</sup> Additionally, improving the business climate is a priority to create an enabling environment for expansion into higher value-added activities in both the tourism and agriculture sectors and into new sectors.<sup>16</sup>
- 1.9 **Belize has seen limited progress on social indicators in the last decade, and gender and ethnic disparities persist.** A recent study estimated that 52% of Belizeans were living in poverty in 2018, significantly higher than the 41% recorded in 2009.<sup>17</sup> Extreme poverty nonetheless decreased from 16% in 2009 to 9% in 2018. Meanwhile, inequality, measured by the Gini coefficient, rose from 0.38 in 2009 to 0.49 in 2018. Despite improvements in the Human Development Index (HDI)<sup>18</sup>, challenges persist in several areas. Education quality is still low, with only 36% of primary school graduates performing at a satisfactory level in the Primary School Examination (PSE); enrollment in secondary education is at 50%, with low performance in math and science. Belize has a large skills gap, with most of the workforce lacking the skills increasingly demanded by employers, such as in science, technology, engineering and math (STEM).<sup>19</sup> Moreover, as analyzed in the CDC, education levels differ among ethnic groups<sup>20</sup>: Creoles, Garifuna and East Indians have the highest levels of formal education (20% have higher education, above the 17% national average), while Maya and Mennonites lag behind (only 5% of Mennonites complete secondary

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<sup>14</sup> Beltraide, Covid-19 Rapid Private Sector Economic Impact Assessment (2020). During the lockdown, only 7% of Belizean businesses operated normally, while 12.7% closed and 35% were temporarily out of business.

<sup>15</sup> Access to mobile phones is 86 per 100 inhabitants (LAC average: 110); 47% of individuals use internet (LAC: 77%); and broadband subscription is 6 per 100 inhabitants (LAC: 14), as per the International Telecommunication Union (ITU).

<sup>16</sup> See section III.2.7. of the CDC document for an analysis of the private sector's role in Belizean development.

<sup>17</sup> Poverty is concentrated in rural areas and affects the Maya and Garifuna ethnicities with greater incidence, with poverty rates at 77% and 52%, respectively. According to the study, poverty increased in all districts, even in those that rely more on tourism. However, a recent IDB study mapping income poverty using satellite imagery noted some improvements in income distribution, mainly in areas associated with tourism activity; [IDB, Mapping Income Poverty in Belize Using Satellite Features and Machine Learning](#).

<sup>18</sup> The index rose from 0.643 in 2000 to 0.720 in 2018. From 2010 to 2018, Belize's life expectancy at birth increased by 2.4 years, mean years of schooling by 0.8 years and Belize's GNI per capita increased by 1.9%.

<sup>19</sup> The CDC document (see Annex I) reports that only 17% of students in Belize graduate from STEM fields.

<sup>20</sup> Belize has six officially recognized ethnic groups: Mestizo/Hispanic (50% of the total population); Creole (29%); Maya (11%); Garifuna (5%); East Indian (3%); and Mennonite (2%).

school). Inequality is also evident in the labor market and in access to services. Before the pandemic, there were gaps in labor income by ethnic groups<sup>21</sup>, and the unemployment rate among women was almost twice that for men (5.7% against 2.9%). In terms of sanitation access, only 69% of the poorest quintile of households have access to basic sanitation (compared to 98% of the richest quintile). Finally, own estimates suggest that districts with more indigenous language speakers (Q'echi' Mayan, Mopan, Garifuna or Yucatec Mayan) have lower rates of financial inclusion<sup>22</sup>. These disparities increase the vulnerability of lower income groups to the effects of severe shocks such as the COVID-19 pandemic.

- 1.10 **The social impact of the COVID-19 pandemic has been severe.** Labor force participation dropped significantly, and the unemployment rate stood at 11.2% in April 2021<sup>23</sup>, with women, migrants, youth, and minority groups being the most affected. The unemployment rate among women was 17.4%, more than double that of men (7%). The youth unemployment rate was 20.6%, the highest among age groups.<sup>24</sup> The digital skills gap in Belize compared to LAC jeopardizes the re-insertion of workers in a post COVID-19 job market. The pandemic has moreover placed new demands on the country's health system, sometimes challenging the continued provision of basic health services, especially for women in their reproductive age. During the pandemic, Belize has continued to attract migrants looking to improve their economic opportunities; in 2020, approximately 14% of the country's population were migrants.<sup>25</sup> Migrants have become especially vulnerable during the pandemic as they lack access to the government's social protection programs. In education, even though the Belizean government allows migrant children to enroll in primary and secondary schools, they face access and language barriers that prevent them from fully integrating and learning.<sup>26</sup>
- 1.11 **Higher poverty and inequality could exacerbate already high crime rates.** Crime in Belize has remained persistently high throughout the last decade and, beyond its human costs, poses a threat to tourism and business activity.<sup>27</sup> Also, school closures, only partially compensated by distance learning, resulted in the dropout of 1,400 students enrolled in primary and secondary education (1.6% of total students), according to IDB estimates. School dropouts affect expected lifetime earnings, especially for vulnerable persons, and could potentially increase already high crime rates.
- 1.12 **Efforts to address Belize's economic and social challenges are hampered by deficiencies in governance.** The country's governance indicators have been deteriorating

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<sup>21</sup> Mayan high school and higher education graduates receive lower wages than Creoles with the same level of education. On average, Creoles and Garifuna receive the highest wages, while Mayans and Mestizos/Hispanics receive the lowest. Information on education and salary levels is taken from Naslund-Hadley, Navarro, and Prada (2020).

<sup>22</sup> Hersch, Martín and Leslie (2021).

<sup>23</sup> Labor Force Survey. Unemployed are defined as those not working, but available to work within the next two weeks and looking for a job within the last four weeks. This definition excludes those not looking for a job.

<sup>24</sup> To protect vulnerable households, in 2020 the government implemented a two-phased Unemployment Relief Program (URP) and the Belize Covid-19 Cash Transfer Program (BCCAT) to provide emergency funds to households that do not qualify for other social programs within Belize's safety net. These programs benefitted half of the labor force and temporarily prevented households from falling into poverty.

<sup>25</sup> UN Data, 2020. Over 90% are from neighboring Central American countries (mainly Guatemala).

<sup>26</sup> Näslund-Hadley, E., Elias, A., Café, E. & Alonzo, H. Schools at a crossroads: integration of migrant students in Belize. IDB, 2020.

<sup>27</sup> Violent crime has been a significant problem in Belize for the past 20 years. In 2020, mobility restrictions imposed in response to the COVID-19 pandemic led to a temporary 30% drop in crimes compared to 2019, but according to the Belize Crime Observatory, serious crimes are now rebounding to pre-COVID levels: May 2021 had the highest monthly murder count reported since 2009. In 2017, the last year for which comparative regional data is available, Belize had the fourth highest national homicide rate in LAC.

since 1996 and remain significantly below the Caribbean and Latin American averages.<sup>28</sup> This is particularly true in the government effectiveness and rule of law dimensions of the World Bank's World Governance Indicators (WGI), where the greatest gaps are observed, although important gaps also persist in the regulatory quality and control of corruption aspects of the indicator, while the dimensions of political stability and voice and accountability perform relatively better.<sup>29</sup>

- 1.13 **Belize is highly vulnerable to natural disasters and climate change.** The country faces the constant threat of hurricanes, flooding, sea level rise, coastal erosion, coral bleaching, and droughts, with impacts likely to intensify in the future given the expected increase in weather variability and sea and ambient temperatures. Agriculture and fisheries are highly exposed industries, as is tourism, which is mostly developed along the coast, in the direct path of hurricanes and tropical storms originating in the Atlantic or Caribbean Sea. Losses from natural disasters average more than 1% of GDP per year and rising temperatures in the coming decades pose a severe risk to Belize's growth<sup>30</sup>. In 2019, the country witnessed one of the longest droughts in recent memory, causing losses of more than US\$25 million in crops and livestock (15% of agriculture and forestry production). Among small states, the IMF ranks Belize as 3rd at risk for natural disasters and 5th at risk from climate change.<sup>31</sup>
- 1.14 **Coral reefs, seagrasses and mangroves are a cornerstone of the Belizean natural capital and economy.** Data from the past decade indicate that Belize's coral reefs generated an estimated US\$135-176 million in annual gross revenue directly related to tourism. The cruise industry, by comparison, attracts over 620,000 tourists, but only generates US\$5.3-6.4 million in revenues and taxes<sup>32</sup>. Promoting sustainable tourism involves attracting demand segments that favor longer stays, while also reinforcing sustainable practices that prevent degradation of these assets.<sup>33</sup> Restoration and protection of coral reefs, seagrasses and mangroves can also help restore and increase fish populations, providing greater job security for Belize's fishermen and protection of fishing infrastructure and equipment for tropical storms.<sup>34</sup> Additionally, the Belize barrier reef has a key role to attenuate storm surges from tropical cyclones, protecting communities, such as Belize City, and economic activities located in the shoreline.

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<sup>28</sup> World Bank, World Governance Indicators (WGI). The WGI measures six indicators: (i) government effectiveness; (ii) voice and accountability; (iii) political stability and absence of violence; (iv) regulatory quality, (v) rule of law; and (vi) control of corruption.

<sup>29</sup> The government is advancing reforms to improve transparency and reduce corruption, including: (i) promoting good governance, such as a draft Law that protects from civil, criminal, and disciplinary proceedings persons who report corruption actions; (ii) legislation to formalize reductions in the wage bill; and (iii) enhancing tax collection capacity by recovering tax arrears.

<sup>30</sup> The probable maximum loss from natural disasters is 50% of GDP in a 250-year horizon. World Bank (2017). Prioritizing climate resilient transport investment in a data scarce environment. A practitioner guide for Belize.

<sup>31</sup> Belize's vulnerability to these events increases growth volatility: volatility was 3.14 percentage points in the last 20 years, above the Caribbean (2.84) and Central American average (2.22, excluding Belize). IMF (2018). Climate Change Policy Assessment. Belize Country Report No. 18/329.

<sup>32</sup> Source: IADB. 2011. Economic Valuation of the Ecosystem Services of the Mesoamerican Reef, and the Allocation and Distribution of these Values. Based on Cooper et al. (2009). Also, coral reefs are responsible for US\$19.5 million of the country's fishing revenue.

<sup>33</sup> More specifically, Belize's thirteen marine protected areas support an estimated 115,000+ visitors annually, who directly contribute around US\$17 million in accommodation, food, and recreation services and contribute an additional US\$3.5-7 million of indirect benefits through supporting adjacent industries in the tourism supply chain. Source: "Rapid Assessment of Natural Capital Opportunities in Belize", prepared by the World Resources Institute (WRI) for the IDB.

<sup>34</sup> Climate change poses a large threat to fisheries, with predicted revenue losses of about \$12.5 million per year, impacting the livelihoods of over 3,500 fishermen. While the number of Belizean fishers doubled from 1999 to 2014, creating at least 1,000 new jobs, average incomes decreased due to a decline in fish stocks.

- 1.15 **In sum, Belize urgently needs to generate faster growth to mitigate the impact of the pandemic and overcome long-standing fiscal and social fragilities.** To achieve sustainable and inclusive recovery and address the country's major development challenges in the current context requires: (i) bringing public finances back to a sustainable path, with the aim to promote fiscal discipline, reduce debt, and generate greater fiscal space for public investment; (ii) reactivating the private sector as the engine to reignite growth; and (iii) promoting social progress, correcting the existing mismatch between the skills needed by the labor market and those imparted to students and graduates, and providing access to quality basic services.

