

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BELIZE**

**SUSTAINABLE TOURISM PROGRAM II**

**(BL-L1020)**

**LOAN PROPOSAL**

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**ABBREVIATIONS**

AOP	Annual Operations Plan
BELTRAIDE	Belize Trade and Investment Development Service
BTB	Belize Tourism Board
CCA	Climate Change Adaptation
CZMAI	Coastal Zone Management Authority and Institute
DCGE	Dynamic Computable General Equilibrium Model
DEM	Development Effectiveness Matrix
DFID	United Kingdom's Department for International Development
ECLAC	Economic Commission for Latin America and the Caribbean
ESA	Environmental and Social Analysis
ESMP	Environmental and Social Management Plan
ESMR	Environmental and Social Management Report
GoB	Government of Belize
GSDS	Growth and Sustainable Development Strategy
GST	General Sales Tax
IA	Institute of Archeology
IDB	Inter-American Development Bank
IRR	Internal Rate of Return
LEWIE	Local Economy-Wide Model
LIP	Low Income Population
LTC	Local Tourism Committees
MFED	Ministry of Finance and Economic Development
MFFSD	Ministry of Forestry, Fisheries and Sustainable Development
MOU	Memorandums of Understanding
MPR	Mountain Pine Ridge
MTCCA	Ministry of Tourism, Culture and Civil Aviation
NICH	National Institute of Culture and History
NGO	Non-Governmental Organizations
NPV	Net Present Value
NSTMP	National Sustainable Tourism Master Plan 2012-2030
OC	Ordinary Capital
PA	Protected Areas
PEP	Project Multiannual Execution Plan
PMR	Project Monitoring Report
POM	Program Operating Manual
PP	Project Procurement
PPDU	Planning and Project Development Unit
PR	Progress Reports
RRD	Revenue Replacement Duty
SARIMA	Seasonal Autoregressive Integrated Moving Average
SFD	Sector Framework Document
SLA	Sustainable Livelihoods Approach
SLR	Sea Level Rise
STP I	Sustainable Tourism Program
STP II	Sustainable Tourism Program II
TAC	Technical Advisory Committee
VC	Value Chain
VCA	Value Chain Analysis
WTTC	World Tourism and Travel Council

**PROJECT SUMMARY**  
**BELIZE**  
**SUSTAINABLE TOURISM PROGRAM II**  
**(BL-L1020)**

Financial Terms and Conditions				
<b>Borrower:</b> Belize			<b>Flexible Financing Facility<sup>(a)</sup></b>	
			<b>Amortization Period:</b>	25 years
<b>Executing Agency:</b> Ministry of Tourism, Culture and Civil Aviation (MTCCA)			<b>Original WAL:</b>	15.25 years
			<b>Disbursement Period:</b>	5 years
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Grace Period:</b>	5.5 years
<b>IDB (OC):<sup>(b)</sup></b>	15,000,000	97	<b>Supervision and Inspection Fee:</b>	<sup>(c)</sup>
			<b>Interest Rate:</b>	LIBOR based
<b>Local:</b>	500,000	3	<b>Credit Fee:</b>	<sup>(c)</sup>
			<b>Currency of Approval:</b>	Dollars of the United States of America chargeable to the Ordinary Capital (OC)
<b>Total:</b>	15,500,000	100		
Project at a Glance				
<b>Project Objective/Description:</b> The program aims to increase the tourism sector's contribution to national sustainable and resilient socioeconomic development. Its objectives are to: (i) increase tourism expenditures, employment and income through tourism product diversification; (ii) promote disaster and climate resilience and environmental sustainability in tourism destinations; and (iii) improve sector governance and create enabling conditions for private sector investment in overnight tourism.				
<b>Special Contractual Conditions prior to the first disbursement:</b> (i) selection of at least the program manager, a financial specialist and a procurement specialist to be integrated within the Planning and Project Development Unit (PPDU) (¶3.1); (ii) approval of the Program Operating Manual (POM) (including the Environmental and Social Management Program), and an initial report (including Project Multiannual Execution Plan (PEP) and financial plan) (¶3.6); and (iii) agreements/ Memorandums of Understanding (MOU) on the execution of the program with each participating entity (Belize Tourism Board (BTB), National Institute of Culture and History (NICH), and the Ministry of Forestry, Fisheries and Sustainable Development (MFFSD) (¶3.3).				
<b>Other Special Contractual Conditions:</b> <b>Prior to disbursement of resources for the matching grants:</b> approval of the matching grant manual (¶3.7); <b>Prior to issuing each call for public tendering for the construction/rehabilitation of works:</b> (i) agreements/MOU with the participating municipality or entities to specify the responsibilities for management of the site under their jurisdiction once the transferring of the works is completed, including responsibilities for operation and maintenance with sustainable financial mechanism in place; (ii) evidence of legal possession of the property where the construction of the respective work is to take place, easements or other rights required for its construction and use; and (iii) permits and any other documentation needed as referred in the Environmental and Social Management Report (ESMR) (¶3.4). <b>Prior to issuing the first call for public tendering as it relates to the Caracol archeological site:</b> evidence that a fee mechanism exists and that it provides the resources necessary for the financial sustainability of the site intervention, including covering the costs for operation and maintenance (¶3.5).				
<b>Exceptions to Bank Policies:</b> None.				
<b>The project qualifies for<sup>(d)</sup>:</b> SV <input checked="" type="checkbox"/> PE <input checked="" type="checkbox"/> CC <input checked="" type="checkbox"/> CI <input type="checkbox"/>				

<sup>(a)</sup> Under the Flexible Financing Facility (FN-655-1), the borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

<sup>(b)</sup> Pursuant to Document AB-2990, the disbursement of Bank financing will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the Loan operation is approved by the Board of Executive Directors (¶2.2).

<sup>(c)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

<sup>(d)</sup> SV (Small and Vulnerable Countries), PE (Poverty Reduction and Equity Enhancement), CC (Climate Change, Sustainable Energy and Environmental Sustainability), CI (Regional Cooperation and Integration).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, Problem Addressed and Justification

1.1 Belize's global comparative advantage is derived primarily from its natural resource base, which supports the tourism sector, combined with its bilingual character and relative proximity to major markets in the region. Belize's Horizon 2030 Strategy puts forth the challenge of a sustainable, internationally competitive and profitable tourism sector.<sup>1</sup> Several lines of action are identified to address this challenge, such as creating an enabling environment to foster a vibrant private sector and support for responsible and socially inclusive tourism, especially in areas where poverty rates are high. The National Sustainable Tourism Master Plan 2012-2030 (NSTMP) endorsed by the Government of Belize (GoB) in 2012 affirms these strategic priorities. The GoB's recently approved Growth and Sustainable Development Strategy ([GSDS](#)) for 2015-2018 also envisions tourism as a driver of inclusive growth and development, with specific actions to diversify the tourism product, address infrastructure and other bottlenecks, generate employment, strengthen the tourism value chain with linkages to agriculture and other key economic sectors, and build the tourism service sector capacity thereby raising service standards. Recognizing the importance of Belize's natural capital for sustaining economic growth, climate resilience and the maintenance of ecosystem services are keystone to the overall strategy.

#### 1. Tourism in the National Context

1.2 Tourism is one of Belize's most important economic sectors. It contributes 15% of total Gross Domestic Product (39% if indirect contributions are included).<sup>2</sup> In 2014, tourism generated US\$747 million in foreign exchange earnings (35% of total exports of goods and services<sup>3</sup>), a growth of 207% since 2002.<sup>4</sup> In 2013, the sector generated an estimated 18,850 jobs directly, close to 15% of total employment,<sup>5</sup> with an estimated 48,000 indirect jobs created in 2014, according to the World Tourism and Travel Council (WTTC).

1.3 Vitality of the tourism sector in the last 13 years has been significant due to the increase in total arrivals: 795,770 in 2001 to 1,192,000 in 2014, a 2.8% average annual growth rate. This performance has allowed the country to increase its market share over 2010-2014, from 1.2% to 1.4% in the Caribbean and from 3.1% to 3.3% in Central America.<sup>6</sup> Nevertheless, Belize is losing competitiveness in the sector, as its average daily expenditure per overnight tourist (US\$1,194) is lower than that of other countries in the Caribbean (e.g., US\$1,696 in The Bahamas) or Central America (e.g., US\$2,000 in Panama). The prevalence of cruise ship visitors explains this loss, as it generates lower expenditures than overnight visitors (70% of total visitors but only 13% of total expenditure). In

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<sup>1</sup> [GoB 2010a](#).

<sup>2</sup> [WTTC 2015](#).

<sup>3</sup> Agriculture is second, accounting for 26% of 2013 total exports of goods.

<sup>4</sup> [Central Bank of Belize n.d.](#)

<sup>5</sup> Belize Tourism Board ([BTB](#)) 2014a.

<sup>6</sup> [Knight 2015](#).

addition, the multiplier effect of tourism expenditure in Belize, an indicator of employment and social distribution impacts, is 1.64, smaller than other countries where the tourism sector plays a lesser role in the national economy (e.g. Colombia, The Bahamas, Jamaica and the Dominican Republic with a multiplier effect equal or higher than 2.0).<sup>7</sup>

- 1.4 Since 1996, the Bank has worked closely with the GoB to develop the tourism sector, supporting national priorities for sustainable tourism development and preserving cultural heritage.<sup>8</sup> The Sustainable Tourism Program I (STP I) (2060/OC-BL), completed in 2013, aimed at consolidating the overnight tourism market, successfully supported: (i) NSTMP design, including destination plans; (ii) a taxation study of the sector, with findings now being considered as part of a wider discussion on tax reforms; (iii) the review of the existing hotel classification and standards system; and (iv) the development of four consolidated tourist destinations (Belize City, Ambergris Caye, Cayo and Placencia). All sites are fully functional, with Cayo Welcome Center fully operational and sustainable,<sup>9</sup> with a permanent management structure. The STP I also supported small enterprises, targeting vulnerable groups (such as Garifuna, Maya), through a cultural matching-grant.<sup>10</sup> Overall, the need for advance confirmation of land ownership, consultations on designs and financial commitments for operation and maintenance of visitor facilities were important lessons learned in avoiding delays in execution. The final evaluation of STP I<sup>11</sup> recommended that future program design consider interpretation and conservation of natural and cultural heritage; improved hotel standards; capacity building and institutional strengthening; matching grant funding emphasizing gender; communications and outreach; and structured and appropriately staffed monitoring and evaluation systems. In addition to STP I, 2056/OC-BL contributed to improved waste collection and treatment in the country's west corridor, host to some of the major tourist destinations.

