ove Office of Evaluation and Oversight

Independent Country Program Review

Belize
2013-2021

IDB | IDB Invest

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Acronyms and Abbreviations

BOOST	Building Opportunities for Our Social Transformation
BTB	Belize Tourism Board
CAPS	Community Action for Public Safety
CCF	Contingent credit facility
CDB	Caribbean Development Bank
CID	Country Department Central America, Mexico, Panama, and the Dominican Republic
CPD	Country Program Document
CPE	Country Program Evaluation
CS	Country Strategy
DEF	Development Effectiveness Framework
EQUIP	Education Quality Improvement Program
EU	European Union
FMP	Financial Management and Procurement
GDP	Gross domestic product
HID	Human Development Index
IAMC	Independent Assessment of Macroeconomic Conditions
ICPR	Independent Country Program Review
IDB (Group)	Inter-American Development Bank (Group)
LAC	Latin America and the Caribbean
MSMEs	Micro, small, and medium-sized enterprises
MTSD	Medium-term development strategy

NSG	Non-sovereign guaranteed
NTMP	National Transportation Master Plan
OPEC	Organization of the Petroleum Exporting Countries
OVE	Office of Evaluation and Oversight
PBL	Policy-based loan
PCR	Project Completion Report
PEU	Project Executing Unit
PMR	Project Monitoring Report
SD	Selective Default
SG	Sovereign guaranteed
SMEs	Small and medium enterprises
SWMP	Solid Waste Management Program
STEAM	Science, technology, engineering, art and math
STP	Sustainable Tourism Program
TC	Technical cooperation
TFFP	Trade Finance Facilitation Program
UN	United Nations

Executive Summary

Purpose. This Independent Country Program Review (ICPR) analyzes the Inter-American Development Bank (IDB) Group's most recent Country Strategy (CS) with Belize, covering the 2013-2021 period and its corresponding country program. ICPRs assess the relevance of the IDB Group's CS and provide aggregate information on the program alignment and execution. If the available information allows it, ICPRs also report on progress toward achieving the objectives established in the CS. This review by the Office of Evaluation and Oversight (OVE) is intended to provide the Boards of Executive Directors of the IDB and IDB Invest with information useful to their consideration of the upcoming IDB Group CS with Belize. As with Country Program Evaluations (CPEs), ICPRs are based on existing documentation on operations and supported by interviews with key members of the IDB Group. However, unlike for CPEs, no country stakeholders are interviewed and there are no in-person missions.

Country context. Belize is the smallest country in Central America, by population and economy with an important ethnic diversity. The country is highly vulnerable to adverse climate events due to its location in the hurricane belt and its low-lying topography; as a result, key economic sectors have been seriously damaged. Belize's key growth drivers, agriculture and tourism, are highly vulnerable to natural disasters; and were able to support only a relatively low rate of economic growth during the 2013-2020 period. Despite the dynamism of the country's export sector, producers still experience considerable tax and non-tax barriers that harm trade performance. COVID-19 further burdened an already weak economy. Social programs implemented to address the pandemic have contained the worse of the sanitary and socioeconomic impacts but have also imposed an additional burden on the government's expenditures and accentuated an already high public debt. In this context, Belize still faces challenges in basic health care, education, citizen security, water and sanitation, and infrastructure. A new government came to power in late 2020 and has proposed an agenda called "Plan Belize" to counteract the negative impacts of the recession.

Strategic objectives. The 2013-2017 CS (later extended to 2019) established six strategic objectives in four priority sectors; a 2020-2021 Strategy Update added two priority sectors with three strategic objectives. Crosscutting issues included climate change, disaster risk management and environment, diversity, and gender. All the strategic objectives were aligned with the country's development challenges, government priorities, and the IDB Group's Institutional Strategies. Compared with the 2008-2012 CS, the strategy for 2013-2017 was more focused; it left some key development challenges out, consistent with Belize's limited absorptive capacity. Fiscal matters and private sector development were reoriented comparing to the previous strategy. Citizen security and climate change and disaster risk management were prioritized in the 2020-2021 update of the CS. Nevertheless, Belize's institutional or absorptive capacity does not seem to have improved, and the strategic focus was weakened. The CS considered three risks: macroeconomic risk, disaster and climate risk, and implementation risk; mitigation was to take place primarily through the Bank's operations. The implementation risks were already identified in the 2008-2012 CS, but for the 2013-2017 strategy, the analysis of this type of risk was more systematic and built upon lessons learned. The vertical logic from the CS results matrix was adequate, but there were some evaluability weaknesses. because the main issues were: (1) two indicators were limited to outputs rather than outcomes, (2) several updated values had unidentified sources, (3) baseline indicators and update indicators were different and (4) some values were outdated.