## II. THE IDB GROUP IN BELIZE

### A. Strategy implementation

- 2.1 Between 2013 and 2017, one Country Strategy (CS) and one CS Update guided the IDB Group's strategic relationship with the country. The 2013-2017 strategy (GN-2746) prioritized four areas: (i) education, with the aim to improve governance, quality and educational outcomes; (ii) tourism, focusing on increasing overnight visitor spending in a sustainable manner and improving tourism sector coordination and management, including sanitation; (iii) transport, aiming to support the sector's planning and its contribution to trade and tourism development; and (iv) trade and tax policy, focusing on export-led growth and trade integration by making the tax system simpler and more efficient and reducing non-tax barriers. The strategy also included several dialogue areas and cross-cutting issues.<sup>35</sup> Per the government's request, the strategy was extended to December 31, 2019 (GN-2746-2) and a Strategy Update 2020-2021 (GN-2746-3) was subsequently prepared to enable a better alignment between the strategy period and the country's election cycle. The CS Update kept the four priority areas and identified two further areas of intervention: (v) climate change and disaster risk management (DRM), aimed at strengthening the country's climate resilience and improving DRM governance; and (vi) citizen security, with efforts to reduce gang-related homicides in districts with the highest homicide rates. Hence, during the entire past CS period, a total of six areas of intervention were prioritized.
- 2.2 **Strategy implementation benefited from a stable political environment, with priorities shifting towards addressing the COVID-19 pandemic in 2020.** During the 2013-2021 strategy period, there was just one change in political administration.<sup>36</sup> There were loan approvals in five of the six priority areas; a planned citizen security loan in 2020 (to support the new priority area outlined in the CS Update) was suspended as client needs and the Bank's response shifted towards addressing the COVID-19 pandemic. All priority areas were moreover supported by TC programs and/or investment grants.
- 2.3 **Approvals during the CS period.** During the 2013-2021 strategy period<sup>37</sup>, the Bank approved 13 SG operations for a total of US\$143 million as part of the regular program, including 12 loans for US\$140.9 million and one guarantee for US\$2.1 million (specifically designed to support COVID-19 vaccine procurement), with 14% of financing going to the education priority area, 24% to transport, 13% to tourism, 15% to trade and tax, and 7% going to DRM.<sup>38</sup> The remaining 27% went to support the country's response to the pandemic

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<sup>35</sup> Dialogue areas included public expenditure (wage bill, pension systems), health (Mesoamerica Health Initiative), energy and telecommunications (provided nationalization-related legal issues could be resolved). Cross-cutting areas included climate change, disaster risk management, environment, diversity, and gender.

<sup>36</sup> General elections were held in 2015 (incumbent winning) and in November 2020 (with a political transition).

<sup>37</sup> From the date of approval of the 2013-2017 strategy on December 9<sup>th</sup>, 2013, until December 31<sup>st</sup>, 2021.

<sup>38</sup> Citizen security was covered through the legacy portfolio, which also supported other priority areas.

in 2020-2021, including its immediate health response, financial relief programs for affected households, distance learning support, MSME financing and vaccine rollout.<sup>39</sup> The Bank also approved one Contingent Credit Facility (CCF) for Natural Disasters in Belize for up to US\$10 million, aimed at responding to any natural hazard related external shock.<sup>40</sup> Disbursements during the 2013-2021 period reached US\$112.5 million<sup>41</sup>, with a positive net cash flow of US\$4 million for Belize. Additionally, the Bank approved 46 TC grants for US\$15 million in the areas of water and sanitation, education, health, climate resilience, transport, and citizen security, and 7 investment grants for US\$3.4 million in health and education, the latter with a focus on migrants. Throughout the strategy period, Belize has also benefited from country-specific support financed through regional TCs, in the areas of health, education, trade, agribusiness, and renewable energy.

- 2.4 **Private sector windows had an important presence in Belize during the strategy period.** IDB Invest approved four operations for a total of US\$52.8 million, in trade, tourism, agribusiness and energy. Three of them were long-term loans, totaling US\$41 million, aimed at supporting employment and productivity in the sugar industry, cleaner energy, and tourism SMEs (including upgrading their environmental and social management systems). One Trade Finance Facilitation Program (TFFP) loan, for US\$11.8 million, provided liquidity for export and import transactions through the financial sector.<sup>42</sup> IDB Lab approved 12 TCs for US\$5.3 million, supporting SMEs and MSMEs with productivity enhancements, climate resilience, agribusiness, digitalization, blue economy actions, institutional strengthening, brand development, competitiveness improvements and access to finance. Both IDB Invest and IDB Lab also supported Belize's COVID-19 response, IDB Invest through its support to tourism SMEs and IDB Lab with new digital solutions in the health sector, as well as workforce development in the tourism sector using artificial intelligence.<sup>43</sup>

## **B. Main results of the 2013-2021 country strategy**

- 2.5 **The country strategy remained a relevant framework to guide the Bank's engagement with Belize over the past 8 years as shown by the 100% alignment of all non-COVID-19 operations approved, and the results achieved in each strategy priority area.**<sup>44</sup> Although approvals during the period were backloaded, completion of intermediate outputs indicate that the projects will achieve their intended results during this country strategy period.

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<sup>39</sup> The Bank's support to Belize's pandemic response (the largest among multilateral development banks) began with the reallocation of 10% of the undisbursed portfolio (then around \$62 million) and new lending to support (i) the immediate health response (through a US\$6.2 million reformulation of BL-L1020, Sustainable Tourism Program II) and (ii) provide direct financial relief to vulnerable populations (US\$12 million). As the COVID-19 pandemic evolved, so too did the Bank's support and new operations were approved for: (iii) vaccine purchases (through COVAX) and deployment (US\$5 million combined loan/guarantee program); (iv) education, focusing on distance learning and migrant students (US\$2.5 million), and (v) financing for MSMEs to support economic recovery (US\$15 million).

<sup>40</sup> In the event of a disaster, funds disbursed through the CCF (BL-O0005) can come from new lending through the Bank's regular annual program allocation, or from undisbursed portfolio balances.

<sup>41</sup> This includes projected disbursements to the end of 2021.

<sup>42</sup> Additionally, IDB Invest approved a US\$10 million equity investment in a private equity vehicle that invests growth capital in fast-growing SMEs in English-speaking CARICOM countries (including Belize) and Suriname. The Fund seeks opportunities in sectors such as manufacturing, tourism, agribusiness, healthcare, training and education, information and communication technology, financial inclusion, renewable and clean energy services, retail distribution, and transport and logistics.

<sup>43</sup> BL-T1136: Equipping Government Health Facilities with Leading Digital Health Solutions for COVID-19; and BL-T1138: Belize Tourism Innovation Lab.

<sup>44</sup> Results generated through the Bank's active portfolio as well as new programs approved during the entire country strategy period (January 1<sup>st</sup>, 2013-December 31<sup>st</sup>, 2021).

- 2.6 In **education**, the Bank's assistance contributed to improved learning outcomes in half of Belize's primary schools as a result of enhanced student-centered classroom practices.<sup>45</sup> Additionally, the Bank supported the creation of the Belize Education Monitoring Information System (BEMIS) and the delivery of digital devices to help continue student learning from home during COVID-19 related school closures. The BEMIS allowed the country to transition from handwritten education records to reliable cloud-based teacher, student, and school data, and has been highlighted internationally as a lesson on the possibility of leapfrogging from no education monitoring system to a cutting-edge cloud-based system. The government, with Bank support, is now extending its education quality improvement program to the remaining half of primary schools as well as fostering STEAM education at the secondary level. This program also includes grant funds to support schools in the integration of migrant students through English language instruction, remote and hybrid learning modalities, and multicultural education.<sup>46</sup>
- 2.7 In **tourism**, the Bank contributed to the preparation of the National Sustainable Tourism Master Plan (NSTMP), which became the strategic guideline for tourism development and destination planning in the country. As part of the plan's implementation, the Bank supported: (i) improved interpretation and management of heritage sites, enhanced traffic circulation and pedestrian linkages and upscaling of the overall visitor experience in various tourism destinations<sup>47</sup>; (v) new revenue streams for local, central government and tourism authorities<sup>48</sup>; and (vi) support for micro-enterprises, including through IDB Invest.<sup>49</sup> Building on the results of these interventions, a new tourism program currently under execution aims to further enhance the natural/cultural tourism product, promote climate resiliency in tourist destinations and strengthen institutional capacity and data-based sector planning.<sup>50</sup> IDB Lab supported the development of bird-based tourism in rural areas and improved fishing practices through market-based incentives for fisherfolk and restaurants under a Fish Right, Eat Right program.<sup>51</sup> Additionally, the Bank helped improve solid waste management practices by increasing the number of tourist destinations with access to sanitary landfills from two to three (of seven), with infrastructure works currently underway to cover three additional destinations in Corozal and Toledo.<sup>52</sup>
- 2.8 In **transport**, the Bank financed road rehabilitation in the country's western corridor to facilitate trade, integration and access to tourist destinations.<sup>53</sup> The George Price Highway

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<sup>45</sup> The proportion of prospective and in-service primary school teachers with a grade B or higher in the Primary School Examination (PSE) increased by 13 and 11 percentage points, respectively, between 2012 and 2019, and learning outcomes were noteworthy as well, with second grade beneficiary students scoring 0.16 standard deviations higher than other students in mathematics, language, and arts. For prospective teachers, the proportion scoring B or higher in the PSE exam rose from 43.6% in 2012 (the baseline year in the CS results matrix) to 57% in 2019, and for in-service teachers it increased from 69% to 79.6%. Results were achieved through BL-L1018 Education Quality Improvement Program. See related Project Completion Report (PCR).

<sup>46</sup> BL-L1030: Education Quality Improvement Program II; BL-J0002: US\$2.5 million grant to support EQIP II.

<sup>47</sup> Under the Sustainable Tourism Program (STP, BL-L1003).

<sup>48</sup> For example, in the Cayo Welcome Center, new revenue was generated from lease of rental space, bathroom facility, bus drop off fee, public parking, conference facility rental and events venue fees.

<sup>49</sup> IDB Invest operation to support the tourism sector through financial institutions, approved in November 2020, with a first disbursement in January 2021. Results will be available during the supervision phase.

<sup>50</sup> BL-L1020: Sustainable Tourism Program II Progress to date includes: (i) improved facilities in 5 archaeological sites managed by the National Institute of History and Culture (NICH) and 1 natural area (Mountain Pine Ridge, Rio Frio and Rio On Pools); (ii) new signage in 4 tourist destinations; (iii) completion of 4 vulnerability, risk assessment and disaster and climate resilience destination plans; and (iv) Cabinet approval of a new Tourism Policy and Act, with public consultations that were supported by the program.

<sup>51</sup> RG-M1238: Strengthening Bird-based Tourism as a Conservation and Sustainable Development (executed by National Audubon Society) and BL-T1123, Market-based Incentives for Responsible Fishing.

<sup>52</sup> BL-L1006 and BL-L1021: Solid Waste Management Programs I and II.

<sup>53</sup> The area includes important agricultural production, archeological sites, and the main road to Guatemala.

Rehabilitation program, with co-financing from the EU, supported upgrades to 16km of highway (15km more will be completed by the end of 2021) and the rehabilitation of the strategic Roaring Creek bridge, incorporating climate resilience and road safety standards.<sup>54</sup> The IDB also financed the economic, environmental, social and design studies for the upgrading of the Caracol Road, part of the country's secondary road network.<sup>55</sup> Additionally, the Bank supported stronger sector planning through the design of Belize's first ever Comprehensive National Transportation Master Plan, which produced strategies for the transport sector up to 2035.