## 2. Proposed Destinations for STP II

- 1.5 In response to the call for an equitable distribution of tourism benefits in the NSTMP and the GSDS, the geographic scope of the program agreed upon with GoB consists of Corozal District, Toledo District/Punta Gorda Town, the Mountain Pine Ridge (MPR)/Chiquibul/Caracol complex in Cayo District, and Caye Caulker in Belize District. These destinations were selected because, as the analytical studies conducted for this program demonstrate, they: (i) are NSTMP priorities, were not targeted by STP I and can help relieve pressure at more congested sites; (ii) have differentiated competitive assets for tourism development with potential to diversify Belize's existing tourism product and

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<sup>7</sup> United Nations World Tourism Organization.

<sup>8</sup> Tourism Development Project, 2000-2004, US\$11.0 million (1250/OC-BL; BL0012); and STP I, 2008-2013, US\$13.2 million (2060/OC-BL; BL-L1003).

<sup>9</sup> [Geban 2014](#).

<sup>10</sup> The grants targeted locally owned businesses, products or services reflecting Garifuna, Kriol or Maya Culture that are part of the tourism value chain and cultural tourism offer. A preliminary assessment of 19 of the 21 businesses supported after one year concluded that: (i) all are still in business; (ii) over 55% are woman-owned; (iii) over 70% established new tourism activities/products; (iv) 55% more employed persons (55% female; 45% male); and (v) 80% report increase in tourist visits and income, which they are investing in the business (see [Link](#)).

<sup>11</sup> [IDB 2014](#).

increase tourism expenditure per capita by promoting longer overnight stays in the country; (iii) have recently experienced increased tourism growth rates; (iv) have a significant natural and cultural capital potential that needs improved management in advance of expansion of the tourism sector in the destination; (v) are areas where the tourism sector is highly vulnerable to natural disasters and climate change impacts; and (vi) have significant poverty levels. Table 1 shows an overview of the destinations.

**Table 1. Overview of Selected Destinations**

<b>Corozal District</b>	<b>Punta Gorda/Toledo District</b>	<b>Chiquibul-Caracol MPR Complex in Cayo</b>	<b>Caye Caulker</b>
<ul style="list-style-type: none"> <li>• <b>Population:</b> 20,000 residents concentrated in Corozal Town (11,000)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Population:</b> 6,000 in Punta Gorda, capital of district</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Population:</b> N/A natural area</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Population:</b> N/A</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Natural and cultural capital:</b> Several coastal protected areas with extensive mangroves, lagoons and riverine forest, and small archeological sites (e.g., Cerros and Santa Rita)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Natural and cultural capital:</b> Surrounded by Mayan villages inland, and in close proximity to the Mesoamerican Barrier Reef. Access to regionally significant coastal ecosystems (e.g., coral reefs and estuaries), and unique terrestrial habitats</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Natural and cultural capital:</b> Chiquibul National Park and Forest Reserve, a trinational bioregion, is the largest contiguous block of tropical forest north of the Amazon. Largest network of caves in Central America. Caracol Archeological site</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Natural and cultural capital:</b> A mangrove caye, highly endangered ecosystem (almost 60% high risk) comprised of littoral forest, and mangrove that builds up the shore by trapping sediment and protects it from erosion</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Tourism indicators:</b> 13,240 overnight tourists in 2013, 4.1% of total, growth rate 4.3% between 2010-2014</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Tourism indicators:</b> 10,526 tourists in 2013, 3.3% of total, growth rate 7.5% between 2010-2014</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Tourism indicators:</b> 70,288 overnight tourists in 2014, 22.9% of total, 7.7% growth between 2010-2014, but only 10,787 visited Caracol Archeological site</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Tourism indicators:</b> 82,700 overnight tourists in 2014, 26% of total, growth rate 5.6% between 2010-2014</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Distinctive characteristics for tourism potential:</b> proximity to Mexican border, ease of access to consolidated destinations such as San Pedro</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Distinctive characteristics for tourism potential:</b> Diversity of cultures (Maya, Garifuna, Creole)<sup>12</sup>, and proximity to Guatemalan border with slated road access improvements</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Distinctive characteristics for tourism potential:</b> Surrounded by small villages such as Cristo Rey, San Antonio and San Jose Succotz. In close proximity to San Ignacio, and Guatemalan border, but road access is poor</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Distinctive characteristics for tourism potential:</b> Diver's and sport fishermen's haven, owing to its proximity to the Meso American Barrier Reef</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Poverty rate:</b> 56.2%, second highest in country (2009)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Poverty rate:</b> 60.4% (2009)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Poverty rate:</b> 40.6% (2009)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Poverty rate:</b> 28.8% (2009)</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Natural disaster vulnerability:</b> hurricanes, tropical storms, sea level rise, flooding and fires</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Natural disaster vulnerability:</b> flooding, tropical storms, fires and earthquakes</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Natural disaster vulnerability:</b> forest fires, landslides, flash floods and earthquakes</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Natural disaster vulnerability:</b> climate change, and fires</li> </ul>

<sup>12</sup> For information about indigenous peoples in Toledo and Belize, see [IDB 2010](#).



### 3. Challenges for the Sector

- 1.6 Despite the sector's national performance and achievements of past operations, tourism in the targeted destinations faces the following challenges:
- 1.7 **Limited development of natural and cultural heritage assets.** Approximately 80% of overnight visits are concentrated in San Pedro/Ambergris Caye, San Ignacio/Cayo, Placencia, and Belize City. As reported in the [Sector Diagnostic](#), the targeted destinations with the exception of Caye Caulker receive low visitation despite significant natural and cultural tourism assets with the potential to provide a competitive and differentiated product that can help increase average tourist expenditures. For instance, Caracol and Nim Li Punit Archaeological Sites (in Cayo and in Toledo respectively) received only 4% of all visits at archeological sites in 2014 despite being among the most culturally significant sites in the country.<sup>13</sup> Redirecting overnight tourists to these underutilized sites could help reduce pressures on natural and cultural heritage at locations where cruise ship passengers concentrate. The same situation applies to natural protected areas such as the Chiquibul/MPR complex, one of Belize's biodiversity hotspots. Other products such as agrotourism (Toledo) and sport fishing (Corozal Bay and Port Honduras Marine Reserve) are growing in popularity. Tourist exit surveys conducted for program preparation<sup>14</sup> indicate that approximately 89% of all visitors to the targeted destinations were willing to return to these destinations. However, visitors reported that conditions were bad or only acceptable with respect to access (20%), maintenance of sites (33.4%), quality of interpretation and information (29.6%) and signage (52%). Over 20% of visitors interviewed reported that the quality and diversity of services were either bad or acceptable with the lowest scores reported for Corozal (37.7%). In addition, the main towns in the emerging destinations do not function as gateways to the tourism assets of their districts where visitors can learn about opportunities and arrange logistics. Interviews and surveys of tour operators conducted for the Sector Diagnostic also confirm the above mentioned bottlenecks. Most sites, particularly significant ones such as Caracol, face challenges in terms of financial sustainability for operation and maintenance of facilities and enforcement. The current entrance fee for foreign visitors at Caracol is just over US\$7, compared to US\$20 for Tikal and US\$15 (+ US\$7 for museum) for Copan. Ample evidence exists for how enhancing natural and cultural tourism assets through improved visitor facilities leads to increased tourist expenditures.<sup>15</sup>
- 1.8 Increasing pressures on natural capital and limited capacity for disaster and climate resilience. Natural capital<sup>16</sup> is a critical component of and the foundation for future development of the Belizean tourism product. Belize's ecosystems and Protected Areas (PA) constitute important habitat for threatened or endangered species, serving as hotspots for visitors wishing to view unique plants and animals, as confirmed in the ecosystem services [mapping and assessment](#)

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<sup>13</sup> BTB 2014b. BTB 2013. Caracol is Belize's largest Mayan site and one of the most important Classic Period regional Maya Lowland political centers. A jade pendant found in May 2015 in Nim Li Punit has been classified as one of the most important discoveries since Altun Ha's Jade Head.

<sup>14</sup> [Pereira 2015](#).

<sup>15</sup> Tourism Sector Framework Document (GN-2779), ¶2.5- 2.6.

<sup>16</sup> Natural capital: natural asset stocks (renewable and non-renewable) from which humans derive a range of services (ecosystem services), which support human life and economies.

conducted for the destinations. However, this natural capital is at risk from deforestation, pollution, coastal development and illegal hunting/ fishing.

- 1.9 Belize's PA system (both cultural and natural) is critical to conservation of natural capital. However, its effective management requires significant resources. According to the recent PA Rationalization exercise, many are managed under co-management partnerships and face challenges such as research and operational planning.<sup>17</sup> The impact on the tourism sector is that in order to open up well selected areas to increased recreation, PAs must meet expectations of tourists (e.g., from the US and Canada where park systems offer high quality services). This requires improved monitoring and management capacity in three government agencies (Forest Department, Fisheries Department and Institute of Archaeology), co-management entities (community-based and Non-Governmental Organizations (NGO) and private operators granted concessions or licenses).
- 1.10 As in the entire tourism sector, all four destinations are vulnerable to natural disasters and climate change impacts.<sup>18</sup> Caye Caulker, Corozal and Toledo are particularly vulnerable as tourism development is concentrated in coastal zones that are less than 1m above sea level for several kilometers inland, in the direct path of hurricanes and tropical storms<sup>19</sup> and highly susceptible to coastal erosion. According to the National Climate Resilience Investment Plan, Belize's projected climate change impacts include warmer temperatures; increased drought, flood and storm risk and higher sea-levels. Examples of destination-specific impacts on the coastal tourism sector include loss of beaches and coastlines due to Sea Level Rise (SLR),<sup>20</sup> coral reef bleaching from increased sea surface temperatures and saline intrusion of aquifers. Destination-level tourism sector impacts in all four destinations include less reservations and/or more displaced visitors; increased heat stress and related illness incidence; increased infrastructural damage (fire risk highest in MPR-Chiquibul, Toledo and Corozal) and the need for emergency preparedness due to floods,<sup>21</sup> coastal inundation and extreme events; loss of natural tourism product due to environmental degradation and deleterious impacts on other sectors on which the tourism industry depends (i.e., water; agriculture).<sup>22</sup> Research elsewhere in the Caribbean suggests that extensive beach erosion and environmental degradation reduces tourist willingness to return.<sup>23</sup> Based on the most comprehensive assessment of local-level tourism sector climate vulnerabilities (limited to 10km from the coastline), impacts<sup>24</sup> in Corozal and Toledo are considered medium and

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<sup>17</sup> Few PAs in the destinations have monitoring plans; most lack updated management plans. Technical support is limited geographically; overlooks tourism.