Program alignment. During the 2013-2021 period, sovereign guaranteed (SG) program approvals totaled US$135 million and focused on investment loans. IDB Invest took on a larger role with increased non-sovereign guaranteed (NSG) lending (US$41 million approvals), pointing to a more active IDB Invest involvement. The SG program was limited to investment operations and technical cooperations, and IDB Invest approved mostly senior loans. Most of the program was anticipated in Country Program Documents. In addition to these approvals, the portfolio included seven SG legacy investment loans, with considerable undisbursed balances at the start of the CS period. Loan cancellations were minor (3.2% of the original approved amount); the one reformulation was to address the pandemic. The program was strongly aligned with all the strategic objectives of the priority sectors of education, tourism, transport, trade and taxes, and climate change and disaster risk management. There were no active operations aligned with the priority sector of citizen security. A few investment operations and 30% of approved TCs were not aligned with any CS objective. One-third of investment loans were approved in response to the COVID-19 pandemic. With regard to crosscutting issues, several operations included consideration of climate change, disaster risk management, environment, and gender in their designs, but the issue of diversity was not addressed.

Program implementation and results. Total SG disbursements during 2013-2021 (US$107 million) were substantially higher than in the previous CS period (US$44 million). The increased engagement with the private sector led to a substantial growth in NSG disbursements during this period. IDB Invest disbursed US$33.5 million, not including commitments under the Trade Finance Facilitation Program. Preparation and execution times were faster than in the Country Department Central America (CID) countries average. The Bank's expenditures for project preparation and execution were higher than for other countries. Insufficient absorptive and execution capacity in the country, a challenge that carried over from the previous CS, have been the leading causes of preparation and execution issues. The CS included key actions to strengthen country systems, but progress in improving the procurement system has been limited.

The program executed in the education priority sector contributed substantially to the strategic objectives. In the tourism priority sector, there is some evidence regarding contribution to the strategic objective of increasing overnight visitor demand and expenditures in a sustainable manner, and no evidence of contribution to the strategic objective of improving tourism sector stakeholder coordination and quality management. The program executed in the transport priority sector has contributed to the strategic objective of improving road infrastructure (to facilitate trade and integration of and access to emerging tourist destinations), while contribution to the strategic objective of improving sector planning capacity was substantial. There was no contribution to the sole strategic objective in the trade and taxation policy priority sector, either because they did not deliver the planned products, or they are in an early implementation stage. The IDB Group made some contributions to both strategic objectives under the priority area of climate change and disaster risk management. Finally, there were no contributions to the citizen security priority sector. There is evidence of significant mainstreaming on climate change, disaster risk management, and environment issues, while gender and diversity lagged behind. Other operations were not aligned with the CS strategic objectives but completed key products: the three-phase Mesoamerica Health Initiative program has achieved important results in improving the health of mothers, infants, and women of reproductive age, and in using and managing health data systems. In response to the COVID-19 crisis during 2020 and 2021, the Bank provided support through the approval of four operations and one reformulation, with disbursements totaling US$18 million. Despite active mitigation of sustainability risks during the program implementation, operational results still face issues related to financial constraints and lack of capacity to operate and maintain the new infrastructure.