- 2.9 In **trade and tax policy**, the Bank helped the government enhance tax management efficiency and collection capacity through the merging of the Sales Tax and Income Tax Departments into a single Belize Tax Services Unit, and is contributing to the digitalization of the tax administration through the development of the new Integrated Tax Administration System.<sup>56</sup> A study on gaps in the General Sales Tax (GST) helped orient the work of the tax administration and introduce efficiency in the use of resources. The Bank moreover supported a review of the Corozal Free Zone (CFZ) and its potential to generate economic growth and employment through improved services and operations. The study provided recommendations on issues related to money laundering and illicit trade in the free zone.
- 2.10 In the area of **climate change and disaster risk management**, flood control work in Belize City has helped improve street drainage, reducing the impact of natural hazards and the risk of flooding. To strengthen climate resilience, the country is also advancing in the design and approval of a land use building code, implementation of a Climate Risk Identification System, and the preparation of disaster and climate resilience destination plans in tourist destinations. IDB Lab has helped strengthen private-sector climate resilience through technical assistance at the community and enterprise level, aiding local businesses and suppliers to better manage exposure to flooding, sea level rise, cyclonic winds, heat waves and other such risks. It is also supporting income generation in indigenous communities by merging environmental protection efforts with climate smart agriculture through digital management of protected areas, with 550,000 acres now being managed with technology such as drone monitoring and new software management systems.<sup>57</sup>
- 2.11 In **citizen security**, the Bank supported: (i) violence prevention programs for at-risk youth, including the design and implementation of a Positive Youth Development (PYD) program to reduce youth truancy and drop-out rates, and the construction of the Gateway Youth Center to provide after-school programs for high school students in vulnerable communities in Belize City's South Side; (ii) rehabilitation of juvenile offenders, through model care and after-care support for residents entering and exiting youth rehabilitation centers, and infrastructure upgrades to those centers; and (iii) implementation of the Interagency Public Safety Management Information System (IPSMIS) to strengthen coordination of youth violence prevention and support actions across agencies. These actions contributed to

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<sup>54</sup> The bridge is an important conduit for east-west traffic at times when coastal areas must be cleared from approaching hurricanes. Upon completion of the works, 5% of Belize's major highways would have been rehabilitated (as per the indicator reported in the CS results matrix). BL-L1019 and BL-L1029: George Price Highway Rehabilitation. The EU provided US\$7 million as co-financing for the project.

<sup>55</sup> BL-T1072 and BL-T1079. The Caracol Road is the road leading to Belize's premier archeological site, Caracol. The government, with financing from the OPEC Fund for International Development, subsequently contracted the rehabilitation of 34 km of the road, which represents 2% of the secondary road network.

<sup>56</sup> BL-L1031: Strengthening of Tax Administration project, currently in execution.

<sup>57</sup> Results are from: BL-L1013, Flood Mitigation Infrastructure Program (completed); BL-L1028, Climate Vulnerability Reduction Program (in execution); BL-L1020, Sustainable Tourism Program II; BL-T1096, Proadapt Belize - Increasing Climate Change Resilience and Related Business Opportunities; and BL-T1121, Enhancing Conservation in Belize's Protected Areas through Disruptive Technologies.

significant reductions in aggressive behavior and conduct problems among PYD and Gateway Youth Center participants as well as recidivism rates of juvenile offenders.<sup>58</sup>

- 2.12 **COVID-19 response.** In 2020, the Bank financed part of the government's Unemployment Relief Program for vulnerable households, providing cash transfers to 32,856 persons and digital solutions for registration and payment of benefits.<sup>59</sup> To support the public health response, it also financed (i) improvements in the country's COVID-19 testing capacity; (ii) equipment for the operation of temporary detection and waiting areas at points of entry; and (iii) the purchase and deployment of vaccines.<sup>60</sup> IDB Lab contributed with technical assistance to rapidly develop and deploy technology solutions for the COVID-19 response and training healthcare workers in the use of inventory management.<sup>61</sup> To support continued learning during the pandemic, the Bank financed training in hybrid teaching strategies and deployment of digital learning devices to vulnerable students, and is supporting reskilling and upskilling of workers affected by the pandemic-induced economic downturn.<sup>62</sup> Both the Bank and IDB Invest moreover approved credit operations for MSMEs.<sup>63</sup>
- 2.13 **Dialogue areas.** The IDB Group supported several CS dialogue areas. In the area of public expenditure, the Bank provided technical assistance to help draft a public procurement act, and to support the establishment of a Public Procurement Unit in 2017. In health, the Mesoamerica Health Initiative helped improve maternal and child health care through: (i) improved preventive services in target areas; (ii) better management of obstetric and neonatal complications; and (iii) increases in postnatal care.<sup>64</sup> In energy, IDB Invest financed the construction and operation of a Liquefied Petroleum Gas marine terminal, the first of its kind in Belize, contributing to improved energy security in the country. IDB Lab helped pilot and test green finance for the implementation of renewable energy and energy efficiency investments, enabling 100 SMEs to gain access to energy financing.<sup>65</sup>
- 2.14 **Cross-cutting issues.** The cross-cutting aspects of **gender and diversity** were integrated in several Bank programs. In **education**, interventions in primary schools have helped reduce gender differences in student achievements in favor of boys in mathematics; gender-sensitive STEAM teaching in mathematics and science is helping eliminate gender bias; and migrant children are benefiting from more inclusive and multicultural education.<sup>66</sup> In

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<sup>58</sup> BL-L1014: Community Action for Public Safety Program (CAPS). Building on the success of CAPS, the Bank supported the first comprehensive study on gangs, with recommendations to reduce gang violence, a feasibility study for implementation of a gang intervention program and a demand study and business proposal for a national legal aid program and BL-T1082: Support to the Preparation and Implementation of the Second Phase of the Community Action for Citizen Safety (CAPS II).

<sup>59</sup> BL-L1034: Support to Safety Nets for Vulnerable Populations Affected by the Coronavirus in Belize.

<sup>60</sup> Partial reformulation of BL-L1020: Sustainable Tourism Program II; BL-L1036/U0001: Program to Support the Health Sector and to Contain and Control Coronavirus and mitigate its effect on Service Provision.

<sup>61</sup> BL-T1136: Equipping Government Health Facilities with Leading Digital Health Solutions for COVID-19.

<sup>62</sup> BL-L1030: Education Quality Improvement Program II; and BL-T1131: Skills to Access the Green Economy through TVET in Belize and the Caribbean.

<sup>63</sup> BL-L1037, Global Credit Program for Safeguarding the Productive Sectors and Employment in Belize; and Atlantic Bank Tourism Financing Partnership 11834-02. The latter aims to contribute to the development of market linkages between actors in the tourism value chain, which will be monitored through the MSME tourism portfolio growth of Atlantic Bank and by the number of financed tourism clients that acquire the "Gold Standard" certification, given to those in compliance with COVID-19 adaptation measures.

<sup>64</sup> Mesoamerican Health Initiative BL-G1001, BL-G1002, and BL-G1003. Similarly, the Bank supported malaria elimination efforts by providing support for diagnostic, detection, and treatment capacities BL-G1004: Belize – Regional Initiative for Malaria Elimination (RMEI) in Mesoamerica and the Dominican Republic

<sup>65</sup> BL-T1122, Green Finance for Renewable Energy and Energy Efficiency for MSMEs.

<sup>66</sup> PCR – BL-L1018: Education Quality Improvement Program; BL-J0002: EQIP II. Moreover, in coordination with UNICEF and the First Lady's Office, the Bank supported the elaboration and country-wide dissemination of a children's book and related video on fighting gender violence, "My Body is Precious", which was translated into both the Maya and Garifuna languages.

**tourism**, activities aimed at closing gender gaps in the labor market provided specific support for female entrepreneurs, and support for cultural tourism focused on minority groups (Garifuna, Maya), generating new income opportunities and employment for these groups.<sup>67</sup> In **transport**, the George Price Rehabilitation Program financed a strategy to improve women's access to jobs in the transport sector, training on harassment and gender issues, and internships for female engineering students at the University of Belize in various stages of the project.

- 2.15 Beyond the strategy priority areas, **private sector interventions** focused on agribusiness, where the IDB Group provided support to productivity improvements in Belize's sugar industry, which employs 15% of the country's population and represents a third of its exports.<sup>68</sup> Several projects financed by IDB Lab and the Compete Caribbean Partnership Facility (CCPF) moreover supported SMEs and MSMEs with productivity enhancements, brand development, climate-change resilience, biosecurity, institutional strengthening, simplification of business processes, digital transformation, innovation, and greater access to finance.<sup>69</sup> Finally, the Bank helped the government design a new Private Public Partnership (PPP) Policy, which was approved by the Cabinet in 2020.<sup>70</sup>

### C. Portfolio in execution and lessons learned

- 2.16 **Portfolio.** The active SG portfolio comprises 9 investment loans (US\$107.9 million, with an US\$41 million available balance), a guarantee (US\$2.1 million), a contingent credit facility (US\$10 million), 2 investment grants (one of EUR 5 million and one of US\$2.5 million), and 22 TC grants (US\$7 million). It includes operations in the six current CS priority areas as well as programs to address the COVID-19 pandemic and its impact on vulnerable households and businesses. IDB Invest's exposure in Belize is US\$21.3 million, supporting financial institutions (43%), corporates (29%) and infrastructure (28%). IDB Lab has 8 active TC grants for US\$4.9 million, in health, tourism, agriculture, trade, and climate change and disaster risk management.
- 2.17 **Lessons learned.**<sup>71</sup> At the **strategic level**, the current country context confirms the continued relevance of the areas prioritized under the strategy, but also underscores the need for some changes in focus. In education, the interventions have proved that changing the teaching quality and methods without adding instructional time can yield important learning outcomes; future interventions should keep this approach.<sup>72</sup> Additionally, emphasis must be on development of skills demanded in a post COVID-19 environment. In tourism, more efforts should focus on demand studies and benchmarking analysis to better identify target market segments and competitors, as well as the best destinations in which to focus interventions. Sector governance needs to be further strengthened, as does the provision

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<sup>67</sup> PCR – BL-L1003: Sustainable Tourism Program. IDB Lab's Belize Tourism Innovation Lab will moreover ensure that 50% of the beneficiaries (tourism workers and business leaders) will be female.

<sup>68</sup> BL-M1012: Creating a Sustainable Sugarcane Industry in Northern Belize. A total of 5,400 small and medium sugar cane producers were trained in cane harvesting. The Bank is also supporting the industry through a blockchain project, BL-T1135, Supporting Technology Adoption for Financial Inclusion and Sustainable Growth of the Belize Smart Sugar Cane Cluster.

<sup>69</sup> BL-T1110, Leveraging Digital Technology Adoption for Improving Business Climate in Belize; BL-T1113, Improving Sustainable Production in the Belize Shrimp Cluster; and BL-T1119, Innovation Platforms for Social and Economic Impact in Belize. Regional initiatives supporting Belize include RG-T3021, Assessing the Capacity to Build Clusters in Small and Vulnerable Countries; RG-T3163, Innovation, Firm Performance and Gender Issues in Enterprises in the Caribbean; RG-T3338, Innovation and Tourism Expansion and Diversification; and RG-T3035, Strengthening Value Chains in the Caribbean.

<sup>70</sup> <https://www.bil.gov.bz/copy-of-public-private-partnerships>.

<sup>71</sup> The sources for this section include project completion reports (PCR) submitted during the strategy period, semiannual portfolio review meetings, and conversations with team leaders and country office staff.

<sup>72</sup> PCR – BL-L1018: Education Quality Improvement Program; and evaluations conducted under the program.

of adequate infrastructure and public services.<sup>73</sup> In transport, there must be a strong focus on sustainability, and improved infrastructure maintenance is crucial. In the trade and tax policy area, while the objectives outlined in the past strategy cycle remain relevant, the mounting fiscal and debt challenges that Belize faces today call for a more comprehensive approach to achieving sustainable public finances, including a focus on improving the efficiency and quality of public expenditure and a better use of public financial management and procurement systems. To accelerate post COVID-19 economic recovery, it will be crucial to support private sector development through greater digitalization, access to finance and business facilitation. Climate resilience and improved DRM should continue to be fostered across sectors. In terms of citizen security, violence prevention should be addressed from a cross-cutting perspective, considering school, health, and social services. Finally, efforts to strengthen institutional capacity should accompany all Bank programs to help the country improve its governance indicators.