<sup>18</sup> Following Hurricane Keith (2000) costs of repairing tourism infrastructure damage and the sector's income decline caused a US\$57.6 million negative impact on the balance of payments. Economic Commission for Latin America and the Caribbean (ECLAC) 2000.

<sup>19</sup> Coastal Zone Management Authority and Institute (CZMAI) 2014.

<sup>20</sup> Corozal, Toledo and Caye Caulker currently experience coastal erosion and changed sediment flow. With 1 m SLR, Caye Caulker would lose 96% of beach area. CARIBSAVE 2014. CZMAI 2015.

<sup>21</sup> Corozal Town and Punta Gorda experience floods, cutting off access to tourism assets/services. Corozal Local Planning Working Group 2014. Punta Gorda Local Planning Working Group 2014.

<sup>22</sup> [CARIBSAVE. 2014.](#)

<sup>23</sup> [Uyarra et al. 2005.](#) [Schuhmann et al. 2015.](#)

<sup>24</sup> Impact Indicators: sea surface temperature increase, SLR, hurricane intensity increase, air temperature increase, coral reef area and health, mangrove area, number of hotels and tourism attractions.

high in Caye Caulker. Additional information on destination vulnerabilities and impacts is available in the [Project Data Sheets](#).

- 1.11 To avoid environmental damage and reduce negative impacts in the tourism sector; climate adaptation, disaster risk reduction and environmental management will have to be prioritized in destination planning. The key challenge relates to Belize's low adaptive capacity (i.e., to prepare, respond, mitigate and recover from aforementioned impacts).<sup>25</sup> Detailed destination-specific information on hazards, exposed assets, vulnerability and risk for the sector is either not available or limited in geographic coverage; the same applies to ecosystem services assessments. Furthermore, several available studies do not consider direct climate change impacts. Physical and non-physical climate change adaptation and risk reduction measures are ad hoc and limited in scope (i.e. project-based rather than programmatic). While some good examples of ecosystem-based adaptation exist,<sup>26</sup> the full potential of the destinations' natural ecosystems for adaptation and risk reduction (e.g. for coastal protection) has not been explored. There is also need for improved emergency preparedness and response that considers tourist population's transient nature. In addition, adaptation and risk reduction are not systematically incorporated in local tourism policy and planning,<sup>27</sup> and there is limited national and local capacity to apply risk management and climate adaptation tools in this regard.
- 1.12 In general, the destinations lack a coordinated and comprehensive approach to the sustainable management of the risks posed by natural and anthropogenic hazards; and is reflective of an incipient stage of risk management. Therefore, in keeping with best practices,<sup>28</sup> it will be necessary to mainstream risk management in local tourism planning and implementation, emphasizing ecosystem-based approaches; as well as support similar national level efforts. In addition infrastructure investments will be necessary to address accelerated coastal erosion at key tourist sites. The mainstreaming of risk management in tourism planning is a lesson learnt from STP I.
- 1.13 **Weak public sector governance of tourism.** The institutional assessment of the Ministry of Tourism, Culture and Civil Aviation ([MTCCA](#)) confirms that the tourism sector's legal and institutional framework is still incipient. Major data gaps exist for informed tourism policy and investment decisions, with a need to put mechanisms in place for reliable national and destination-level monitoring.<sup>29</sup> The 2005 Tourism Policy fails to lay the foundation for functional and operational linkages that integrate the sector with others (e.g., infrastructure, environment, disaster risk management, climate change). The NSTMP calls for the MTCCA to assume a greater role in inter-agency coordination (Tourism Ministerial Council) and to create strong networks with Ministries and statutory bodies [Ministry of Works for roads and other basic infrastructure; Ministry of Forestry, Fisheries and Sustainable Development (MFFSD) for coastal zone and protected area management, conservation and sustainable development; BTB for marketing,

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<sup>25</sup> [Perch-Nielsen 2010](#).

<sup>26</sup> Mangrove restoration programs in Corozal and Toledo.

<sup>27</sup> None of the destination plans have a destination-specific disaster risk management plan, climate change adaptation plan or comprehensive tourism risk management plan.

<sup>28</sup> IDB Indicators of Disaster Risk and Risk Management.

<sup>29</sup> [GoB 2012](#).

product development and quality assurance standards; and the Belize Trade and Investment Development Service (BELTRAIDE) for investment promotion and business development] in order to boost tourism as a priority sector for economic development. Only a few laws regulate and establish standards for Belizean tourism (e.g., the Belize Tourism Board Act of 2000, Timeshare Act [2007], Hotels and Tourist Accommodations Act [revised 2003]) and a Tourism Act is called for to consolidate MTCCA's mandate and clarify responsibilities between MTCCA and BTB.<sup>30</sup> Regulations and norms also need to be developed to orient private sector investments to ensure product and service quality, including compliance with local interests and social and environmental safeguards. The Local Tourism Committees (LTC) established for the targeted destinations need technical assistance and training to serve their function in destination management.<sup>31</sup> The LTCs themselves need to be institutionalized and replicated in other destinations as a way to engage with the private sector to develop socially inclusive, environmentally sustainable and climate resilient tourism products that match market requirements. As in other parts of the public sector, transparent procedures for assigning priorities in public and private investments both nationally and locally are needed, as well as setting up monitoring and evaluation systems.<sup>32</sup>

- 1.14 **Limited local capacity for inclusion in the tourism value chain.** The inclusive tourism [Value Chain Analysis](#) (VCA) conducted for program preparation identified how tourism expenditures currently reach Low Income Population (LIP),<sup>33</sup> considering five main value chain segments (accommodations, restaurants, souvenirs/crafts, transportation and excursions/tours) in the two destinations with the highest rates of poverty in the country (Corozal and Toledo). Segments were compared in terms of their growth potential, unmet demand, ability to impact LIP, and supportive enabling environment. The excursions segment was deemed to have the greatest potential in terms of both growth and impact on LIP. Other findings include the need to: (i) focus on new/expanded markets and niches of demand that can easily integrate LIP (e.g. agrotourism, archaeological tourism, wildlife watching); (ii) expand and diversify opportunities for LIP to provide services and products through provision of physical infrastructure and new and/or improved tourism products and assets in the destinations, creating favorable conditions for the participation of women and indigenous people in higher paying jobs in segments such as excursions;<sup>34</sup> (iii) develop guiding opportunities and natural and cultural-based experiences and excursions; (iv) provide market information, training and technical support to build LIP capacity in innovation and quality in product design, development and marketing that meet target demand, including mentoring, coaching and linkages to markets for women and

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<sup>30</sup> A review of existing tourism policies and regulations is underway (expected completion 2015, BL-T1054), which will propose elements for a National Tourism Act, creation of a Tourism Ministerial Council and a 3-year MTCCA strategic plan.

<sup>31</sup> See link [Consultations with local stakeholders](#) for more LTC information. LTC responsibilities include leading the development of destination plans and monitoring their implementation and serving as advisory platforms for local tourism-related issues for effective communication to the national tourism authorities.

<sup>32</sup> Kaufmann and Cuesta 2015.

<sup>33</sup> See Optional [link#3](#) for definition. LIP is defined in alignment with GoB and Caribbean Development Bank poverty definitions in the GoB "Country Poverty Assessment 2009" with calculated poverty lines per District.

<sup>34</sup> According to SIB 2013 Labor Force Survey, no women participate in the Toledo tour operating segment.

indigenous owned microenterprises;<sup>35</sup> and (v) promote the adoption of environmental, social responsibility and climate resilience best practices in larger tourism operators.

- 1.15 There is a considerable amount of literature that demonstrates the effectiveness of interventions of linking LIP to tourism value chains for local economic development.<sup>36</sup> In developing countries, programs have been effective where they have enhanced the capacity of the local population, as well as indigenous people, women, and other poor or vulnerable groups, to produce and market tourism or tourism-related services that address the requirements of target demand. This has been achieved through: (i) improved access to sector information and knowledge, with training and long-term, rather than one-off, technical assistance; (ii) access to capital (as matching grants) and markets; and (iii) improvements in the quality of their tourism and services products.<sup>37</sup>
- 1.16 **Private Sector: Bottlenecks and Opportunities.** Bottlenecks for tourism sector growth identified in program preparation are consistent with the findings of private sector surveys quoted in “Rekindling Economic Growth in Belize” (IDB-TN-320). Particularly relevant to the tourism sector is the aspect of inadequate infrastructure (i.e., poor access roads), which is also consistent with the results of the tourist exit surveys conducted for the preparation of the program (see ¶1.7). This underscores the need for investments in access infrastructure.<sup>38</sup> The surveys also cite access to finance as an impediment to growth. However domestic bank finance costs have reduced over time and there appears to be appetite and liquidity among domestic lenders to support good quality investments in tourism. The structure of the Belizean taxation system also appears to constrain private sector tourism investment growth, with import tariffs contributing to the relatively high cost of tourism offerings in Belize. This is a structural issue for the whole Belizean economy that the IDB is addressing in current studies regarding tax and trade reform.<sup>39</sup>
- 1.17 While the program targets private sector involvement in the form of promoting private sector investment, value chain participation by local populations and improvements in water/energy efficiency in existing hotel operators, the small scale of the country can be seen as a bottleneck to growth. Given the interest in larger scale investment demonstrated by potential investors and international brand operators, effective coordination between MTCCA and BELTRAIDE is necessary to provide a consistent message to potential foreign and domestic investors about the strategic priority of this tourism segment and also in the development of measures to mitigate the potential effects of competition from

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<sup>35</sup> Networked Intelligence for Development 2015.