01

Introduction

1.1 This Independent Country Program Review (ICPR) analyzes the most recent Inter-American Development Bank (IDB) Group's Country Strategy (CS) with Belize during the 2013-2021 period and its corresponding country program. ICPRs assess the relevance of the IDB Group's CS and provide aggregate information on the program's alignment and execution. If the available information allows it, ICPRs also report on progress toward achieving the objectives that the IDB Group established in the CS. This review by the Office of Evaluation and Oversight (OVE) is intended to provide the Boards of Executive Directors of the IDB and IDB Invest with information useful to their consideration of the upcoming IDB Group CS with Belize. As with Country Program Evaluations (CPEs), ICPRs are based on existing documentation on operations and supported by interviews with key members of the IDB Group. However, unlike for CPEs, no country stakeholders are interviewed and there are no in-person missions. OVE analyzed the 2013-2017 CS with Belize, approved on December 18, 2013, and its Update, approved on December 5, 2019 and valid until December 31, 2021.[1,2] The period used for the portfolio covers from January 2013 to July 2021.

1.2 This document includes six chapters and an annex with supporting information. After this brief introduction, Chapter II describes the country context, considering its development challenges, its government priorities, and the role of other development partners. Chapter III establishes the evaluation framework, details the objectives of the 2013-2021 CS, and assesses the strategy's relevance. It also considers risk management, lessons learned, and recommendations from the previous CPE. Chapter IV examines the alignment of the executed program (new approvals and legacy operations from previous periods) with the strategic objectives of the CS. Chapter V reviews the information available on country program results and analyzes their contribution to the strategic objectives. The last chapter presents the conclusions.

1 Following the protocols established in the Country Strategy Guidelines (document GN-2468-9), and considering that general elections were scheduled for November 2020, the IDB Group and the Government of Belize agreed to a CS Update, valid until December 31, 2021 (IDB, 2019).

2 This includes a transition period (2018) and an extension (2019).

02

Country Context

2.1 Belize is the smallest country in Central America, by population and economy with an important ethnic diversity.[3] Belize has 408,487 inhabitants and a low population density (16.8 people per square kilometer) and is the only English-speaking country in Central America. The most noticeable characteristic of the society is its ethnic diversity,[4] with the three largest groups being Mestizos, Creole, and Maya. Between 2013 and 2019, real per capita income remained mostly unchanged (at around US$4,250). However, in 2020, as a result of the COVID-19 pandemic, it fell 15.6%, more than twice the average of Latin America and the Caribbean (LAC) (7.15%).[5] Furthermore, as of 2018, 52% of Belize's population lived at or below the poverty line, while 9% were indigent or critically poor, and the latest available Gini index for the country is 0.49.[6] As a small state, Belize faces particular challenges related to its small population, land area, and economic base (which inhibits it from generating scale and agglomeration economies), its vulnerability to exogenous shocks such as natural disasters and climate change, and capacity constraints.[7]

2.2 The country is highly vulnerable to adverse climate events due to its location in the hurricane belt and its low-lying topography; as a result, key economic sectors have been seriously damaged. The country is prone to cyclone events and has experienced seven tropical storm and hurricane events during the period 2000-2020, which caused severe losses (see Annex II). Its low-lying terrain aggravates the effects of flooding and sea-level rise, but it is also at risk of extreme temperature events. The severe drought conditions in 2019 were among the most intense in the country since 1981, according to the Caribbean Institute for Meteorology and Hydrology. Belize City, where 16% of the population live and which is the country's principal port, commercial center, and largest city, is especially susceptible to sea-level rise. According to the Climate Risk Index (2000-2019), Belize ranks 33rd among 180 countries, in terms of both fatalities and economic losses due to the impacts of extreme weather events over these 20 years.[8] The average annual loss to gross domestic product (GDP) resulting from natural disasters and climate change over 20 years was 2.9%.[9]

3 Belize has the smallest economy among the 26 borrowing countries, with a Gross Domestic Product of US$1.4 billion (2020).

4 According to the Statistical Institute of Belize, 53.3% of the population are Mestizos; 22.3% Creole; 11.1% Maya; 5.8% Garifuna; and 7.4% other, which includes European, East Indian, Chinese, Middle Eastern, and North American groups (Statistical Institute of Belize, 2019).