- 2.18 At the **operational level**, lessons include: (i) the need to continue supporting local execution capacity, as Bank efforts helped mitigate important risks in this area in the past strategy cycle; (ii) public sector salary caps make it difficult to attract and retain qualified staff for project executing units, a structural problem that requires government action; (iii) project design and implementation should incorporate long-term financing commitments for management and maintenance in order to ensure sustainability, which is a challenge in the current fiscal context; (iv) strong local ownership, complemented by institutional support, facilitates project results; (v) early definition of land titling mitigates risks of delays in the execution of infrastructure works<sup>74</sup>, and the adoption of more efficient procurement methods (such as design-build) would help improve quality and sustainability; (vi) proper coordination between central and local authorities is crucial in programs where local authorities have significant management and financial responsibilities; and (vii) increased presence of sector specialists in the Country Office would help ensure a more continuous dialogue at the technical level and further strengthen Bank responsiveness. In operations with the private sector, clients and projects require upstream support to build high impact interventions as clients have little experience working with development banks, and advisory services may provide the capacities needed.<sup>75</sup>
- 2.19 **Conclusions of the Independent Country Program Review 2017-2021 (ICPR)**<sup>76</sup>. The report concluded that the CS for the 2013-2021 period was overall strongly aligned with the government priorities, although its relevance was challenged by the inclusion of new sectors in the CS Update. Although portfolio execution is still affected by capacity issues, the ICPR recognizes the effort of the Bank to adapt to the institutional capacity of the country by adjusting project size, channeling resources to support preparation, and the active engagement of the specialists with Project Executing Units (PEUs). Finally, the report concludes that the program contributed to most of strategic objectives, although to a varying degree.

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<sup>73</sup> PCR BL-L1003: Sustainable Tourism Program.

<sup>74</sup> As evidenced by the current execution of programs BL-L1021: Solid Waste Management Project II and BL-L1028: Climate Vulnerability Reduction Program, among others.

<sup>75</sup> IDB Invest's Small and Island Action Plan Update (CII/GN-354-1).

<sup>76</sup> In the context of the update of protocol for country evaluations, the Office of Evaluation and Oversight (OVE) prepared an Independent Country Program Review (ICPR), comprising the entire CS period 2013-2021, focused on the relevance of the CS and provides aggregate information on the program implementation. The IDB's Programming Committee and the Committee of the Executive Directors of the IIC considered the document (CII/RE-74, RE-564), as well as the comments from Management to the ICPR (CII/RE-74-1, RE-564-1). Also, OVE's findings indicate that the Bank implemented actions considering the six recommendations outlined in the CPE 2008-2012.

### III. PRIORITY AREAS

- 3.1 **The IDB Group Country Strategy with Belize 2022-2025 aims to help the country overcome the social and economic impact of the COVID-19 pandemic and achieve robust, inclusive, and sustainable growth.** Considering the results and lessons learned from the previous strategy, the government's priorities arising from the health emergency, long-term structural challenges addressed in the CDC document, OVE's conclusions outlined in the ICPR 2013-2021, and the government's Plan Belize<sup>77</sup>, the 2022-2025 strategy proposes three priority areas: (i) fiscal sustainability and management; (ii) private sector productivity and sustainable growth, with a focus on MSMEs; and (iii) human capital. The strategic areas are based on the dialogue with the government and consider the scope of interventions of other multilateral donors. Dialogue areas will focus on migration and citizen security. Support to cross-cutting issues relating to gender and diversity, institutional capacity and rule of law, digital transformation, and climate change and disaster risk management will be streamlined into each of the priority areas considering the potential contribution of financial, non-financial and knowledge products.<sup>78</sup>
- 3.2 **Alignment.** The priority, dialogue and cross cutting areas of this Country Strategy are aligned to the IDB Group's Vision 2025<sup>79</sup> and the Second Update to its Institutional Strategy<sup>80</sup>. The areas are also aligned with IDB Invest's 2020-2022 Business Plan and its objectives to pursue smart growth, targeting intellectual capital and leveraging the IDB Invest brand as part of the IDB Group.<sup>81</sup>
- A. Fiscal sustainability and management**
- 3.3 **The government is pursuing fiscal consolidation to reduce its fiscal gaps and debt burden.** Belize's fragile fiscal situation has persisted for several years, accentuated by slow economic growth, and exacerbated by the COVID-19 pandemic. With tourism collapsing in 2020, revenues fell sharply, and expenditures reached almost 40% of GDP. Consequently, debt ratios have become unsustainable, and the government is progressively relying on domestic debt to address its financing needs. Authorities are working on a strategy to put public finances back on track through fiscal consolidation, gradual debt reduction over the next decade (from 127% of GDP in 2020 to 70% in 2030) and strengthening of fiscal institutions, following the recommendations of the IMF in its latest Article IV consultation mission.<sup>82</sup> A comprehensive fiscal strategy would combine short-term support to those affected by the pandemic with a clear plan for medium-term consolidation, addressing long standing issues in expenditures, public financial management, tax revenues, tax administration and debt. Additionally, fiscal discipline and transparency should be enhanced by strong fiscal institutions.
- 3.4 In terms of **expenditures**, total outlays averaged 29% of GDP in 2018-2020, above the 19.6% LAC average. The weight of the wage and goods and services bill in total

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<sup>77</sup> Available at: <https://planbelize.bz/wp-content/uploads/2020/10/BLU-manifesto-eBOOK.pdf>.

<sup>78</sup> The new strategy integrates previous priority areas as follows: (i) tourism and transport are streamlined into the second priority area; (ii) education forms part of the human capital pillar; (iii) citizen security remains as a dialogue area based on discussions with the government; and (iv) climate resilience and DRM are proposed as cross cutting areas, given their importance in the fiscal, productive and social sectors, and following the guidelines of the Country Strategy Internal Protocol (CP-3551-3).

<sup>79</sup> [Vision 2025 Reinvest in the Americas: A Decade of Opportunity](#).

<sup>80</sup> Which prioritize three development challenges of the region: (i) social inclusion and equality; (ii) productivity and innovation; and (iii) economic integration, also addressing three cross-cutting issues: (i) gender equality and diversity; (ii) climate change and environmental sustainability; and (iii) institutional capacity and the rule of law.

<sup>81</sup> As well as with the Business Plan Update 2021, CII/GA-80-11.

<sup>82</sup> [IMF, Belize-staff-concluding-statement-of-the-2020-article-iv-mission \(March 2021\)](#).

expenditures is considerable, at up to 80% of total expenditures, or 21% of GDP in the same period, reducing budget flexibility and creating inefficiencies, which for the wage bill amount to an estimated 1.4% of GDP<sup>83</sup>. Meanwhile, public investment, at 6.4% of GDP in 2018-2020, has been used in the past to boost economic growth, contributing to growing debt (around half of public investment is externally financed). Additionally, Belize ranks last among a sample of LAC countries in the Public Investment Management (PIMA) Index<sup>84</sup>, with challenges in appraisal, evaluation, and implementation. Thus, better prioritizing and more efficient execution of infrastructure projects will yield additional savings and support economic recovery. Finally, social expenditure can be enhanced by reducing leakages and other inefficiencies, which currently amount to 2.3% of GDP<sup>85</sup>; this could be achieved, for instance, by consolidating beneficiary registries across multiple social programs that currently exist in Belize.

- 3.5 Efforts to improve **Public Financial Management (PFM) systems** in Belize over the last decade have brought notable improvements in several PFM system functions such as budgeting, treasury and accounting.<sup>86</sup> Deficiencies nonetheless remain, including in the external audit function, and improvements are required to align Belize's PFM to international best practices, particularly in budget preparation, cash, project, and asset management, as well as debt management. The internal audit function was established in late 2020, but interventions are recent and internal audit reports have not yet been produced. During the 2022-2025 CS period, the Internal Audit Act and Internal Audit Manual being developed under an EU-funded PFM project are expected to be approved and put into effect via a first audit done by the Internal Audit Unit. Efforts in the PFM area also involve strengthening the transparency of public policymaking<sup>87</sup> and the institutional, technical, and managerial capacities for prioritizing and implementing government strategies.
- 3.6 Transparency in the use of resources can be enhanced with centralized **procurement** schemes integrated with the budget systems and using reference prices. Belize currently has a fragmented legal framework for public procurement that will need to be brought together and streamlined in a Procurement Act. The Bank has provided technical support in this area since 2019, and a draft Public Procurement Act was developed and shared with the government in May 2021.<sup>88</sup> A Procurement Unit was established in 2017 and is in operation, but it is not involved in policy making or resolving disputes; it is expected that the new Procurement Law will consolidate the Unit's role. Currently, procurement activities are decentralized among line ministries and the e-procurement system is not in use, limiting

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<sup>83</sup> Izquierdo, Pessino and Vuletin (2018).

<sup>84</sup> *Idem*.

<sup>85</sup> *Idem*.

<sup>86</sup> See IDB's Guide-FMS (2021). Technical assistance on PFM has mainly come from the IDB, European Commission, IMF's Caribbean Regional Technical Assistance (CARTAC) and World Bank's Supporting Economic Management in the Caribbean (SEMCAR). In 2019, the government requested IDB grant funding to complete the deployment of the SmartStream Projects module to fully carry out the accounting and reporting function for IDB-financed projects, but due to the delays with the upgrading of the Chart of Accounts, this activity was put on hold. Also, in the past CS period, the IDB provided PFM support to Belize through technical assistance and capacity strengthening mainly in the areas of procurement and external audit.

<sup>87</sup> According to the Open Government Index of the World Justice Report, in 2015 Belize ranked 48 (of 102 countries included in the index) in government openness (score of 0.55 on a scale of 0 to 1, with 1 indicating greatest openness), measured around four dimensions: (i) publicized laws and government data; (ii) right to information; (iii) civic participation; and (iv) complaint mechanisms.

<sup>88</sup> [Draft Public Procurement Act](#). BL-T1101: Strengthening of Public Procurement. The new Procurement Act prepared under this TC will provide an opportunity to modernize public procurement by allowing and regulating the use of electronic procurement systems, reverse auctions, and framework agreements.

economies of scale, value for money, price standardization and competitiveness. Inefficiencies in procurement are estimated at 2.1% of GDP<sup>89</sup>.

- 3.7 Regarding **tax revenues**, Belize already has a relatively high tax ratio over GDP (about 30%, compared to the 20% LAC average in 2018-2020). Yet there is a need to improve the tax system's efficiency, broaden the tax base (especially of the GST, by phasing out exemptions and zero-rated goods, and including the hotel sector and the digital economy), and rationalize tax expenditures (6.5% of GDP according to 2013 estimates) and special tax regimes, both of which will make the tax system simpler and more transparent. There is also a need to strengthen the management of tax arrears and reform trade taxes and corporate taxation to generate sufficient revenues without creating economic inefficiencies. Revenue reforms should be complemented by efforts to strengthen **tax administration**. Although important progress has been achieved with the merging of the former sales and income tax departments into one agency, the Belize Tax Services (BTS), tax administration can be improved further by enhancing operational processes and fostering compliance via technology upgrades, an area where the Bank is providing continuous support.
- 3.8 Regarding **fiscal institutions**, Belize currently lacks a fiscal rule providing forward guidance with clear primary surplus targets, and escape clauses in case of economic emergency. Medium term fiscal frameworks, budget execution reports or regular fiscal statistics are not currently produced, undermining transparency, accountability, and predictability. Fiscal discipline should be institutionalized through a medium-term fiscal framework, explicit fiscal rules with clear escape clauses and independent fiscal councils that can contribute to increased accountability in fiscal policy and better compliance with fiscal targets. Fiscal policy and institutions need to be reinforced through efforts to attract and retain qualified staff and an effective public sector human resource management strategy.
- 3.9 **Bank support in this strategic area will focus on improving fiscal management and institutions, aided by digitalization.** Specifically, the Bank will help the government design and implement actions to: (i) improve the efficiency and quality of public spending and debt management with the aim to reduce inefficiencies and leakages across all expenditures categories; (ii) upgrade public financial management and procurement systems to promote transparency in the use of resources and obtain savings; (iii) enhance the efficiency of tax revenue collection; (iv) modernize the tax administration through digitalization, facilitate tax compliance and improve tax administration governance; and (v) strengthen fiscal institutions to enhance predictability and accountability.<sup>90</sup>

## **B. Private sector productivity and sustainable growth, with a focus on MSMEs**

- 3.10 **The productive sector and private firms, especially MSMEs, will be key to Belize's economic recovery.** Past economic performance has been insufficient to drive significant improvements in national welfare, and per capita income has remained stagnant in the last decade. The export sector's potential to contribute to growth has been hindered by product and market concentration, infrastructure gaps, institutional weaknesses, and weak climate resilience. Additionally, MSMEs generate the bulk of employment but face credit constraints, low technology adoption, labor skills gaps and a sub-optimal business climate, affecting their competitiveness.
- 3.11 **Insufficient access to credit constrains many private businesses, especially MSMEs led by women.** Before the pandemic, two thirds of Belizean MSMEs declared that access

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<sup>89</sup> IDB (2018).