<sup>36</sup> [Mitchell and Ashley 2010](#). See also Tourism Sector Framework Document (GN-2779).

<sup>37</sup> For example, an ex post evaluation of the impact of an intervention aimed at promoting training, formalization, and quality improvements financed in the Gambian tourism sector between 1999 and 2002 by the United Kingdom’s Department for International Development (DFID) found that businesses’ revenues were boosted by 18% to 33% in the case of tour guides, more than doubled in the case of juice vendors in beach areas, and doubled or tripled in the case of craft market vendors. Bah and Goodwin 2003.

<sup>38</sup> IDB financed operation “Support Preparation of National Transportation Master Plan (ATN/JF-14977-BL). Road access to the MPR/Chiquibul/Caracol destination is being analyzed under a separate bank loan.

<sup>39</sup> “Support for Trade and Tax Policy Reform” (ATN/OC-14563-BL).

larger projects on smaller existing hotels and to maximize the potential participation of local value chains in larger projects.

- 1.18 **Experience in the sector and lessons learned.** The design of the program takes into account the Bank’s extensive experience in tourism in the Region as highlighted in the Tourism Sector Framework Document (SFD). Specifically, the program considers the experience that derived from previous Bank interventions in Belize (Tourism Development Project and STP I [¶1.4]) as well as from past programs aimed at developing cultural and nature-based tourism in small and vulnerable countries such as Bolivia, Honduras and Nicaragua. Table 2 shows the main lessons learned and how these have been incorporated into the design of this operation.

**Table 2. Thematic Area and Lessons Learned**

Thematic area	Lessons learned
To ensure measurable impacts, tourism development should focus both territorially and on specific demand segments, and count on public, private and civil buy-in.	The program focuses on four destinations for natural and cultural-based niche segments (¶1.5) that have potential for increasing the socioeconomic impacts they generate. The program has been consulted and agreed on with national and local stakeholders through LTC for each destination (¶1.20), and incorporates investments and mechanisms to ensure participation of the private sector and LIP in destination development (¶1.25).
Tourism can be an effective tool in reducing poverty. To improve the capture of benefits by LIP, their participation in the tourism Value Chain (VC) must be strengthened.	The design of the program is based on a review of international best practices and a VCA (¶1.15) with a social inclusion and pro-poor approach in two of the destinations (i.e., Corozal and Toledo,). The recommendations have been incorporated into the program, especially into Component 1 and 3 that include investments to increase the benefits that LIP receive as employees, entrepreneurs and suppliers in the tourism VC (¶1.25).
Tourism development should balance investment in infrastructure with the strengthening of governance to ensure the sustainability of the investments and the destinations.	To ensure that the adequate governance framework was in place at the time the program starts, technical cooperation ATN/FI-14394-BL was approved by the Bank to establish a Planning and Project Development Unit (PPDU) within the MTCCA (¶3.1) and LTC for each destination, to foster a positive institutional environment for the tourism sector. In addition, Component 3 of the program includes investments for institutional strengthening aimed at improving tourism policy, planning and management, both at national and destination level (¶1.25).
Tourism development should incorporate a real environmental commitment, in both the planning and investment phases.	The program has been conceived to reduce the vulnerability and increase the resilience of tourism assets in the destinations to natural disasters and climate change and environmental degradation (¶1.24). During program preparation, a Biodiversity, Ecosystem Services and Coastal Resilience Destination Analysis (ATN/OC-14723-BL and ATN/OC-14724-BL) and a Social and Environmental Analysis (¶2.3) of the intervention provided recommendations that have been internalized in the program’s design and budget.

#### 4. Program Design

- 1.19 The program is part of a phased implementation of the NSTMP and addresses the national priority of creating wealth and employment through a regionally-based approach to sustainable development. Based on the analysis of lessons learned, including from implementation of STP I, and the challenges identified above, a focused set of interventions have been identified to increase tourism expenditures in targeted destinations and as such contribute to a more equitable geographic distribution of benefits from tourism and increased benefit

flows to local communities and LIP. The program design features three key elements: (i) a customized approach to tourism development whereby: (a) gradual growth is promoted in emerging destinations through the improvement of differentiated tourism products selected in line with demand while ensuring that the unique natural and cultural capital representing the destination's competitive advantage is protected in anticipation of future expansion; and (b) controlled growth and stepped-up management in consolidated destinations with a view to mitigating the negative impacts of unplanned tourism development; (ii) enhancement of the tourism sector's resilience both locally and nationally in recognition of the economic and fiscal risks associated with Belize's significant vulnerability to natural disasters and climate change and dependence on critical ecosystem services; and (iii) ensuring that program benefits accrue to local businesses and residents, including LIP with attention directed at increasing the participation of women and indigenous people. Designed to work in concert with other Bank operations in public infrastructure (roads and solid waste) in preparation (BL-L1022 and BL-L1021), this approach contributes to further developing the sector in a resilient and sustainable manner.

- 1.20 The selection of the investments and activities builds on quantitative information about tourism product competitiveness (related to market-demand and competitors, performance and productivity of the supply, management capacity, etc.). Selection was also supported by an intensive consultation with national and local stakeholders organized in LTCs for each destination. LTCs received prior capacity building on destination planning and results of the technical studies.
- 1.21 **Strategic alignment:** The IDB Country Strategy with Belize 2013-2017 (GN-2746) identified tourism as a priority area for support, related to the strategic objective to increase overnight visitor expenditures sustainably. The program is included in the 2015 Country Program Document for Belize. The program will contribute to the lending program priorities of the Ninth General Increase in the Resources of the Inter-American Development Bank (AB-2764)(GCI-9): (i) small and vulnerable countries; (ii) poverty reduction and equity enhancement, as Corozal and Toledo's poverty rates are above the national average and the majority of program resources (64%) are targeted to these two districts; and (iii) climate change initiative, renewable energy and environmental sustainability, as STP II will contribute to enhanced disaster risk and climate resilience of tourist destinations and the sector overall, energy efficiency of tourist facilities and protected area management. It will also contribute to the products: (i) number of projects with components contributing to improved management of terrestrial and marine protected areas; (ii) jobs added to formal sector; and (iii) micro, small and medium productive enterprises financed as defined in the Results Framework. The program is also aligned with the dimensions of success prioritized in the SFD for Tourism (GN-2779)<sup>40</sup> and with the priorities of the sector strategy

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<sup>40</sup> The SFD for Tourism prioritizes: (i) supporting development and innovation in tourism products; (ii) placing poor and/or vulnerable local populations at the heart of tourism development strategies; (iii) reinforcing the competitive position of local firms and human resources throughout the tourism VC; and (iv) strengthening tourism governance and environmental management in destinations.

“Sustainable Infrastructure for Competitiveness and Inclusive Growth. IDB Infrastructure Strategy” (GN-2710-5).<sup>41</sup>

## **B. Objective, Components and Cost**

- 1.22 The program aims to increase the tourism sector’s contribution to national sustainable and resilient socioeconomic development. Its objectives are to: (i) increase tourism expenditures, employment and income through tourism product diversification; (ii) promote disaster and climate resilience and environmental sustainability in tourism destinations, and (iii) improve sector governance and create enabling conditions for private sector investment in overnight tourism. The loan consists of three components:<sup>42</sup>
- 1.23 **Component 1: Enhancement of the tourism product (US\$9,742,000).** This component aims to diversify the tourism product and enhance tourism services and experiences<sup>43</sup> at the targeted destinations with a view to increasing visitor expenditures while improving social inclusion, environmental quality and resilience. It will finance works and the procurement of goods and services including studies (baseline, pre-feasibility, design and feasibility, cost recovery and management and maintenance plans) for: (i) expansion and restoration of visitor facilities at archaeological sites (e.g., state-of-the-art museum in Caracol and visitor center at Nim Li Punit (Toledo), restoration and enhancement of cultural heritage (e.g., plazas in Punta Gorda Town (Toledo) and Corozal Town (Corozal) and improvements in protected areas (e.g., information and logistics center for Chiquibul/MPR/Caracol (Cayo)); (ii) improving basic public services and infrastructure to attend tourist needs, recreational use and coastal resilience (e.g., waterfront improvements in Punta Gorda Town (Toledo) and Corozal Town (Corozal), ecosystem-based shoreline stabilization in Caye Caulker); and (iii) a comprehensive tourism signage program at all destinations. Investment designs strives for: (i) integration of local communities, including LIP, in the tourism VC by expanding and diversifying opportunities for locally-provided tourism goods and services; and (ii) sustainability of investments in the future, taking into account energy efficiency, maintenance of ecosystem services, vulnerability to natural disasters and climate change mitigation and adaptation measures.
- 1.24 **Component 2: Promoting disaster and climate resilient tourist destinations and environmental sustainability (US\$1,575,000).** This component aims to integrate disaster and climate resilience into local tourism planning in order to reduce vulnerability, increase resilience and strengthen environmental management of tourism activities; focusing on the maintenance of ecosystem services and natural capital. Given the incipient nature of risk management<sup>44</sup> in the destinations, this will be achieved through the development and application of critical risk management tools that would lay the foundation for a sustained path

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<sup>41</sup> Including its priority area of action to support construction and maintenance of socially and environmentally sustainable infrastructure.

<sup>42</sup> See Optional link #4 (Project data sheets) for detailed description of activities, targeted destinations and beneficiaries.

<sup>43</sup> Primarily for nature-based and cultural tourism.