5 World Bank, 2020a.

6 Statistical Institute of Belize, 2021.

7 World Bank, 2018.

8 Eckstein, Künzel, and Schäfer, 2021.

9 Average for the period 1998-2017 (IDB, 2019).

2.3 The key drivers of growth in Belize, agriculture and tourism, are highly vulnerable to natural disasters; COVID-19 further burdened these sectors. Historically, impacts from hurricanes have significantly affected agriculture and tourism. In 2019, the tourism and travel sector achieved a total contribution to GDP of 37.3% and represented 38.8% of total employment, while visitor spending accounted for 46.9% of total exports.[10] However, the pandemic impacted those figures; in 2020, the total contribution to GDP dropped to 16.2% and the contribution to employment to 27.5%, and visitor spending fell 69.3%. With regard to agriculture and fisheries, the sector represented 15% of GDP in 2019, providing employment to 20% of the workforce and accounting for 90% of goods exports.[11] Agricultural exports from Belize are highly concentrated in four groups of products: sugar, bananas, citrus fruit, and marine products. Between 2013 and 2019, agricultural output decreased due to specific circumstances affecting those items – trade, weather, and sanitary and phytosanitary factors.[12] COVID-19 intensified the situation, disrupting supply chains worldwide and reducing demand.

2.4 The country already had a low economic growth rate, faced external vulnerabilities, and had a high public debt before COVID-19. Belize's economic performance has been characterized by cycles of intense growth (1984-1992 and 1999-2003) that could not be sustained as a result of a pro-cyclical fiscal policy and exposure to external vulnerabilities.[13] Between 2013 and 2019, GDP growth was an average of 2.1%. Due to drought in the second half of 2019,[14] the last quarter of the year experienced an interannual GDP contraction of 2.2%. The economy was already weak when the COVID-19 pandemic broke out; the GDP contraction in 2020 was 14%, one of the largest decreases in Central America and substantially above the LAC average reduction (6.3%). The overall fiscal deficit widened from 1.6% of GDP in 2013 to 4.7% in 2019, led by a rise in public expenditures.[15] In 2020, the pandemic-driven

10 The World Travel and Tourism Council has estimated travel and tourism, including indirect (due to the activities undertaken by the sector, and related to capital investment, government spending, and supply chain effects) and induced (due to the expenditures of those directly or indirectly employed by the tourism sector) effects (WTTC, 2020).

11 IDB, 2020a.

12 Adverse weather conditions (flooding and drought) affected agricultural output. Moreover, in the case of banana crops, the closure of one of the largest producers in late 2015 reduced production; a sugarcane froghopper infestation, citrus greening, and a shrimp bacterial infection affected the other key products.

13 According to the World Bank, external vulnerabilities include an underdeveloped financial sector, the U.S. recession, and climate-related vulnerabilities (World Bank, 2017a).

14 World Bank, 2021.

15 The compensation for the 2009 nationalization of Belize Telemedia Limited increased the fiscal pressure between 2015 and 2017. The Permanent Court of Arbitration in The Hague ordered the Government of Belize to pay US$200 million (around 11% of GDP) for the value of Telemedia shares (World Bank, 2017a; EIU, 2016).

decline in tax collection and increased spending to tackle the emergency drove the fiscal deficit to 10.1% of GDP. Public debt increased from 80.9% of GDP in 2013 to 97.5% in 2019, despite a third restructuring of the country's debt to private bondholders in 2016;[16] the pandemic led to an increase of almost 30% in one year, reaching 125.4% of GDP. The deterioration in these figures led Moody's to downgrade the sovereign debt rating from Caa1 in 2020 to Caa3 in 2021. Standard & Poor's also lowered Belize's foreign currency debt rating, from CC to SD (selective default), after the government incurred in its second default in less than a year.[17] The pegging of the Belize dollar to the U.S. dollar since 1976 had left no room for inflation targeting.

2.5 Social programs implemented to address the health emergency have contained the worsening of the socioeconomic situation; however, they also have imposed an additional burden on government expenditure. Before the pandemic, in 2019, Belize's Human Development Index was 0.716 (110th out of 189 countries), a level below the average of 0.766 for countries in LAC.[18] Measures imposed to confront the virus pushed the unemployment rate up by 19.1% from September 2019 to September 2020,[19] undermining the progress achieved in the previous quinquennium. To support affected households and firms, the government implemented measures that were estimated to have increased non-interest government expenditure by 2.6% of GDP.[20] Belize's recovery strategy included an unemployment relief program; a program to support micro, small, and medium-sized enterprises (MSMEs);[21] and direct food assistance and additional resources through the BOOST Program to support vulnerable populations.[22]