<sup>90</sup> The loan portfolio currently in execution will support these efforts (BL-L1031: Strengthening of Tax Administration; BL-L1038: Strengthening Public Expenditure Management).

to finance was a major constraint<sup>91</sup> Financial constraints among MSMEs result from: (i) the absence of records and internal procedures to generate financial information on their operations; (ii) low levels of capitalization and lack of guarantees and collateral; (iii) high levels of informality; (iv) higher operating costs for intermediary financial institutions to lend at small scales; (v) the lack of a regulatory framework to provide financial products tailored to MSMEs<sup>92</sup>; and (vi) lower profitability compared to other business segments.<sup>93</sup> The economic downturn in 2020 intensified difficulties for MSMEs, particularly those in the tourism and associated sectors and women-led MSMEs. Female entrepreneurs face greater credit restrictions than their male counterparts and are relatively more present in the services and tourism industries, the sectors most affected by the crisis.

- 3.12 **Product and market concentration in the export sector (both tourism and agriculture), limits its dynamism and increases its vulnerability to external and domestic shocks.**<sup>94</sup> Export development is constraint by import tariffs and other taxes levied on imported good, and Beltraide, the country's trade and investment promotion agency, provides limited services to attract and retain investors. Belizean exports to neighboring countries Mexico and Guatemala, remain limited; in 2017-2019, only 0.4% of domestic exports went to Mexico and 3% to Central America.
- 3.13 **Businesses remain constrained by low technology adoption and cumbersome government processes, most of which are not provided digitally.** Digital transformation within the government is incipient, and the digitization of government services has progressed slowly, hampering efficient and open provision of such services to both firms and citizens.<sup>95</sup> Regarding digital adoption among firms and households, mobile telephone penetration is 65%, below LAC's average (112%) and only 14% of households are subscribed to mobile internet, despite the availability of broadband<sup>96</sup>. Also, only 28% of businesses had their own website in 2010, compared to the LAC average of 47.3% (Vivid, 2018). Faster digital transformation of government services and among firms will be crucial to sustain business and economic recovery in a post COVID-19 environment. Additionally, there is an unexplored potential to promote firm-level innovation in the blue economy (taking advantage of the country's abundant maritime resources to foster growth, diversification, and greater climate resilience), as well as in other sectors with strong growth potential (technology-based, creative industries, among others).
- 3.14 **Enhanced productivity and growth in tourism and agriculture requires further investments in resilient infrastructure and other public goods and services.** Despite progress in recent years, only 17% of the country's roads are paved, and deficiencies in the road maintenance system persist. Having quality roads and more diversified means of

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<sup>91</sup> MSMEs also reported that: (i) the proportion of working capital financed by Banks was only 18%; and (ii) purchases of fixed assets financed from bank loans were merely 18% (versus 32% for LAC-26). World Enterprise Survey, 2019. A study by the SME Finance Forum in 2018 found that the estimated financing gap among formal MSMEs in Belize is around US\$462 million in unmet credit demand (equivalent to 26% of GDP).

<sup>92</sup> This is one of the pillars in the National Financial Inclusion Strategy 2019-2022 ("Tailored Financial Products and Services"). The Central Bank of Belize has requested assistance to the IDB to prepare a diagnose of the potential demand for microfinance institutions and regulatory and legal changes required.

<sup>93</sup> Beltraide (2012). Belize MSME Policy and Strategy Report.

<sup>94</sup> Diversification has not improved much since 1995, according to the Atlas of Economic Complexity.

<sup>95</sup> Belize ranks 120 of 176 countries in the ICD Development Index and 136 of 193 countries in the UN's 2020 E-Government Survey. In the Online Service Index (OSI), Belize's rank has fallen every year from 90 in 2014 to 168 in 2020. Currently, Belize lags most Caribbean countries in delivering digital services to the public.

<sup>96</sup> However, in Belize, fixed broadband penetration levels are around 7.6% of the population, far from the 34.81% of OECD countries. Something similar occurs with mobile broadband, with penetration levels of around 43.9%, almost 3 times lower than the OECD average (127.28%), according to the International Telecommunications Union.

access to remote destinations<sup>97</sup> is instrumental for tourism development and for strengthening the sector's climate resilience. Additionally, poor land accessibility restricts the cultivation of available land and increases production costs. Efforts to improve solid waste management should continue, and investment in sanitation services in tourist areas will be crucial to guarantee health safety for visitors and the preservation of the country's natural capital. Investments in other public goods and services are also needed to enhance the tourism product and ensure its sustainability, including new tourism infrastructure and reinforcement of existing works, promoting climate resiliency in tourist destinations, and strengthening institutional capacity, governance and data and market-based sector planning.<sup>98</sup> These investments are important to support economic recovery and should be accompanied by a focus on climate change to increase resilience and protection of the country's natural capital.

- 3.15 **IDB Group efforts will focus on supporting the export sector, entrepreneurship, digitalization and innovation, with special attention to women-led firms.** More specifically, the Bank, IDB Invest and IDB Lab will help: (i) MSMEs, particularly those led by women, enhance their access to finance, both for working capital and for productive investments that can promote firm growth, and strengthen businesses facilitation processes through the digitalization of government services; (ii) improve Belize's connectivity with regional and global markets, including through export promotion, investment attraction and trade facilitation services, a Single Window for key FDI sectors, trade agreements, and support services for exporting firms; (iii) promote digital transformation in the government, technology adoption among firms to explore new markets and clients, and strengthen the innovation ecosystem at the public and private sector levels<sup>99</sup>, with a particular focus on innovations in the blue economy and other sectors with strong growth potential<sup>100</sup>; and (iv) support continued provision of infrastructure services for the tourism and agriculture sectors (i.e., road infrastructure, sanitation, tourism services), protecting the natural capital and improving its resilience to natural hazards and climate change. Several operations in execution will support these efforts.<sup>101</sup>

### C. Human Capital

- 3.16 **Belize faces a skills mismatch and the pandemic uncovered challenges in the provision of basic public services.** Despite the learning improvements in primary education achieved in the past strategy period, skills gaps remain: many workers in Belize are not sufficiently qualified for today's jobs or for the jobs in potential growth sectors, such as Business Process Outsourcing (BPO), and employers increasingly demand a more

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<sup>97</sup> Based on adequate, sustainable tourism destination and land planning.

<sup>98</sup> For instance, creating a tourism intelligence system to analyze tourism demand trends and the potential of different segments, destination competitiveness, macro, and micro tourism environments, among others.

<sup>99</sup> At the public level, by simplifying the regulatory environment for MSMEs, enabling them to operate in the digital economy, and digitalizing business processes. As mentioned before, under BL-T1110, several bills on data protection, electronic transactions, among others, were finalized and submitted to readings in Parliament in September. Also, the TC supported digitization of business registry to simplify the process and improve response times. BL-T1119 is supporting the design of an Innovation Pact and an Innovation Roadmap, and a 15-member digital bootcamp is being implemented. At the private level, by promoting digital transformation and innovation among firms to stimulate export competitiveness and diversification. Additionally, businesses in Belize are benefitting from technical assistance under a regional TC to provide digital extension services, financed by the CCFP (RG-T3322: Technology Extension Services).

<sup>100</sup>Through a regional TC (RG-T3850), under the CCPF, the Bank will provide technical support to Caribbean startups and innovative firms in the Blue Economy, selected via competitive process.

<sup>101</sup> Several operations currently in execution will support these efforts, including the recently approved MSME credit operations by the Bank (BL-L1037) and IDB Invest (Atlantic Bank), projects underway in the transport, tourism and water and sanitation sectors, and IDB Lab grants to support small businesses.

qualified workforce and digital skills that are not provided by the current education and training system.

- 3.17 **Quality education and relevant skills for the job market are crucial to reducing poverty and building resilience to economic shocks.** Poverty rates stand at 12% (versus the 52% national average) in households headed by a person who has some form of advanced education. Also, persons with tertiary level education have the lowest unemployment rates (9% in April 2021). Across the country, however, completion rates and student performance at the secondary level are still low, and only 17% of students graduate from STEM fields, even though average monthly wages for jobs in STEM fields are higher than for those in non-STEM fields (US\$970 vs. US\$918). Moreover, only 27% of training institutions have processes to identify skills needed in the private sector and two thirds of employers do not have a relationship with a training institution. Belize needs a modern vocational training system that responds to the skills needed in the labor market and to those aligned with the transition towards a greener economy. Belize moreover has a highly educated female workforce<sup>102</sup> that could be used in tertiary industries that require higher levels of education. There is also a need to develop a comprehensive tourism sector human capital strategy, focused on entrepreneurship and innovation.
- 3.18 **The COVID-19 pandemic has accentuated the need for such abilities.**<sup>103</sup> Without efforts to close the skills gap, many of those who became unemployed during the outbreak will find it difficult to re-enter the job market post-pandemic. Dropout rates have risen due to school closures and the economic downturn, reducing expected lifetime earnings as well as GDP. The IDB estimates an 8% increase in students not attending primary school and a 2.6%-10% increase in those not attending secondary schools (close to 1,400 students in total); in some secondary schools in Southside Belize City, only about 50% of students are continuing their studies. For migrant students, the effect would be larger considering the higher incidence of dropout among this group with rates five times higher than among their non-migrant peers. School closures, with higher dropout rates, will have a long-term impact on human capital formation and employment.
- 3.19 **The country's health system was stretched thin during the pandemic.** Critical gaps in medical infrastructure and staff (1 doctor per 1,000 people and 15 nurses per 1,000 people, both below international standards) existed before the pandemic. This shortage led to the postponement of basic reproductive, maternal, and childcare services to meet demand from the COVID-19 emergency. Hence, the challenge in the sector is to ensure access to trained human resources and foster its digital transformation. Also, the speed of the recovery and the reopening of schools depend on guaranteeing widespread access to vaccines and immunizing a significant proportion of the eligible population, an area where the IDB Group has provided crucial support.
- 3.20 **The Bank will promote human capital formation and employability** with activities to: (i) close the existing skills gap: in primary and secondary schools, the aim will be to improve learning outcomes and provide inclusive training in digital skills required by the labor market, such as STEAM; in vocational training, the focus will be on upskilling the workforce through training in digital, coding<sup>104</sup> and complementary skills, such as cybersecurity, fostering the

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<sup>102</sup> Naslund-Hadley, Navarro, and Prada (2020).

<sup>103</sup> According to IDB's publication "The Future of Work in Latin America and the Caribbean", in a post COVID-19 world, digital technology will be an important tool to facilitate the recovery of jobs. Teleworking will remain an ally in combating the spread of the virus, and online shopping will help access markets while minimizing human contact. Integrating to the post COVID-19 job market requires the development of digital skills, through education and training, which should themselves be offered digitally. As mentioned earlier, Belize ranks below the LAC average in terms of access to ICTs.