<sup>44</sup> IDB Indicators of Disaster Risk and Risk Management.



to vulnerability reduction and climate resilience.<sup>45</sup> The program will finance studies, technical assistance and the procurement of goods in order to increase the knowledge base of risk information addressing existing and future vulnerabilities, its application to tourism planning, and build destination capacity in tourism risk management<sup>46</sup> and disseminate best practices through: (i) vulnerability and risk assessment and institutional adaptive capacity for climate risk management (Toledo); (ii) vulnerability and risk assessment for incorporation in the tourism destination plan (Corozal); (iii) preparation of replicable guidelines for enhancing disaster and climate resilience in the tourism sector, focusing on ecosystem-based adaptation, and associated training of LTCs and recognizing the role of women and vulnerable groups in ensuring the resilience of their communities;<sup>47</sup> (iv) an action plan and implementation strategy for improving disaster and climate resilience in the tourism sector (Toledo); (v) destination crisis management plans to address emergency preparedness and response and business continuity, for all target destinations. In addition, to improve protected area management and ecosystems management for adaptation, the program will finance; (vi) an ecosystem services valuation (Toledo); and (vii) the implementation of protected area management and Climate Change Adaptation (CCA) programs (environmental monitoring, visitor use management, marine spatial plan Caye Caulker), with a view to implementing best practices in sustainable tourism for protected areas<sup>48</sup> and addressing planning gaps identified by the LTC.

- 1.25 **Component 3. Institutional strengthening and capacity building (US\$2,100,000).** This component is aimed at improving policy, planning and destination management of the tourism sector and increasing private sector and LIP capacity to participate in the tourism VC. The program will finance studies, technical assistance and the procurement of goods for: (i) improvement of the national tourism information system and development of destination-specific data; (ii) formulation of and public consultations for a National Tourism Policy and legislation (that address disaster and climate resilience) including regulations and norms for quality standards and developing manuals for implementing the three year strategic plan for the MTCCA (see ¶1.13); (iii) training of tourism stakeholders (MTCCA, participating entities, local governments and LTCs) for destination planning and management to promote innovation in product design and development; the effective implementation of climate resilient, ecosystem-based destination plans and tourist carrying capacity assessment for archeological sites heavily used by cruise ship visitors; and (iv) assisting the MTCCA and BELTRAIDE to prioritize the type and location of private sector investments in overnight tourism suitable for the destinations and developing information packages targeted at specific types of investors (international and/or domestic), thus resulting in improved coordination for purposes of attracting foreign investors. To strengthen local tourism value chains in the destinations, through raising services standards and increasing the participation of women and

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<sup>45</sup> Related activities are included in Components 1 (ecosystem-based coastal adaptation) and three (institutional strengthening at the national level and within the tourism value chain) in order to mainstream the approach throughout the entire program.

<sup>46</sup> This approach is based on the United Nations International Strategy for Disaster Reduction, internationally accepted best practice.

<sup>47</sup> United Nations Development Program, Gender and Environment and Energy.

<sup>48</sup> [Eagles et al 2002](#).

vulnerable groups in higher paying segments of the VC, the program will also finance: (a) an inclusive tourism and program awareness, outreach and participation plan tailored to the socio-cultural context of each destination; (b) training for tour guides (aiming for specialization in areas such as birding, sport fishing, agritourism and archaeology), accommodation and other service operators and LIP employees; (c) matching grants for low income entrepreneurs (owners of accommodations or other complementary tourism services) to upgrade product and services quality; (d) training and technical assistance to larger operators to promote energy and water efficiency, climate resilience and inclusive practices; and (e) marketing of the destinations.

### **C. Key Results Indicators**

1.26 Based on the indicators proposed in the Country Strategy (GN-2746) and the objectives pursued by the program, the results are expected to be measured in terms of: (i) the increase in tourism employment and expenditures;<sup>49</sup> (ii) number of destinations that incorporate ecosystem-based disaster and climate resilience in local destination plans; and (iii) the number of policy and legal instruments consolidating the tourism governance framework presented to Cabinet. It is estimated that at a minimum the program will directly benefit 2,690 people employed in the tourism and accommodation sector. The Results Matrix ([Annex II](#)) agreed upon with the executing agency shows a breakdown of outcome and output indicators.

### **D. Technical and Economic Viability**

1.27 **Assessment of economic viability.** The [economic viability](#) of the program was assessed following the methodological approach developed in Banerjee et al. (2015). In this analysis, the first Dynamic Computable General Equilibrium Model (DCGE) for Belize was constructed; standard DCGE model assumptions apply including Armington trade elasticities, price-taking behavior, and utility and profit maximizing consumers and firms, respectively. Tourism demand forecasts were produced using data driven econometric [Seasonal Autoregressive Integrated Moving Average (SARIMA)] techniques, based on historical tourist arrival/expenditure data and over 1,000 tourist exit surveys (conducted in preparation of the program at three border points) which included quasi-contingent valuation questions on future tourist expenditure. These demand forecasts along with information on the structure and sequencing of the BL-L1020 investment were used as key inputs into the DCGE model simulations.

1.28 Two core scenarios were implemented in the DCGE to assess program economic viability: (i) combination scenario- the joint impact of the government investment in BL-L1020 and the projected increase in tourism demand, and; (ii) break-even scenario- the joint impact of the government investment and the minimum increase in tourism demand required for the investment to be economically viable (12% discount rate). The Net Present Value (NPV) of the combination scenario is over BZ\$127 million with an Internal Rate of Return (IRR) of 31%. The break-even scenario exhibits similar trends in macroeconomic and sectoral indicators as the combination scenario, and results in an NPV of

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<sup>49</sup> Tourism expenditure: amount visitors paid for the acquisition of consumption goods and services, as well as valuables, for own use or to give away, for and during tourism trips.

BZ\$23 million with an IRR of 21%.<sup>50</sup> The notable difference between the two demonstrates that the program would still pay for itself with a comfortable margin even if the actual tourism demand response were less than forecast.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing Instruments

- 2.1 The total program amount is estimated at US\$15,500,000 of which US\$15,000,000 will be financed by Ordinary Capital and US\$500,000 will be financed by local counterpart.<sup>51</sup> The disbursement period will be 60 months. Table 3 provides the cost summary by investment categories and components (see also the detailed budget in the Project Multiannual Execution Plan [PEP]). The budget includes all costs associated with risks mitigation measures mentioned below.

**Table 3. Estimated Cost by Component in US\$**

Investment categories	IDB	Local	Total	%
Component1: Enhancement of the tourism product	9,742,000	0	9,742,000	62.9
Component2: Promoting disaster and climate resilient tourist destinations and environmental sustainability	1,575,000	0	1,575,000	10.2
Component3: Institutional strengthening and capacity building	2,100,000	0	2,100,000	13.5
Management	823,000	500,000	1,323,000	8.5
Audits	60,000	0	60,000	0.4
Evaluation	300,000	0	300,000	1.9
Supervision	400,000	0	400,000	2.6
<b>Total</b>	<b>15,000,000</b>	<b>500,000</b>	<b>15,500,000</b>	<b>100</b>

- 2.2 Pursuant to Document AB-2990, the disbursement of Bank financing will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the loan operation is approved by the Board of Executive Directors. These limits may be rendered inapplicable to the extent that the requirements set forth in the Bank's policy regarding said limitations have been fulfilled, provided that the borrower has been notified of the same in writing.

### B. Environmental and Social Safeguard Risks

- 2.3 **Social and environmental risks.** The program is classified as Category "B" pursuant to the Bank's Environment and Safeguards Compliance Policy (OP-703) and an Environmental and Social Analysis (ESA) was conducted which

<sup>50</sup> For details on expected project impacts see "[Analysis of Project Cost and Economic Viability](#)".

<sup>51</sup> The local counterpart contribution consists of costs for incremental personnel in the PPDU covered 25%; 50% and 100% in Y3, Y4, Y5. GoB may choose to waive the General Sales Tax (GST) and the Revenue Replacement Duty (RRD) mentioned in the financial parameters or cover it through national counterpart financing.

incorporated inputs from consultations with stakeholders. The operation will yield positive environmental impacts in terms of critical habitat protection, reduced pressure and restoration of coastal habitats, reduced land conversion for agriculture, improved protected area management and conservation of cultural heritage sites. In line with the Disaster Risk Management Policy (OP-704) the program will promote risk reduction, climate change adaptation and the building of resilience to natural disasters and climate change. The program also promotes opportunities and empowerment for low income women and indigenous peoples participating in tourism services activities in compliance with the policies on Indigenous Peoples (OP-765) and on Gender and Equality (OP-761). Based on the ESA, Bank policies and national legislation, specific management, monitoring and mitigation measures were recommended, to address pollution, habitat degradation, coastal risks and other natural hazards associated with the direct impacts of small-scale constructions and the induced impacts of tourism development, both ranked as medium risks. These are mitigated through the design of program components (as part of capacity building, ecosystem services assessment and destination management plans) and incorporated into the procedures and requirements for execution as part of the Environmental and Social Management Plan (ESMP). The Plan provides effective measures to site, design and construction and waste management; capacity for supervision of works, and monitoring of impact indicators. The Environmental and Social Management Report ([ESMR](#)) presents the results of these analyses and the ESMP, ensuring resources to guarantee the program's social and environmental sustainability.

### **C. Fiduciary Risk**

- 2.4 Based on discussions with the MTCCA and PPDU during program preparation, the conclusion was reached that while the MTCCA is committed to this program's execution and has some experience executing STP I, its capacity will need to be strengthened to execute the new loan and also carry on its other commitments. Additionally, based on the Bank's assessment of country systems in 2013 and the integrity assessment conducted in 2013, the fiduciary risk has been ranked as medium. The main fiduciary risk relates to acquisition delays and quality due to the general lack of skilled in-country financial and procurement personnel and the GoB's informal restrictions for salaries and benefits thresholds. To mitigate these risks, the Bank conducts periodic training in procurement and financial management for capacity building and requires recruitment of specialized personnel. Furthermore, assessments of the capabilities and internal controls specific to the fiduciary management of the program will be conducted at the PPDU through Bank inspection visits, with the aim of making recommendations for actions for further improvement, if deemed necessary.

### **D. Other Key Issues and Risks**

- 2.5 Other than the above, the main risks identified with GoB are associated with potential delays or interruption of execution due to political community opposition, poor design and sustainability of infrastructure and external shocks and/or recession in tourism origin countries. Mitigations measures include: (i) technical assistance to LTCs in destination planning and implementation and local stakeholder engagement; (ii) community outreach and dissemination campaign;

(iii) design and implementation of rigorous maintenance plans and associated training; (iv) eligibility criteria to define investment priorities; and (v) support to increase Caracol entrance fees. Details on these risks and their associated mitigation measures, costs and source of financing are included in the risk analysis.