2.6 The pandemic found Belize with a weak health system, and COVID-19 became the second leading cause of death in 2020. As of 2018, diabetes, cardiovascular diseases, cancers, and chronic respiratory diseases were responsible for approximately 40% of deaths annually; injuries and external causes accounted for 28%, and communicable diseases for 20%.[23] In 2020, COVID-19 ranked

16 Debt restructure in 2016 worth US$526 million (about 30% of GDP) and was attributed to low growth, rising fiscal deficits, U.S. dollar strength, and damage inflicted by Hurricane Earl, among other factors.

17 Moody's, 2020; Maki, 2021.

18 UNDP, 2020.

19 World Bank, 2021.

20 IMF, 2021.

21 The unemployment relief program provides 150 Belize dollars (BZ$) every 2 weeks for 12 weeks for persons who have been laid off owing to the pandemic. The MSME support program provides BZ$2.5 million in grants, with a fixed sum of BZ$2,500 for each micro-enterprise, along with BZ$7.0 million in wage subsidies for employee retention during the pandemic (ECLAC, 2021).

22 Government of Belize, 2020.

23 WHO, 2018.

second, behind coronary heart disease, as a leading cause of death in Belize and ahead of HIV/AIDS, diabetes mellitus and stroke.[24] As of September 16, 2021, the country has administered at least 261,183 doses of COVID-19 vaccines, and 21.44% of the country's population is fully vaccinated.[25] The pandemic found the country with important gaps in the availability of medical personnel, with 1.1 physicians per 1,000 people and 2.3 nurses per 1,000 people, both below LAC averages. In terms of hospital infrastructure, the country has almost one bed per 1,000 inpatient and 0.03 critical care beds per 1,000.[26] Public expenditure on health was 3.9% of GDP in 2018, not very different from its share in 2013 (3.7%) and slightly below the average for Country Department Caribbean countries (4.1%).[27]

2.7 While Belize has the highest education expenditure as a percentage of GDP compared to the LAC average, its achievements in access and quality lag far behind the region. These challenges translate into issues in the labor market. From 2014 to 2018, Belize reported the highest education expenditure as a percentage of GDP (7.2%) in the LAC region (3.8%),[28] with the expenditure increasing at an average annual rate of 3% during this time.[29] However, the country's educational performance does not meet the LAC benchmark. In 2019, the net secondary enrollment rate was 71.3%, while the gross tertiary enrollment rate was 25%, lagging behind the LAC average (52.7%). In terms of quality of education, less than half of primary school graduating students achieved a "satisfactory" grade in the primary education exit exam in 2011.[30] The educational challenges generate a skills gap in the workforce. In Belize only 40% of the labor force has completed secondary education. A small fraction of those who complete this level achieve satisfactory performance in basic skills such as English and math.[31] Limited access to education and employment opportunities are directly related to elevated criminal activity. In fact, 76% of gang-involved individuals were secondary school dropouts, and 82% were identified as unemployed.[32]

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24 World Life Expectancy, 2021.

25 Johns Hopkins Coronavirus Resource Center, 2021.

26 IDB, 2021a.

27 Analysis of health system performance in countries that have improved access to health services has shown that public health expenditures of around 6% of GDP were required to establish a good health system with basic universal health coverage (PAHO/WHO, 2017).

28 World Bank, 2020a.

29 Ibid.

30 Näslund-Hadley, Emma, Haydée Alonzo, and Dougal Martin, 2013.

31 World Bank, 2018.

32 Ibid.

2.8 In 2020, for the first time since 2013, the Belize Crime Observatory reported a reduction in the murder rate, to 24.3 per 100,000 inhabitants. However, the country is currently on its fourth crime-related state of emergency. During the first ten months of 2020, significant crimes decreased by 29%, while murders decreased by 25% (from 134 in 2019 to 82 in 2020).[33] According to the Belize Crime Observatory, this decline is due to interventions to address gang violence coupled with movement restrictions enforced to reduce the spread of COVID-19.[34] However, the country is currently on its fourth crime-related state of emergency since 2018, focused on Belize City, which accounts for the most murders recorded in the country (46%).[35]