<sup>104</sup> As mentioned before, the Bank is providing support with a digital talent bootcamp pilot in Belize (BL-T1119).

participation of women and vulnerable groups, and designing learning programs in emerging areas such as renewable energy and energy efficiency; (ii) support government efforts to assess the magnitude of dropouts and the use of distance learning, and propose related policy actions, as well as strengthen hybrid and remote teaching skills<sup>105</sup>; and (iii) strengthen the health sector, increasing its capacity to cope with additional demand, safeguarding the provision of services to non-COVID-19 patients, and ensuring widespread vaccination as a condition for reopening schools and the reactivation of key industries.<sup>106</sup>

- 3.21 **Dialogue areas.** The strategy will include migration and citizen security as dialogue areas. Regarding **migration**, evidence from receiving countries shows a concentration of migrants in “essential” professions such as healthcare, childcare, domestic work, farming, and food production and processing. Hence, a key aim related to labor migration is building better pathways to legal employment to help migrant workers enter sectors with labor shortages. Given the relevance of migrants in Belize's population (14%), the Bank will help the government design and implement policies and regulations to promote an efficient, orderly, and inclusive integration of migrants into the labor force, seizing their potential to contribute to productivity and growth<sup>107</sup>. Also, the Bank will support technical analysis and dialogue on the institutional arrangements required to attract international retirement migration (IRM) to Belize as a contributing factor for growth<sup>108</sup>. In **citizen security**, dialogue will build on the Bank's support during the past CS period, addressing issues such as fostering greater security in urban areas, safeguarding tourism destinations and addressing the risk posed by the COVID-19 pandemic due to school dropouts, unemployment, and inactivity. Further work on crime prevention, rehabilitation and social reinsertion is also crucial to strengthening human capital. The IDB Group will stand ready to assist the country with financial instruments and technical assistance as required by the government in these areas.
- 3.22 **Crosscutting issues.** The IDB Group will continue to mainstream **gender and diversity** in project design and implementation. The Bank will place special emphasis on generating knowledge products on gender and diversity, including diagnostic studies, to fill knowledge gaps<sup>109</sup>, particularly related to the priority areas set forth by this CS, based on the information available and contributing to the generation of information through technical assistance. Issues of intercultural health, bilingual education and access to finance and financial inclusion will also be addressed with a gender and diversity perspective. A concerted effort will moreover be made to cover underserved and vulnerable sectors of the population in the Bank's interventions, since those segments were most affected by the social and economic shock resulting from the pandemic. Such groups include women, victims of gender violence, migrants, and ethnic groups who, even before the pandemic, were more likely to lose jobs and be left without social protection. Women-led businesses will be prioritized in operations that promote access to finance, and vulnerable groups will be included in initiatives to

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<sup>105</sup> Under BL-T1130, the Bank is supporting data collection on students that dropped out and students that are still attending school remotely, and other data. This information will be used to update the Belize Education Monitoring Information System (BEMIS) and inform education policy. Also, at the primary level, the Bank is supporting training teachers in hybrid education models (BL-L1030 and BL-J0002), as remote and hybrid teaching skills will improve the quality of education, which is a determinant of school attendance and dropout.

<sup>106</sup> Several portfolio operations will contribute to these efforts, including BL-L1030/BL-J0002: EQUIP II, and BL-L1036/BL-U0001: Program to Support the Health Sector to Contain the Coronavirus and Mitigate its Impact on Services Provision.

<sup>107</sup> To promote the inclusion of migrants, ethnic groups, and other minorities and maximize their potential to contribute to productivity and growth, the Bank agreed with the government to support the development of a migrant registry using the Bank's technical expertise and the experience of Colombia as a reference.

<sup>108</sup> For that purpose, the Bank will conduct an assessment on the current conditions impacting IRM to Belize and provide a proposal for creating an environment to attract greater numbers of foreign retirees.

<sup>109</sup> During the upcoming Country Strategy cycle, the Bank will support preparation of the 2022 Population and Housing Census (BL-T1103), which will help generate valuable information in this regard.

enhance digitalization and digital skills. Also, given the relatively large presence of migrants in Belize and their own diversity, the IDBG will aim to promote an inclusive integration of migrants.

- 3.23 Bank interventions will support **digitalization, institutional capacity and rule of law** in all three strategic areas. In the first pillar, the introduction of e-procurement systems, and internal control and audit, as well as the modernization of the tax administration, will improve transparency, accountability, and efficiency in the use of public resources. Moreover, the Bank will support capacity development in public financial management. In the second pillar, digitalization of government services will enhance transparency and facilitate business operations. In the third pillar, the Bank will continue to support initiatives to enhance education governance through data-driven management, train educators in effective school administration and education management, and strengthen the government's capacity to deploy its vaccination program in an efficient and equitable way. Additionally, with IDB and donor support (including the EU), several reforms are underway to enhance the external audit function of government, which will strengthen institutional capacity, the rule of law and transparency in the use of public resources<sup>110</sup>.
- 3.24 The IDB Group will continue to support **climate resilience and disaster risk management** in Belize. Interventions to reduce climate risk are already underway<sup>111</sup> and should continue to be implemented to protect key at-risk industries such as tourism, agriculture and fisheries, and low-lying coastal and urban areas such as Belize City. Strategies include integrating climate resilience in infrastructure designs and partnering with the private sector to promote risk reduction investments and adaptation, and improving risk assessment capacity and governance, disaster response, recovery and supporting low carbon development within the context of the commitments of the National Determined Contribution (NDC).<sup>112</sup> Additionally, the IDB Group stands ready to support the country in the design and implementation of blue economy projects to enhance marine and environmental protection and climate resilience.

#### IV. PROJECTED FINANCIAL SCENARIO

- 4.1 The Bank foresees sovereign guaranteed approvals of US\$95 million in the 2022-2025 strategy period, or an average US\$23.8 million a year, subject to the Bank's Ordinary Capital allocation guidelines. Initially, approvals are likely to be concentrated in investment loans, with the possibility of policy-based lending later in the strategy period to support reforms if macroeconomic conditions allow. Disbursements would reach an estimated US\$98 million during the CS period, or US\$24.5 million a year on average. Net cash flows for Belize would be positive at US\$41.4 million, or US\$10.3 million a year on average. IDB debt would represent 5% of gross public debt, 12% of public external debt, and 32% of multilateral debt at the end of the strategy period (see Annex III).

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<sup>110</sup> The Office of the Auditor General (OAG) Act currently under preparation with the support of the IDB, once adopted, will boost the OAG's independence by enshrining protection and rights of the OAG and those who whistle blow to the OAG. The Act is being prepared in accordance with INTOSAI International Standards.

<sup>111</sup> For example, under BL-L1028: Climate Vulnerability Reduction Program, which finances climate resilience interventions in Belize City and surrounding coastal areas and islands. All infrastructure works supported by the IDB in Belize also include a strong climate resilience element.

<sup>112</sup> As a small country Belize has limited capacity to contribute to climate change *mitigation*, but it is committed to achieving the objectives of the United Nations Framework Convention on Climate Change and supports the even more ambitious 1.5°C limit in global average temperature growth (compared to pre-industrial levels). Belize's Nationally Determined Contribution (NDC) is guided by its commitment to strategically transition to low carbon development while strengthening its climate resilience. The IDB Group will continue to support the government in meeting its NDC, promoting interdisciplinary governance, and strengthening its institutional capacity in these areas.

## V. IMPLEMENTATION CONSIDERATIONS

- 5.1 **Portfolio execution.** During previous CS periods, the Bank supported execution through capacity building for project execution units (PEUs), complemented by additional consultancy support to individual PEUs<sup>113</sup>. This approach has been effective in improving the quality of project planning and execution and continued efforts in this regard will likely be required under the new strategy period. The Bank is examining opportunities to further strengthen its technical support in the country. In addition, the Bank will support the government as it considers additional ways to improve public sector efficiency in project design, planning, and execution. For example, the establishment of a central executing unit that allows shared services among ministries, centralized coordination and execution of MDB financed projects to minimize redundancies and that fosters greater management discipline and professionalism. The Bank could support the Government's efforts to enhance, sustain and reinforce planning and execution to support transformational public investments to deliver better and more timely development results.
- 5.2 **Donor coordination.** The IDB Group, the only multilateral agency with an office in Belize, will continue to coordinate with the main development agencies active in the country, including the Caribbean Development Bank (CDB), WB and EU, and with the IMF, to ensure program complementarity and identify opportunities for technical and financial collaboration.<sup>114</sup> The CDB's portfolio is mainly in road infrastructure, sanitation, education and social inclusion. The WB's smaller portfolio focuses on climate resilient infrastructure and financing for the Belize COVID-19 Cash Transfer (BCCAT) program. It is also planning to support a Public Expenditure Review (PER), which will support the first pillar of the CS (fiscal management). The EU's support to Belize focuses on energy, health, and public financial management. The OPEC Fund for International Development has financed infrastructure and poverty alleviation programs. Important bilateral donors include the United States, United Kingdom, Canada, Kuwait, and Chinese Taipei<sup>115</sup>.
- 5.3 **Use of country systems.** Consistent with the Bank's strategy to strengthen and rely on national systems, Belize's budget and treasury subsystem is used in the Bank's portfolio. In particular, the government's enterprise level application, SmartStream, is used in portfolio implementation to carry out the budgeting, treasury and, to some extent, the accounting and financial reporting functions. The accounting software QuickBooks is also used for project financial reporting. During the previous strategy period, the Bank provided technical assistance to strengthen public procurement and the Office of the Auditor General. Notwithstanding these efforts, which will continue during the new CS period, the Bank still uses its procurement policies for all processes with reviews done ex-ante and project audits conducted by private audit firms approved by the Bank. Reforms are underway to enhance the PFM system in accounting, financial reporting, and internal audit, which is expected to result in an increased use of national systems (Table 1).

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113 OVE's ICPR mentioned that the Bank tried to adapt to the country reality by preparing and executing loans that were small in comparison to those executed in the other IDB borrowing countries and investing in preparation and execution, and with an active engagement of IDB Group specialists to closely support the PEUs. The IDB Invest also increased its engagement through the Small and Island Country Action Plan. However, limited institutional capacity and human resources represent a challenge for the start-up and execution of the projects.

<sup>114</sup> These efforts are aligned with the [Strategies for implementation of the Sustainable Development Goals \(SDGs\)](#) for better partnerships with the development community and donor coordination.

<sup>115</sup> Use of the phrase Chinese Taipei does not in any way reflect the position of the IDB Group or any of its member countries regarding issues of national sovereignty or diplomatic recognition.

**Table 1. Country Systems**

Use of country systems	Baseline 2021	Estimated Use 2025	Planned actions under the country strategy
Financial Management System			
Budget	100%	100%	1. Support development of an interface between the new COA and CPM 10 module to digitize the budget preparation process. 2. Support finalization and approval of Budget Handbook on the new performance budgeting system. 3. Support training on Budget Handbook and the new performance budgeting system.
Treasury	100%	100%	1. Support implementation of a new cash management business model to improve cash forecasting and management
Accounting and reporting	0%	70%	1. Support expansion of SmartStream functionalities with the deployment of the Project and Asset Management modules.
Internal audit	0%	0%	1. Support establishment of the Internal Audit Unit by hiring additional internal auditors and commence internal auditing of MDAs. 2. Support finalization and approval of Internal Audit Act and Internal Audit Manual.
External control	0%	0%	1. Support enactment of the Office of the Auditor General Act 2. Support finalization and approval of the Audit Manual based on international standards. 3. Conduct a diagnostic assessment of the OAG to identify opportunities for further strengthening.
Procurement System			
Information system	10%	100%	Continuous dissemination
Price Comparison/ Shopping	0%	20%	Dialogue with the government to enable adoption of the strengthening measures for the use of national systems for these methods.
Individual consulting	0%	20%	
Partial national competitive bidding	0%	0%	MAPS diagnosis to fully understand the gaps with international standards and good practices related to public procurement, and to support the modernization of the procurement system.
Advanced national competitive bidding	0%	0%	

5.4 **Environmental governance.** Belize has a legal framework for environmental protection and specific regulations under its National Protected Areas System aimed at fostering sustainability and careful use of natural resources, but better enforcement of regulations and improved management of environmental risks will be crucial to achieving lasting results.<sup>116</sup> Implementing the IDB’s Environmental and Social Policy Framework presents some challenges, particularly with respect to: (i) environmental control; (ii) definition of protected areas; and (iii) consultation mechanisms. Regarding environmental control, Belize’s Environmental Protection Act requires further regulatory development to strengthen the definition of what constitutes an environmental crime, standardize methods for damage assessment, and create a robust environmental sanctioning mechanism. As to protected areas, the legal definition of restrictions related to each protected category should be promoted to help avoid social conflicts. Regarding consultation mechanisms, Belize currently lacks a legal framework, and the existing mechanism does not consider participatory decision-making processes. The Bank will support Belize in enhancing its environmental and social systems and governance and achieving its Horizon 2030 National Development Strategy goals. In collaboration with other development partners, the IDB will

<sup>116</sup> Rising sea temperatures and the environmental impacts of human activities are destroying natural coastal capital. Partial enforcement of environmental and social regulations and increased (legal and illegal) deforestation and exploitation of crude oil have led to further stress on natural assets.

support Belize in strengthening its environmental and social systems through actions to: (i) enhance sustainable use of protected areas to ensure their lasting contribution to the country's economy, while supporting local livelihoods; (ii) continue developing the potential of nature-based economic activities; and (iii) implement multisectoral strategies for effective management of natural assets.