- 2.6 **Sustainability.** Sustaining the program's results depends on the pace of legal and institutional reforms for the sector currently being supported through ATN/FI-14394-BL (¶1.13) combined with the consolidation of the LTCs. The sequence of activities at both the local and national levels is planned so that a strong constituency exists for continued advances in the sector's governance.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of Implementation Arrangements

- 3.1 The MTCCA will execute STP II through the PPDU, a technical team that reports to the Chief Executive Officer in the MTCCA. The PPDU will be responsible for the overall program administration, including: planning of activities and reporting for technical and fiduciary aspects; execution of procurement activities; the oversight and evaluation of program activities; financial and accounting management, including the submission of disbursement requests; and risk management. MTCCA administrative and financial officers will support the PPDU to ensure proper management of loan resources. **The selection of at least the program manager, a financial specialist and a procurement specialist to be integrated within the PPDU will be a special contractual condition prior to first disbursement of the financing.**
- 3.2 Three other technical specialists will be hired in the PPDU: disaster risk management/climate change adaptation specialist, environmental and social management specialist and a physical planning, monitoring and evaluation specialist. It is anticipated that the program will finance the salaries of these specialists for an initial stage (first two years of execution) and the positions will gradually (25% year 3; 50% year 4; 100% year 5) be merged into the permanent staff of the PPDU.
- 3.3 **Participating entities.** In addition to the MTCCA/PPDU, several entities will participate in the program by providing assistance in their areas of competence. These may include but are not limited to: The BTB for destination planning, marketing and industry relations; the National Institute of Culture and History (NICH) for cultural heritage; the MFFSD for environmental sustainability and coastal resilience; and local governments (town and village councils) in the jurisdictions where studies and works will be carried out. These participating institutions will form a Technical Advisory Committee (TAC) and be responsible for reviewing terms of reference, contributing to technical monitoring and supervision and reviewing reports. **Agreements/Memorandums of Understanding (MOU) on the execution of the program with each participating entity (BTB, NICH, and MFFSD) will be a special contractual condition prior to first disbursement of the financing.**

- 3.4 Municipalities will undertake the management of the projects financed under Component 1 (outside of protected areas) when completed, including responsibilities for operation and maintenance. The following are conditions prior to issuing each call for public tendering for the construction/rehabilitation of works: (i) agreements/MOU with the participating municipality or entities to specify the responsibilities for management of the site under their jurisdiction once the transferring of the works is completed, including responsibilities for operation and maintenance with sustainable financial mechanism in place; (ii) evidence of legal possession of the property where the construction of the respective work is to take place, easements or other rights required for its construction and use; and (iii) permits and any other documentation needed as referred in the ESMR.
- 3.5 **Fees for Caracol.** Evidence that a fee mechanism exists and that it provides the resources necessary for the financial sustainability of the site intervention, including covering the costs for operation and maintenance shall be a condition prior to issuing the first call for public tendering as it relates to the Caracol archeological site (see ¶1.7).
- 3.6 **Program Operating Manual (POM).** The POM; which establishes standards and procedures for the EA with regard to programming activities, procurement audits, and monitoring and evaluation, among others will govern program execution. The POM developed for STP I will be updated for this program and will be subject of Bank acceptance prior MTCCA approval. **Approval of the POM (including the Environmental and Social Management Program) and an initial report (including PEP and financial plan) shall be a special contractual condition prior to first disbursement of the financing.**
- 3.7 Prior to disbursement of resources for the matching grants (see ¶1.25), approval of the matching grant manual shall be a special contractual condition.<sup>52</sup>
- 3.8 **Procurement.** All project related procurement activities will be performed following Bank's Procurement Policies: Policies for the Procurement of Goods and Works financed by the Bank (GN-2349-9) and Policies for the Selection and Contracting of Consultants financed by the Bank (GN-2350-9) as applicable.
- 3.9 It is contemplated to use Force Account procurement method for small works (Force Account: Section 3.8 [GN-2349-9] of the procurement policies allows for force account to be use, construction by the use of the Borrower's own personnel and equipment, may be the only practical methods for constructing of some kinds of works). The use of force account is justified because the works and services are small and scattered or in remote locations for which qualified constructions firms are unlikely to bid at reasonable prices. This applies for small works and services on archeological sites to be executed by NICH - a statutory body of the MTCCA. Similar small works of this magnitude are regularly executed by NICH

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<sup>52</sup> Proposed eligibility criteria: (i) valid business plan, to be executed within 12 months; (ii) between US\$10,000-25,000 (80%), 20% counterpart (cash and in kind); (iii) in target destinations; (iv) existing or potential linkage to tourism value chain; (v) cultural and nature-based tourism products/services; and (vi) participation in capacity building programs. Priority will be given to businesses involving women, LIP and cultural ethnic group members as well as number of beneficiaries and additional employment created.

through its Institute of Archeology (IA), based on standard designs, approved by NICH (national authority for Culture and History).

## **B. Summary of Arrangements for Monitoring Results**

- 3.10 **Planning and monitoring.** To accommodate the reporting requirements of both the Ministry of Finance and Economic Development (MFED) and the Bank, the MTCCA/PPDU will prepare a detailed **Annual Operations Plan (AOP)** 60 days prior to the beginning of each calendar year. The AOP, including the updated PEP, will be supported by the Project Procurement Plan (PP) for the acquisition of goods and services; and a financial plan, based on estimated procurement costs and other program activities to be undertaken. The AOP and Progress Reports (PR) will be prepared following a template consistent with the Bank's Project Monitoring Report (PMR). The AOP for the following calendar year shall include: (i) a forecast of disbursements; (ii) an updated PP; (iii) detail achievements in relation to planned activities, outputs and outcomes, among others; (iv) an environmental and social compliance report; (v) budget analysis, disbursement and financial plan; and (vi) Output Indicators and Costs – PMR Matrix. **The semi-annual PRs including the PEP, will be presented within 60 days after the end of January and June of each year** during the disbursement period. The semi-annual PR will focus on fulfillment of output indicators and progress towards achieving outcomes in the Results Framework, analyze problems encountered and propose corrective measures. Within 60 days of the last disbursement date, MTCCA/PPDU will prepare a final report, summarizing all the PR prepared during the program's life and organize a closing workshop to present and discuss the Bank's Project Completion Report.
- 3.11 **Evaluation.** The MTCCA/PPDU will submit to the Bank: (i) a midterm, independent evaluation report no later than 36 months after the date of signature of the loan agreement; and (ii) a final independent evaluation report, within 90 days after the date on which 90% of the loan proceeds have been disbursed or after the Bank's official request. The final evaluation report shall include the results of the program's impact evaluation (see below).
- 3.12 **Impact evaluation Plan.** The Monitoring and [Ex Post Economic Impact Evaluation Plan](#) was agreed upon with the GoB. The plan presents the methodology, data collection plan, indicators to be measured, sample design and budget allocated to each activity. Two complimentary approaches to the ex post economic impact evaluation will be undertaken: (i) the development of a Local Economy-Wide Model (LEWIE);<sup>53</sup> and (ii) the application of the Sustainable Livelihoods Approach (SLA).<sup>54</sup> The LEWIE will enable changes in magnitude of indicators and the mechanics of those changes to be assessed. The SLA will be used to: (i) assess the complex linkages between households, the economy and the environment, both physical and socio-political; and (ii) through difference in difference techniques, estimate the economic impacts attributable to the program. A particularly innovative aspect of the survey-based techniques that underpin both methodologies is that the survey instruments are being designed to capture the use of natural capital, both by households and firms, in order to better understand the interactions between the economy and the environment.

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<sup>53</sup> [Taylor et al. 2014.](#)

<sup>54</sup> [DFID 1999.](#)

Development Effectiveness Matrix			
Summary			
<b>I. Strategic Alignment</b>			
<b>1. IDB Strategic Development Objectives</b>		<b>Aligned</b>	
Lending Program		-Lending to small and vulnerable countries -Lending for poverty reduction and equity enhancement -Lending to support climate change initiatives, renewable energy and environmental sustainability	
Regional Development Goals		-Countries with planning capacity in mitigation and adaptation of climate change	
Bank Output Contribution (as defined in Results Framework of IDB-9)		-Number of jobs added to formal sector -Micro/small/medium productive enterprises financed -Number of projects with components contributing to improved management of terrestrial and marine protected areas	
<b>2. Country Strategy Development Objectives</b>		<b>Aligned</b>	
Country Strategy Results Matrix	GN-2746	Increase overnight visitor demand and expenditures in a sustainable manner	
Country Program Results Matrix	GN-2805	The intervention is included in the 2015 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
<b>II. Development Outcomes - Evaluability</b>		<b>Evaluable</b>	<b>Weight</b>
		8.6	Maximum Score
<b>3. Evidence-based Assessment &amp; Solution</b>		8.3	33.33%
3.1 Program Diagnosis		2.4	
3.2 Proposed Interventions or Solutions		3.6	
3.3 Results Matrix Quality		2.3	
<b>4. Ex ante Economic Analysis</b>		8.5	33.33%
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0	
4.2 Identified and Quantified Benefits		1.5	
4.3 Identified and Quantified Costs		1.5	
4.4 Reasonable Assumptions		0.0	
4.5 Sensitivity Analysis		1.5	
<b>5. Monitoring and Evaluation</b>		9.1	33.33%
5.1 Monitoring Mechanisms		2.5	
5.2 Evaluation Plan		6.6	
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>			
Overall risks rate = magnitude of risks*likelihood		Medium	
Identified risks have been rated for magnitude and likelihood		Yes	
Mitigation measures have been identified for major risks		Yes	
Mitigation measures have indicators for tracking their implementation		Yes	
Environmental & social risk classification		B	
<b>IV. IDB's Role - Additionality</b>			
The project relies on the use of country systems			
	Fiduciary (VPC/FMP Criteria)		
	Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
	Gender Equality	Yes	The project promotes gender equality in two respects: (i) the development and application of sector-specific guidelines that recognize and strengthen the role of women in ensuring disaster risk and climate change resilience in communities; and (ii) matching grants promoting increased participation of women-owned low income entrepreneurs in the tourism value chain.
	Labor		
	Environment	Yes	The project supports increased capacity of Local Tourism Committees in considering the role of ecosystem services in implementing destination plans to ensure the sustainability of these results.
	Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	The MTCCA received additional technical assistance to establish a local tourism governance structure (Local Tourism Committees) through ATN/FI-14394-BL. The Environmental Research Institute of the University of Belize received technical assistance through ANT/OC-14723-BL and ATN/OC-14724-BL to conduct the first assessment of ecosystem services applied to the tourism sector.
	The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	The ex-post impact evaluation will generate data on the economy of the Toledo District, including its structure of production and employment, as well as destination-specific tourism sector information. The ex post strategy will enable estimation of the impact of tourism on household income, including low income people, and on business' revenues. The data collection, processing and dissemination undertaken under the ex post strategy may serve as a model for other districts of the country.