2.9 In terms of infrastructure, Belize has expanded its water and sanitation systems and solid waste management. Still, there is a lack of information related to the quality of services. In 2017, the percentage of people using at least basic drinking water was 98%, and the percentage using at least basic sanitation services was 87.9%; both of these figures represent an increase of 4% since 2010.[36] This improvement places Belize in a favorable position compared to the LAC average. However, the institutional structure of the water and sanitation sector is weak, especially in rural areas, due to a lack of reliable information to determine adequate service quality.[37] Although there have been improvements in solid waste management over the last decade, significant challenges remain, such as insufficient waste disposal and associated services.[38]

2.10 Belize faces a deficient transportation infrastructure that constrains trade and growth. According to the World Bank's Doing Business 2020 report, Belize increased its score by 0.16 percentage points on average in the Trading Across Borders component from 2015 to 2019. However, in 2020 the time to export in hours was more than 40% higher than the LAC average, while the cost (logistical process of exporting goods) was 27% higher than the LAC regional average.[39] In addition, the government has reported that the assigned budget covers only 60% of the cost of primary road maintenance.[40] Only 4% of the primary highway network is in good condition, and 87% is in fair

33 Belize Crime Observatory, 2020.

34 Ibid.

35 Insight Crime, 2021.

36 World Bank, 2020a.

37 IDB, 2020c.

38 Ibid.

39 World Bank, 2020b.

40 Victor Bonilla et al., 2017

or poor condition.[41] As a result, production costs increase and productivity decreases, generating a barrier for international and domestic trade.

2.11 Despite the contribution of the export sector to economic growth, producers still experience considerable tax and non-tax barriers that harm trade performance. Exports are concentrated primarily in specific agricultural products and tourism destinations, making the sector highly vulnerable to internal and external shocks.[42] The current tax policy, combined with high and uneven tariff and nontariff barriers, distorts producers' incentives and increases production costs.[43] Opportunities to diversify production are limited since Belize's exporters face disadvantages compared to their international competitors. The trade tax is one of the government's primary sources of tax revenue. In 2017, taxes on international trade were 14.2% of revenue, compared to 3.8% in the LAC region.[44]

2.12 The private sector is responsible for almost 86.4% of national employment and consists mainly of MSMEs.[45] Belize's private sector is made up of primarily MSMEs in the tourism and agricultural sectors.[46] These businesses account for more than 70% of national employment and are the main source of consumption. However, MSMEs face some challenges related to credit constraints and infrastructure bottlenecks (poor road network quality and limited telecommunication access).[47] Access to finance is the main limitation, though, due to the absence of stock markets, substandard financial knowledge, and lack of management capacity. The economic situation worsened during the pandemic, when 12.7% of firms shut down and 35.4% went out of business.[48] Credit to the private sector also decreased 3.6% in 2020.

2.13 The new government has taken initial actions to counteract the negative impacts of the recession. Against the backdrop of a fragile economy and an unprecedented COVID-19 pandemic, a new government came to power in late 2020 and has proposed an agenda called "Plan Belize" to counteract the negative impacts of the recession, with five key pillars: (1) economic recovery initiatives, (2) restructuring the government debt,

41 Ibid.

42 IDB, 2020b.

43 World Bank, 2016.

44 World Bank. 2020a

45 Statistical Institute of Belize, 2020.

46 IDB, 2020b; World Bank, 2017b.

47 IDB, 2020b.

48 UNDP, 2020.

(3) health care, (4) private investment, and (5) agricultural development.[49] Based on this plan, some of the first actions taken by the government during its initial 100 days were the passage of the Public Health Act, the General Revenue Supplementary Appropriation Act, and the Resolution on a Government-wide Reform Agenda.[50] In addition, the government is attempting to restore the sustainability of the public debt by restructuring commitments with external creditors and aiming to reduce the debt-to-GDP ratio to 70% by 2030.[51]