- 5.5 **Synergies between the IDB Group's institutions.** IDB, IDB Invest and IDB Lab will continue to coordinate their actions in Belize, including efforts to mobilize more financing for the private sector, which would allow the Group to strengthen its impact in the country. The Bank will explore opportunities through SG financing to foster legal, regulatory and business reforms that could spur greater private investment and NSG financing. Sustainable tourism, transport, clean energy and energy efficiency, agribusiness, MSME financing and connectivity are areas where public-private collaboration could help solve pressing needs during the post-COVID-19 economic recovery. Knowledge sharing and joint research efforts are other potential areas of collaboration, building on efforts such as the IDB Invest-coordinated survey on Innovation, Firm Performance and Gender (IFPG), the results of which will inform SG and NSG interventions and technical assistance under the strategy's second priority area.

## VI. RISKS

- 6.1 **Fiscal and financial risks.** Implementation of the government's fiscal consolidation plan could be derailed by a renewed upsurge in the pandemic, the impact of a natural disaster or failure to secure a debt restructuring deal that achieves a meaningful reduction in debt and debt service, with further and long-lasting impacts on country risk, borrowing conditions and access to external financing. In the financial sector, if the crisis drags on, the number of nonperforming and past due loans that benefited from financial and regulatory policies during 2020 could weigh on banks' and credit union's balance sheets, affecting the sector's health. Such risks could affect the scope and depth of the actions proposed in this strategy: they could constrain the government's capacity to implement initiatives requiring a sustained commitment of resources, such as digital transformation and delivery of basic services and infrastructure, as well as the financial system's ability to close the credit gap for MSMEs – all important areas of the country strategy. While these risks cannot be fully mitigated, the Bank will provide continued technical and financial support to the government's fiscal consolidation program, its COVID-19 vaccination program, and initiatives to reactivate private businesses in a sustainable way, with the active participation of IDB Invest and IDB Lab.
- 6.2 **Increased social vulnerability.** The COVID-19 crisis has highlighted the vulnerability of large segments of the population in Belize, particularly women, ethnic minorities, and youth. In the absence of a rapid recovery and targeted policies to mitigate the socioeconomic impacts of the pandemic, social unrest could grow. This could put pressure on public policies and induce a shift in government priorities, delaying projects with longer term impacts, such as in education or adaptation to climate change. To mitigate this risk, the strategy puts a strong emphasis on supporting the recovery of the private sector, especially MSMEs, and strengthening human capital with a particular emphasis on ensuring equitable access to women, migrants, and ethnic communities. A continued dialogue with members of the civil society and the use of tools to measure trends on social media will help the Bank to monitor and possible patterns of social unrest and help implement mitigating actions.
- 6.3 **Implementation risks.** The existing portfolio faces risks related to planning and execution capacity, inter agency coordination, and attracting and retaining technical and project

management talent. This calls for concerted efforts by the Bank, in coordination with the Ministry of Finance, Economic Development and Investment (MEFDI) to support activities such as training, consulting services, and technical involvement from Bank staff to strengthen the capacities of project executing units and executing agencies. This is particularly important given that implementing the strategy will require disciplined application of knowledge, tools and techniques in project and change management principles and greater agility and nimbleness in design and execution. To manage these risks the Bank will provide technical and financial support to strengthen the role of the MEFDI in implementing public investment projects and explore opportunities to work with external agencies to speed up execution and generate lessons that can inform decision-making on future projects. This might include implementation of shared services among government agencies in execution to reduce redundancies and improve efficiency. In addition, the Bank will continue to support the immediate capacity building needs of PEUs.

- 6.4 **Natural disasters and climate change.** Belize's high exposure to natural disasters and climate change, and the vulnerability of its main industries, coastal and urban areas to such events, pose a risk to strategy implementation as the occurrence of a significant event could shift the country's priorities and narrow its options for post-pandemic recovery, while also disproportionately affecting vulnerable groups and thwarting efforts to achieve greater social equity. The IDB Group will seek to mitigate this risk by making the Bank's various instruments and support mechanisms available to the authorities to address such events and by incorporating factors that promote disaster risk management and prevention in its operations. In addition, the strategy emphasizes climate change adaptation to reduce vulnerability to this phenomenon.

## ANNEX I: RESULTS MATRIX AND COUNTRY SYSTEM MATRIX

### 1. Results matrix

Government priority	Priority area	Strategic objective	Expected outcome	Indicators	Baseline (source and year)
<b>Achieve sustainability of public finances and a more efficient government</b>	Fiscal sustainability and management	Improve the efficiency and quality of public spending	The burden of current spending is reduced	Current fiscal expenditures (salaries plus goods and services) as % of total fiscal expenditures	19% (2020) Source: MoF Measurement: annual
		Upgrade public financial management and procurement systems	Public financial management systems are used effectively, and transparency in the use of resources is enhanced with better procurement schemes	Value of purchases using reference prices <sup>117</sup> as % of total value of purchases	20.72% (2020) Source: MoF Measurement: once during the CS period.
				Aggregate fiscal expenditure outturn <sup>118</sup> as % of approved budget	89% (2020) Source: MoF Measurement: annual
		Improve the efficiency of tax collection	The tax base is broadened	Total tax revenues as % of GDP	23.3% (2020) Source: MoF Measurement: annual
				Indirect tax revenues as % of GDP <sup>119</sup>	2 (2020) Source: MoF Measurement: annual
		Promote fiscal discipline with strong fiscal institutions	Fiscal institutions are strengthened	Fiscal Responsibility Law drafted	0 Source: MoF Measurement: once during the CS period
				Medium term fiscal framework documents with macroeconomic and fiscal <sup>120</sup> projections published	0 Source: MoF Measurement: once during the CS period

<sup>117</sup> Refers to the total value of goods purchased using prices equal to or lower than the average price.

<sup>118</sup> Aggregate fiscal expenditure outturn refers to the expenditure actually incurred, or the total amount spent, during the Fiscal Year (FY).

<sup>119</sup> Refers to goods and services tax revenues include the General Sales Tax (GST), tax on specific goods and services (which includes excise and stamp duties).

<sup>120</sup> Macroeconomic projections refer to projections of GDP, GDP growth, inflation, current account, international reserves, among others, while fiscal projections consider total and disaggregated forecasts for revenues, expenditures, primary and overall balance, public debt, among others.

Government priority	Priority area	Strategic objective	Expected outcome	Indicators	Baseline (source and year)
<b>Support private activity and foster entrepreneurship, with a focus on the export sector</b>	Private sector productivity and sustainable growth, with a focus on MSMEs	Support the reactivation of key economic sectors through the continued provision of services, improving their resilience to natural hazards and climate change	Tourism product diversification enhanced	Ratio of international overnight visitors over cruise passengers	43% Source: UNWTO basic indicators (2019). Measurement: annual
			Support tourism infrastructure development	Revenue per available room (RevPAR) <sup>121</sup>	US\$64.11 (2021) <sup>122</sup> Source: BTB. Measurement: annual
			Solid waste disposal improved	% of tourist destinations with access to sanitary landfills	43% (2020) <sup>123</sup> Source: Solid Waste Management Authority (SWAMA) Measurement: once during the CS period
	Enhance access to finance and financial inclusion for firms, especially MSMEs with a gender and diversity lens and favoring climate change and adaptation	Firms that consider access to finance is a major constraint is reduced	Proportion of surveyed firms that declare access to finance as major constraint (% of total firms)	63.6% (2010) Source: Enterprise Surveys Measurement: once during the CS period	
		Women-led MSMEs that access productive finance	% of the outstanding stock of productive loans of the DFC <sup>124</sup> portfolio allocated to women-led MSMEs <sup>125</sup>	16% (2020) Source: DFC Measurement: once during the CS period	
		Increased finance for investment in climate change adaptation and mitigation	% of the outstanding stock of the DFC portfolio that finances new investments in climate change adaptation and mitigation	1.75% (2020) Source: DFC Measurement: once during the CS period	

<sup>121</sup> RevPAR is an indicator used in the hospitality industry to measure hotel performance. It is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate. RevPAR can also be calculated by dividing a hotel's total room revenue by the number of available rooms in a certain period.

<sup>122</sup> Corresponds to the average RevPAR for the January-June 2021 period.

<sup>123</sup> Currently, destinations with access include 3 of 7 (Western Belize, Central Belize and Northern Islands). The remaining four are Northern Belize, Southeastern Coast, Southern Belize and Belize Reef.

<sup>124</sup> Development Finance Corporation of Belize, the country's only development bank.

<sup>125</sup> Women-led MSMEs are understood to be those companies led or owned by women (with more than 50% of the shareholding in the hands of women or with at least 25% of the shareholding in the hands of women and at least one woman in a position decision).

Government priority	Priority area	Strategic objective	Expected outcome	Indicators	Baseline (source and year)
		Promote digital transformation and innovation among firms	Digital adoption among firms increased	Index of Digital Adoption (DAI), for businesses <sup>126</sup>	0.585 (2016) Source: World Bank Measurement: once during the CS period
			Innovation among firms increased	Share (%) of Belizean firms that declare (i) producing a new or improved good or service; or (ii) introducing new methods for producing goods or delivering services; or (iii) innovation in logistics, delivery, and distribution in the last three years	14.6% (2019) Source: FPGI Measurement: once during the CS period
		Improve connectivity with regional and global markets, promote exports, facilitate investment and trade	Diagnostics and recommendations on how to design a Single Investment Window for key FDI sectors <sup>127</sup>	Proposal for the design of Single Window for key FDI sectors developed	0 (2020) Source: Authorities Measurement: annual
Provide relevant education and affordable and universal health care	Human Capital	Support closing the skills gap	Quality of teaching at the primary level improved	Index of quality of teaching at the primary level	30 (2017) Source: CLASS and TSVI <sup>128</sup> Measurement: once during the CS period
				Index of quality of lessons at the primary level	39 (2017) Source: CLASS <sup>129</sup> Measurement: once during the CS period

<sup>126</sup> The DAI is a worldwide index that measures countries' digital adoption across three dimensions of the economy: people, government, and business. For this CS, only the DAI for business is considered. The index is measured on a 0–1 scale and emphasizes the “supply-side” of digital adoption. The Business cluster is the simple average of four normalized indicators: percentage of businesses with websites, number of secure servers, download speed, and 3G coverage in the country.

<sup>127</sup> The prioritization of key sectors will be aligned with the Government’s new vision (at least 2) according to Belize's FDI strategy and the sectors' potential.

<sup>128</sup> Using the Classroom Assessment Scoring System (CLASS) and the TIMSS Video Study Instrument (TVSI). CLASS is a tool for analyzing the quality of teacher-student interactions in the classroom. The index is composed of descriptive variables on teaching practices covering the following 4 categories: organization of the group of students, teachers' activities, students' activities and use of instructional material and equipment from the TVSI. As part of BL-1030, Education Quality Improvement Program – EQIP II, the assessment will be contracted by the PEU as part of the project's evaluation component. More details on the assessments can be found in the Monitoring and Evaluation Arrangements of BL-L1030.

<sup>129</sup> The index is a weighted average of the four domains from the CLASS framework that are more closely related to inquiry- and problem-based learning approach. As part of BL-1030, Education Quality Improvement Program – EQIP II, a CLASS assessment will be contracted by the PEU as part of the project's evaluation component.