The program's objectives are to: (i) increase tourism expenditures, employment and income through tourism product diversification; (ii) promote disaster and climate resilience and environmental sustainability in tourism destinations; and (iii) improve sector governance and create enabling conditions for private sector investment in overnight tourism. A diagnosis of the opportunities and challenges associated with promoting overnight tourism in emerging destinations is provided, although some relevant empirical evidence is missing. Overall interventions seem to respond to the needs and problems identified.

The vertical logic of the project, as captured by the results matrix structure, seems adequate, and the focus on the key impact indicators of employment, income and inclusiveness is warranted. Baseline and target values for some impact and outcome indicators are to be determined. Not all output indicators are SMART, but baseline values, yearly targets, and the means for collecting the information are provided.

The ex-ante economic analysis of the program was conducted through the use of a Dynamic Computable General Equilibrium (DCGE) model. The analysis overall is competently executed, although some assumptions are not fully supported.

The monitoring and evaluation plan overall meets the expectation for projects of this sector, and is particularly relevant given the poor availability of empirical evidence in the country and in the selected destination in particular. Simulations models will be used to estimate the impacts of the program on income, employment and poverty.

The identified risks seem reasonable and include mitigation measures and their related metrics.



## RESULTS MATRIX

(For complete Result Matrix with Products please see [LINK](#))

<b>Program Goal:</b>	The program aims to increase the tourism sector's contribution, in terms of employment and income, to national sustainable and resilient socioeconomic development.
<b>Program Objectives:</b>	The program objective is to increase tourism expenditures in the targeted destinations through: (i) enhancement of cultural and natural attractions to diversify tourism products; (ii) promoting disaster and climate resilience and environmental sustainability in the tourism destinations; and (iii) improving sector governance and creating enabling conditions for private sector investment in overnight tourism.

## EXPECTED IMPACT

Indicators	Unit	Baseline		Goals		Means of verification	Observations
		Value	Year	Value	Year		
<b>EXPECTED IMPACT</b>							
<b>Impact 1:</b> Increase in total direct tourism employment in each destination.							
<b>Indicator 1:</b> Total number of people directly employed in the tourism sector in destinations.	Persons	8,400	2013	9,500	2020	<b>Source and year of baseline:</b> BTB 2013 Tourism Digest.  <b>Means of verification:</b> BTB Tourism Digest published annually; SIB Labor Force Surveys.	<b>Comment:</b> Estimate for Caye Caulker based on hotel inventory share.
<b>Impact 2:</b> Increase in the inclusiveness of the tourism sector.							
<b>Indicator 2.1:</b> Share of total tourism jobs held by LIP in Toledo.	Percentage	TBD	2015	TBD	2020	<b>Source and year of baseline:</b> Baseline to be established by surveys of household and firms to be conducted in 2015.  <b>Means of verification:</b> SIB labor surveys. Development of Local Economy-Wide Model (LEWIE) will enable evidence-based targets to be set.	<b>Comment:</b> For Toledo District only.  Baseline household surveys will enable disaggregation of employment by LIP and gender.

Indicators	Unit	Baseline		Goals		Means of verification	Observations
		Value	Year	Value	Year		
<b>Indicator 2.2:</b> Share of total tourism jobs held by women in Corozal and Toledo.	Percentage	47%	2013	50%	2020	<b>Source and year of baseline:</b> AFE report 2015 and SIB Labor Force Survey 2013. <b>Means of verification:</b> SIB Labor Force Survey.	<b>Comment:</b> For Corozal and Toledo Districts only.
<b>Indicator 2.3:</b> Change in number of total tourism jobs held by indigenous people in Toledo.	People	TBD	2015	100	2020	<b>Source and year of baseline:</b> Baseline to be established by surveys of households and firms to be conducted in 2015. <b>Means of verification:</b> SIB Labor Force Survey.	<b>Comment:</b> For Toledo District only.
<b>Impact 3:</b> Increase in average household income of beneficiaries in Toledo.							
<b>Indicator 3.1:</b> Average household income of beneficiaries in Toledo.	BZD/hh//yr	TBD	2015	TBD	2020	<b>Source and year of baseline:</b> Baseline to be established by surveys of households to be conducted in 2015. Development of Local Economy-Wide Model (LEWIE) will enable evidence-based targets to be set. <b>Means of verification:</b> Ex-post impact evaluation.	
<b>Indicator 3.2:</b> Average household income reaching LIP in Toledo.	BZD/hh/yr	TBD	2015	TBD	2020	<b>Source and year of baseline:</b> Baseline to be established by surveys of households to be conducted in 2015. Development of Local Economy-Wide Model (LEWIE) will enable evidence-based targets to be set. <b>Means of verification:</b> Ex-post impact evaluation.	

## EXPECTED RESULTS

Expected Results	Unit	Baseline		Intermediate		Goals		Means of verification	Observations
		Value	Year	Value	Year	Value	Year		
<b>EXPECTED RESULT</b>									
<b>Result 1:</b> Increase in tourism's contribution to the economy.									
<b>Indicator 1.1:</b> Increase in overnight foreign tourist expenditure in Belize.	BZD million /year	580	2015	580	2018	741	2020	<b>Source and year of baseline:</b> Ex-Ante Economic Analysis Annex. <b>Means of verification:</b> BTB data.	
<b>Indicator 1.2:</b> Increase in overnight foreign tourist expenditure in Toledo District.	BZD million /year	TBD	2015	TBD	2018	TBD	2020	<b>Source and year of baseline:</b> Baseline to be established by surveys of tourists to be conducted in 2015. <b>Means of verification:</b> Ex-post impact evaluation.	

## FIDUCIARY ARRANGEMENTS

<b>Country</b>	Belize
<b>Name</b>	Sustainable Tourism Program II (STPII)
<b>Project</b>	BL-L1020
<b>Executing agency</b>	Ministry of Tourism, Culture and Civil Aviation (MTCCA)
<b>Fiduciary team</b>	Andres Suarez (FMP/CCR); John Primo (CID/CBL)

### I. EXECUTIVE SUMMARY

- 1.1 BL-L1020 will provide a US\$15 million loan from Ordinary Capital (OC) resources to continue Bank support for development of the Tourism Sector. The program will be executed by the Ministry of Tourism, Culture and Civil Aviation, (MTCCA) through a Planning and Project Development Unit (PPDU). During Program implementation, the PPDU will be responsible for administration of the procurement of works, goods and consulting services plus financial administration, supported by the MTCCA administrative and financial officers to ensure proper management of loan resources.
- 1.2 The IDB's Office for Institutional Integrity (OII) conducted an integrity risk assessment in June 2014. The assessment indicated weaknesses in the legal and institutional framework in Belize, such as lack of formal procedures to safeguard the integrity of procurement processes, limited human resources, and concluded that the integrity risk and associated reputational risks are medium. Based on this assessment and the magnitude of the Sustainable Tourism Program II (STPII), it is recommended that additional support be hired for procurement and financial management for timely execution of activities. The IDB's policies and procedures will apply to procurement and financial management. The use of country systems is partially used for financial management, but not yet available for the procurement of goods, works, consulting or non-consulting services.
- 1.3 The last Public Expenditure and Financial Accountability Assessment (PEFA) for Belize took place in 2013, and identified some progress in strengthening the Public Financial Management (PFM) systems when compared with the previous PEFA assessment in 2008.
- 1.4 PFM in Belize comprises budget formulation and execution, cash management, accounting, and external control. However, internal audit functions are non-existent. The procurement system is not adequately developed. The Government of Belize (GoB) is aware of these deficiencies and expressed its commitment to improving its PFM functions and systems. Over the last decade, IMF-CARTAC, World Bank-SEMCAR and IDB have provided, substantial Technical Assistance (TA) in PFM areas. Nevertheless, the TA is not reflective in the level of progress achieved due to considerable autonomy of Line Ministries, making it difficult for the Ministry of Finance and Economic Development (MFED) to implement TA recommendations.
- 1.5 For this project, the Bank recommends the use of the national financial system, Smart Stream (SS) for the financial administration of the project by the PPDU to

run parallel with an off the shelf accounting package. A firm of independent public accountants acceptable to the Bank is recommended as the external auditor.

## **II. EXECUTING AGENCY'S FIDUCIARY CONTEXT**

- 2.1 The MTCCA/PPDU will be responsible for overall monitoring and reporting including record keeping of documentation, accounts audited financials, development of a work program, progress reports, a mid-term independent evaluation, and a completion evaluation report three months after the Closing Date. The PPDU will recruit dedicated staff to implement this program. The PPDU will work under the supervision of the Chief Executive Officer and coordinate with the Chief Tourism Officer, the administrative and financial officers of the MTCCA to ensure proper administrative and financial management of Project resources.
- 2.2 It is recommended that the MTCCA: (i) uses SS for project financial administration; (ii) submits semi-annual progress reports, including execution of the budget by category and source of funding; and (iii) ensures the program's annual financial statements audited by a firm of independent public accountants acceptable to the Bank be prepared. While overall financial administration of the program is through SS, an off the shelf accounting program is recommended as a parallel system.

## **III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS**

- 3.1 The project team, in consultation with various stakeholders, has developed a risk assessment matrix including major risks likely to affect the proposed programed necessary mitigation actions to be undertaken. A joint review of the matrix will be undertaken annually and new risks with the necessary additional mitigation actions will be adopted.
- 3.2 An informal evaluation by the Fiduciary Specialist, concluded that the MTCCA is committed to the execution of STPII and has some experience executing the Sustainable Tourism Program I (STP I); however, it lacks the human resource capacity to execute the new loan and also carry on its other commitments. Based on the Bank's assessment of country systems and the integrity assessment conducted in 2013, the fiduciary risk has been ranked as medium. Thus to ensure proper execution, the PPDU will recruit dedicated/specialized personnel including a: (i) Project Manager; (ii) Financial Specialist; and (iii) Procurement Officer, among others. Fiduciary risks will be mitigated through Bank inspection visits to the PPDU to assess the capabilities and internal controls with the aim of making recommendations for further improvement, if necessary.

## **IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF CONTRACT**

- 4.1 The following fiduciary arrangements must be considered for inclusion in the special conditions:
  - a. **Prior to the first disbursement.** MTCCA will present to the Bank evidence that the PPDU has selected the Project Manager (PM), Financial Specialist (FS) and Procurement Specialist (PS).

- b. **Rate of exchange agreed with the Executing Agency (EA).** The application of the exchange rate has been agreed with the EA as follows: (i) reimbursement of expenses made and reporting on accounts or justification of the advance of funds: the effective rate of exchange on the date of payment of each expenditure, as published by the Central Bank of Belize (CBB); and (ii) disbursements in alternate currencies from the US Dollar and the Belize Dollar: in cases of direct payment and reimbursement of a guarantee of letter of credit, the equivalent of the currency of the operation will be fixed in accordance with the amount effectively disbursed by the Bank.
- c. **Financial statements and reports, audited or unaudited.** (i) semi-annual financial reports are to be included in the semi-annual progress report to be submitted by the PPDU; (ii) annual financial statements, audited by a firm of independent public accountants acceptable to the Bank, are to be submitted within 120 days after the end of each fiscal year, beginning with the fiscal year in which the first project expenditures are incurred; and (iii) final financial statements, audited by a firm of independent public accountants acceptable to the Bank, are to be submitted to the Bank within 120 days following the last disbursement date of the program.

## V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities.
- 5.2 **Procurement execution.** Procurements will be carried out in accordance with Document GN-2349-9 (“Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank”) dated March 2011; Document GN-2350-9 (“Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank”) dated March 2011, as well as the provisions established in the loan contract and the Procurement Plan (PP). The Borrower is also required to prepare and submit to the Bank a draft General Procurement Notice (GPN). The PP for the Program, covering the duration of project execution can be accessed through the following [\[link\]](#).
  - a. **Force Account.** Section 3.8 (GN-2349-9) of the procurement policies allows the use of force account, construction by the Borrower’s own personnel and equipment, which is justified for this project given that some works and services on archeological sites, to be executed by the National Institute of Culture and History (NICH) - a statutory body of the MTCCA, through its Institute of Archeology (IA), are small and scattered or in remote locations for which qualified construction firms are unlikely to bid at reasonable prices. Similar small works are regularly executed by IA based on standard designs, approved by NICH.
  - b. **Selection of individual consultants.** Individual consultants are employed on assignments for which: (i) teams of personnel are not required; (ii) no additional outside (home office) professional support is required; and (iii) the experience and qualifications of the individual are the paramount requirement. Individual consultants are selected on the basis of their qualifications for the assignment. Advertisement is not required. Consultants shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or

have been approached directly by the Borrower. Individual consultants may be selected on a sole-source basis with due justification in exceptional cases. This is to be carried out in accordance with Section V (Selection of Individual Consultants) of GN-2350-9, ¶5.1- 5.4.

- c. **Training.** The detailed PP indicates which consultancy services, training and workshops are applicable per GN-2350-9. If the assignment includes an important component for training or transfer of knowledge to Borrower staff or national consultants, the TOR shall indicate the objectives, nature, scope, and goals of the training program, including details on trainers and trainees, skills to be transferred, time frame, and monitoring and evaluation arrangements. The cost for the training program shall be included in the consultant’s contract and in the budget for the assignment.
- d. **Other.** Use of national or other documents than the Bank standard documents for competitive bidding: none.

**Table 1 - Thresholds (in US\$)**

International competitive bidding threshold*		National competitive bidding range ** (complex works and non-common goods)		Consulting services
Works	Goods	Works	Goods	International short list
>1,000,000	>100,000	100,000 – 1,000,000	25,000 - 100,000	>200,000

\* When procuring simple works and common goods and their amount is under the International Competitive Bidding thresholds, Shopping may be used.

\*\* When procuring complex works and non-common goods with amounts under the NCB range, Shopping shall be used.

- 5.3 **Procurement supervision – Project Procurement (PP) and supervision.** The PP for the operation covering the duration of project execution indicates the procedures to be used for the procurement of works, goods or services, and the method of selecting consultants, for each contract. It also indicates cases requiring prequalification; estimated cost of each contract; requirement for prior or post review by the Bank. The PP will be prepared to cover an initial period of eighteen (18) months and updated annually or whenever necessary, or as required by the Bank ([www.iadb.org/procurement](http://www.iadb.org/procurement)).

## VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and budget.** The borrower has committed to allocate, for each fiscal year, adequate fiscal space to guarantee the unfettered project execution; as determined by normal operative instruments such as the project execution plan, the financial plan and the procurement plan.
- 6.2 **Accounting and information systems.** Project accounting will be performed using SS, in accordance with international financial and reporting standards and international public sector accounting standards when applicable. The use of another appropriate accounting system such as Quick Books will facilitate reporting and supplement SS. It will be the responsibility of the IDB financial specialist to assess the performance of SS and determine whether to discontinue the use of the parallel accounting system. It is expected that SS will: (i) facilitate

- the recording and classification of all financial transactions according to source of funding and categories of investment; and (ii) provide information related to, planned versus actual financial project execution, project commitments made, the financial plan for a six months period, financial statements, performance reports and any other reports that may be required by the MTCCA and/or the IDB.
- 6.3 **Disbursements and funds flows.** The PPDU will be responsible for submission of all disbursement requests to the Bank. Resources requested from Bank financing, through an Advance of Funds, will be used to settle eligible expenses anticipated for the next 180 days. The funds will be deposited into a special account, denominated in US Dollars, established exclusively for the program, at the CBB.
- 6.4 Pursuant to Document AB-2990, the loan operation will include a restriction on annual disbursements as follows: (i) in the first 12 months, a maximum of 15% of the total amount of Bank financing approved may be disbursed; (ii) in the first 24 months, a maximum of 30% of the total amount of Bank financing approved may be disbursed; and (iii) in the first 36 months, a maximum of 50% of the total amount of Bank financing approved may be disbursed. All these periods will be counted from the time the loan operation is approved by the Board of Executive Directors. Such a restriction would not affect the Program since the first three year disbursement projections for this operation follow the established parameters: (i) first 12 months, US\$1.0 million that represents 6.6%; (ii) US\$3.5 million during the first 24 months, representing 23.3% and (iii) US\$7.5 million for the first 36 months, which represents 50%.
- 6.5 The PPDU will be responsible for maintaining adequate and original documentation to support disbursement requests, including: accounting receipts, cancelled invoices, payment receipts, employment contracts, customs duties certificates, certificates of works, shipping, unloading and storage documents, goods/services received reports and any other payment support document acceptable by the Bank.
- 6.6 The PPDU commits to maintain strict control over the utilization of the funds advanced to ensure the easy verification and reconciliation of balances between the executor's records and the records of the Bank.
- 6.7 The PPDU will provide adequate justification of the utilization of all advance of funds, whenever 80% of said funds have been spent. Advances will normally cover a period not exceeding 180 days.
- 6.8 The EA will present the following forms and supporting documents to request disbursements from the Bank:



**Table 2 - Forms and supporting documents**

Type of disbursement	Mandatory forms	Optional forms/information that can be requested by the Bank
Advance	Disbursement request Financial plan List of commitments	Physical / financial progress reports
Reimbursements of payments made	Disbursement request Execution status Statement of expenses	List of commitments Physical / financial progress reports
Direct payment to supplier	Disbursement request Acceptable supporting Documentation	List of commitments Physical / financial progress reports

- 6.9 Generally, supporting documentation for justification of advances and reimbursement of payments made will be kept at the office of the PPDU. Support documentation for direct payments will be sent to the Bank for processing. Disbursements' supporting documents may be reviewed by the Bank on an ex-post basis. These reviews do not entail a blanket approval of total expenditures, based on the samples reviewed.
- 6.10 **Internal control and audit.** The PPDU will be responsible for designing and implementing a sound of internal control system that should provide reasonable assurance that project funds are used for their intended purpose.
- 6.11 **External control and reporting.** For each fiscal year during project execution, MTCCA will be responsible to produce semi-annual financial reports for the project, annual audited financial statements and one final audited financial statement at the project end. The financial statements will be audited by a firm of independent public accountants acceptable to the Bank. The firm for the auditing of the program will be selected according to the Bank's procedures (Document AF-200).
- 6.12 **Financial supervision plan.** Financial supervision will be developed based on the initial and subsequent risk assessments carried out for the MTCCA. Financial, accounting and institutional inspection visits will be performed annually, covering the following: (i) review of the reconciliation and supporting documentation for advances and justifications; (ii) compliance with procedures; (iii) conducting ex-post review of disbursements.
- 6.13 **Execution mechanism.** The MTCCA is named as the EA. The PPDU in the MTCCA will be responsible for program implementation and the administration of all components of the loan, including supervision, disbursements, and all reporting to the Bank.
- 6.14 **Designated account.** The program will have a designated account in the CBB. For day-to-day operations the PPDU will make payments from the Ministry's account (Consolidated Fund) and on submission of a memo to the MFED, the funds are then reimbursed from the CBB Account established for the program to the Consolidated Fund.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/15

Belize. Loan \_\_\_/OC-BL to Belize  
Sustainable Tourism Program II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Belize, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Sustainable Tourism Program II. Such financing will be for the amount of up to US\$15,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_ \_\_\_\_\_ 2015)