Government priority	Priority area	Strategic objective	Expected outcome	Indicators	Baseline (source and year)
			Quality of teaching at the secondary level improved	Pedagogical practice index at the secondary level	0 (2024) Source: TVSI <sup>130</sup> Measurement: once during the CS period
				Index of quality of teaching at the secondary level	0 (2024) Source: CLASS <sup>131</sup> Measurement: once during the CS period
			Students' enrollment in STEAM fields increased	Number of students enrolled in the STEAM Laboratory School <sup>132</sup>	0 Source: Authorities Measurement: once during the CS period
				Number of female students enrolled in the STEAM Laboratory School	0 Source: Authorities Measurement: once during the CS period
		Improve the provision of basic health services	Health system capacity enhanced	Global Health Security Index (GHS) (score) <sup>133</sup>	31.8 (2019), Global Health Security Index Measurement: once during the CS period
			COVID-19 immunization coverage among population over 18 years increased	% of total population over 18 years old vaccinated against COVID-19	35 (2021) Ministry of Health and Wellness Measurement: once during the CS period

<sup>130</sup> The index is composed of TVSI in 4 dimensions: emotional support, classroom organization, instructional support, and student engagement. Yearly targets expressed as gains relative to the baseline value. As such, the baseline value is zero.

<sup>131</sup> The index is composed of 4 indicators from CLASS as part of the evaluation of BL-1030, Education Quality Improvement Program – EQIP II. Yearly targets expressed as gains relative to the baseline value. As such, the baseline value is zero.

<sup>132</sup> During the execution of BL-L1030, EQIP II, a STEAM Laboratory School will be created to improve teaching practices at the secondary level. This Laboratory School will train teachers and experiment with educational practices in STEAM fields.

<sup>133</sup> The GHS is composed by a comprehensive framework of 140 questions, organized across 6 categories, 34 indicators, and 85 sub-indicators to assess the capability of a country to prevent and mitigate epidemics and pandemics. The six categories are: prevention, detection, response, health, norms, and risk. The indicator refers to an index that combines these six categories.

## 2. Country systems matrix

Strategic objective	Expected outcomes	Indicator	Unit of measurement	Baseline	Baseline year	Main objective	Time distribution	CRF alignment
Increased use of country systems	Increase the use of the Accounting & Financial Reporting - system	Active Portfolio using accounting subsystem	% of sovereign guaranteed portfolio (based on number of loans)	0%	2021	70%	At the end of the CS period	-Institutional capacity and rule of law -Productivity and innovation -Social inclusion and equality
	Increase the use of Procurement Information System	Portfolio using the information system	% of procurement processes	10%	2021	100%	At the end of the CS period	Institutional capacity and rule of law -Productivity and innovation -Social inclusion and equality
	Increase the use of Shopping and Individual Consultants subsystems	Portfolio using national system for Shopping and Individual Consultant	% of procurement processes	0%	2021	20%	At the end of the CS period	Institutional capacity and rule of law -Productivity and innovation -Social inclusion and equality
	Increased use of the partial national competitive bidding (NCB) subsystem	Active portfolio using the partial NCB subsystem	Percentage of active portfolio	5%	2018	100%	At the end of the country strategy	- Institutional capacity and rule of law - Productivity and innovation - Social inclusion and equality

Strategic objective	Expected outcomes	Indicator	Unit of measurement	Baseline	Baseline year	Main objective	Time distribution	CRF alignment
Strengthening of country systems	Increased independence and effectiveness of the OAG through strengthened legislative framework	OAG Act enacted	OAG Act	0	2021	1	2022	<ul style="list-style-type: none"> <li>- Institutional capacity and rule of law</li> <li>- Productivity and innovation</li> <li>- Social inclusion and equality</li> </ul>
	OAG evaluated using the SAI-PMF methodology	SAI-PMF final evaluation report	SAI-PMF report	0	2021	1	2023	<ul style="list-style-type: none"> <li>- Institutional capacity and rule of law</li> <li>- Productivity and innovation</li> <li>- Social inclusion and equality</li> </ul>
	National procurement system strengthened through legislative reforms	Procurement Act enacted	Procurement Act	0	2021	1	2022	<ul style="list-style-type: none"> <li>Institutional capacity and rule of law</li> <li>- Productivity and innovation</li> <li>- Social inclusion and equality</li> </ul>
	National procurement system evaluated using the MAPS methodology	MAPS final evaluation report	MAPS final report	0	2021	1	2023	<ul style="list-style-type: none"> <li>- Institutional capacity and rule of law</li> <li>- Productivity and innovation</li> <li>- Social inclusion and equality</li> </ul>

## ANNEX II: MAIN ECONOMIC AND SOCIAL INDICATORS

	2014	2015	2016	2017	2018	2019	2020
<b>Social indicators</b>							
Population (millions)	0.36	0.37	0.38	0.39	0.40	0.41	0.42
Overall poverty rate (% of population)	n.a.	n.a.	n.a.	n.a.	52.0	n.a.	n.a.
Extreme poverty rate (% of population)	n.a.	n.a.	n.a.	n.a.	9.0	n.a.	n.a.
Gini coefficient	n.a.	n.a.	n.a.	n.a.	0.49	n.a.	n.a.
Unemployment rate (% of labor force)	11.6	10.2	9.6	9.4	9.7	9.0	13.7
Nominal GDP (BLZ \$ billion)	3.33	3.45	3.55	3.67	3.77	3.84	3.30
Nominal GDP per capita (US\$)	4,645	4,682	4,692	4,725	4,729	4,699	3,944
<b>Real sector (<math>\Delta\%</math>)</b>							
Real GDP	4.0	2.6	-0.0	1.8	2.9	1.8	-14.1
Real GDP per capita	1.4	0.0	-2.6	-0.9	0.3	-0.8	-16.2
Nominal GDP	5.7	3.4	2.8	3.4	2.7	2.0	-14.0
Nominal GDP per capita	3.0	0.8	0.2	0.7	0.1	-0.6	-16.1
Inflation rate (Consumer Price Index)	1.2	-0.9	0.7	1.2	0.3	0.2	0.1
<b>Public finances (% of GDP)</b>							
Total nonfinancial public sector (NFPS) revenue	29.6	29.0	29.3	29.9	31.4	31.5	27.0
Total NFPS expenditure	31.9	35.5	34.7	34.3	24.8	26.0	26.6
Current expenses	25.2	26.5	27.4	27.8	28.1	28.5	21.1
Capital expenditure	8.9	10.2	6.4	4.1	4.2	6.5	8.6
Primary NFPS balance	0.4	-3.8	-2.7	-1.2	2.4	-1.3	-8.4
Total NFPS balance	-2.3	-6.5	-5.4	-4.4	-0.9	-4.7	-10.1
Gross public debt	78.9	82.7	89.0	96.6	96.0	97.5	127.4
<b>External accounts (% GDP)</b>							
Current account	-8.2	-10.1	-9.2	-8.6	-8.1	-9.2	-8.0
Foreign direct investment	-8.3	-3.4	-1.8	-1.7	-6.5	-5.3	-3.1

Source: International Monetary Fund, Central Bank of Belize, Statistical Institute of Belize.

### ANNEX III: ESTIMATED FINANCIAL SCENARIO FOR SOVEREIGN DEBT 2022-2025

	Country Strategy (CS) 2013-2021*										Country Strategy (CS) 2022-2025				
	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total 2013-2021	2022	2023	2024	2025	Total 2022-2025
<b>Approvals</b>	<b>0.0</b>	<b>37.0</b>	<b>15.0</b>	<b>10.0</b>	<b>10.0</b>	<b>7.0</b>	<b>24.0</b>	<b>12.0</b>	<b>28.0</b>	<b>143.0</b>	<b>27.0</b>	<b>22.0</b>	<b>23.0</b>	<b>23.0</b>	<b>95.0</b>
a. Loan Disbursements	9.8	7.4	8.5	4.7	7.9	14.1	13.2	31.8	15.1	112.5	22.0	21.9	26.2	28.0	98.1
b. Amortization (Repayments)	6.5	7.4	8.8	8.9	9.4	9.4	9.4	9.9	11.9	81.8	12.3	12.1	12.1	12.5	49.1
<b>c. Net Loan Flow (a-b)</b>	<b>3.2</b>	<b>0.0</b>	<b>-0.3</b>	<b>-4.2</b>	<b>-1.5</b>	<b>4.7</b>	<b>3.7</b>	<b>21.8</b>	<b>3.2</b>	<b>30.7</b>	<b>9.7</b>	<b>9.8</b>	<b>14.1</b>	<b>15.5</b>	<b>49.1</b>
d. Subscriptions & Contributions	0.5	0.7	0.5	0.5	0.0	0.0	0.0	0.0	0.0	2.1	0.0	0.0	0.0	0.0	0.0
e. Interests & Charges (Income)	1.8	1.8	1.8	2.8	3.0	3.8	4.5	3.0	2.1	24.6	2.1	2.0	1.9	1.7	7.7
<b>f. Net Cash Flow(c-(d+e))</b>	<b>1.0</b>	<b>-2.5</b>	<b>-2.6</b>	<b>-7.5</b>	<b>-4.5</b>	<b>0.9</b>	<b>-0.8</b>	<b>18.8</b>	<b>1.1</b>	<b>4.0</b>	<b>7.6</b>	<b>7.8</b>	<b>12.2</b>	<b>13.7</b>	<b>41.4</b>
IDBG Debt (Million USD)	119.9	119.7	120.0	115.7	114.2	118.9	122.7	144.1	147.3		157.0	166.8	180.9	196.3	
IDBG Debt/Multilateral Debt	38%	38%	36%	34%	32%	32%	31%	33%	29%		29%	30%	31%	32%	
IDBG Debt/Public External Debt	11%	11%	10%	10%	9%	9%	9%	10%	10%		10%	11%	11%	12%	
IDBG Debt/Gross Public Debt	9%	9%	8%	7%	6%	6%	6%	7%	6%		6%	5%	5%	5%	
IDBG Debt/GDP	8%	7%	7%	7%	6%	6%	6%	9%	8%		7%	7%	6%	6%	

## ANNEX IV: DEVELOPMENT EFFECTIVENESS MATRIX (SUMMARY)

COUNTRY STRATEGY: DEVELOPMENT EFFECTIVENESS MATRIX	
<p>In August 2008, the Board of Directors approved the Development Effectiveness Framework (GN-2489) to increase the evaluability of all Bank development products.</p> <p>The Development Effectiveness Matrix for Country Strategies (DEM-CS) is a checklist of the elements that are necessary to evaluate a country strategy. It is based on the evaluation criteria developed by the Evaluation Cooperation Group of the Multilateral Development Banks in the "Good Practice Standards for Country Strategy and Program Evaluation."</p>	
COUNTRY STRATEGY: BELIZE	
<p><b>STRATEGIC ALIGNMENT</b>  <i>Refers to the degree to which the design and objectives of the CS are consistent with the country development challenges and with the government's development plans and priorities.</i></p>	
<p><b>EFFECTIVENESS</b>  <i>This measures whether the country strategy is likely to achieve its intended objectives, through an examination of three dimensions: (i) the quality of the diagnostics on which Bank action is based in each area of work; (ii) the quality of the results matrix for the strategy; (iii) the use and build up of country systems.</i></p>	
Effectiveness dimensions	
<b>I. Country Diagnosis - Country Development Challenges (CDC)*</b>	Yes/No
- The CDC is comprehensive / holistic / complete	Yes
- The CDC clearly identifies the main development challenges	Yes
- The CDC presents magnitudes of the main development challenges that are based on empirical evidence	Yes
<b>II. Priority Areas Diagnostics</b>	%
- That clearly identify and dimension, based on empirical evidence, the <b>priority area's</b> specific constraints and challenges	100%
- That clearly identify and dimension, based on empirical evidence, the <b>main factors</b> or causes contributing to the specific constraints and challenges	100%
- That provide corresponding <b>policy recommendations</b>	100%
<b>III. Results matrix**</b>	%
- The strategic objectives are clearly defined	100%
- The expected outcomes are clearly defined	100%
- The strategic objectives and expected results that are directly related to the main constraints identified in the Diagnosis	100%
- The indicators are outcome indicators and are SMART	100%
- The indicators have baselines	100%
<b>IV. Vertical logic</b>	Yes/No
- The CS has vertical logic	Yes

\* This analysis includes any potential diagnostic document elaborated to

\*\* The Results Matrix is composed by indicators that are meaningful to, and capture progress towards, the expected results. The expected results stem from the strategic objectives.