2.14 Financing from multilateral and bilateral partners accounted for 39% of Belize's public sector foreign debt. The Caribbean Development Bank (CDB) and the IDB have been the largest multilateral creditors during the strategic period; however, their relative exposure has decreased since 2013. These institutions held an average debt of 43% each in 2013 and 36% each in 2020. The increasing share held by the OPEC Fund for International Development (17% in 2020) and the IDB's plan to reduce exposure to Belize (as defined in the CS) explain this decrease. Other sources of finance are the International Bank for Reconstruction and Development and the Central American Bank for Economic Integration. IDB and CDB strategies coincided in most sectors (see Annex VI). With regard to official development assistance resources,[52] European Union institutions were the most important donors between 2013 and 2019, with a 34.7% share, followed by the CDB (14.4%), United States (10.4%), and IDB (4.7%).

49 Central Bank of Belize, 2021.

50 Ibid.

51 Ibid.

52 OECD, 2021.

03

IDB Group Country Strategy

3.1 The 2013-2017 CS (later extended to 2019) established six strategic objectives in four priority sectors; a 2020-2021 Strategy Update added two priority sectors with three strategic objectives. Belize's CS for 2013-2017 identified four priority sectors: (1) education, (2) tourism, (3) transport, and (4) trade and taxation policy. The CS also set out six strategic objectives based on country dialogue and the identified challenges to growth (see Table 3.1). Crosscutting issues included climate change, disaster risk management and environment, diversity, and gender. In May 2018, an extension of the CS was approved,[53] taking into account that the government was in its third year of a five-year election cycle and that the priority sectors were to remain the same. In view of general elections scheduled for November 2020, in November 2019 the IDB Group and the Government of Belize agreed to update the 2013-2017 CS to cover the period 2020 and 2021.[54] The CS Update maintained the strategy's four priority sectors, arguing that they were still relevant. In addition, the IDB Group and the government identified two further priority sectors: (5) climate change and disaster risk management and (6) citizen security. As part of this further priority sectors, three new strategic objectives were added (see Table 3.1).

Table 3.1. Priority sectors, strategic objectives, and expected results of the 2013-2017 CS and its 2020-2021 update

Priority	Strategic Objective	Expected Result of the CS
1. Education	**1.1 Improve governance and quality of education relative to investment in the sector**	Improved teacher quality
		Improved monitoring of education quality
2. Tourism	**2.1 Increase overnight visitor demand and expenditures in a sustainable manner**	Diversification of tourism products in emerging destinations
		Increase in total overnight visitor demand and expenditures
		Improved solid waste management in tourism areas
	2.2 Improve tourism sector stakeholder coordination and quality management	Tourism quality management system and certification implemented
3. Transport	**3.1 Improve Road infrastructure to facilitate trade and integration of and access to emerging tourist destinations**	Rehabilitated/upgraded road infrastructure, including climate resilience and road safety standards
	3.2 Strengthen sector planning capacity	Medium-term Transport Master Plan

53 The extension was granted from the day after the completion of the transition period (December 18th, 2018) until December 18th, 2019.

54 The information for the analysis in this ICPR covers the period from January 2013 to July 2021.

Priority	Strategic Objective	Expected Result of the CS
4. Trade and Taxation Policy	**4.1 Foster export-led growth and greater trade integration by strengthening the economic efficiency and simplicity of the tax system and reducing non-tax barriers**	Faster growth of exports
		Trade taxation and non-tax barriers substantially reduced and indirect taxation system simplified and consolidated on economically efficient taxes (especially the general sales tax)
5. Climate Change and Disaster Risk Management	**5.1 Improve resilience to natural hazards and climate change in Belize City and along coastal areas**	Increased resilience of the coastal infrastructure to natural hazards and climate change
	5.2 Improve disaster risk management at country level	Country's Governance and financial capacity for DRM strengthened
6. Citizen Security	**6.1 Increase access to targeted crime and violence prevention programs for youth**	Reduction of crime rate in identified hot spots nationally

Source: OVE based on IDB (2013b, 2018, 2019).

Note: The last two priority sectors and strategic objectives (climate change and disaster risk management and citizen security) were identified as two further areas of focus during the expanded CS period.

3.2 The strategic objectives were aligned with the country's development challenges as well as with the government's priorities; they also responded to the IDB Group's Institutional Strategies. To formulate the CS, the IDB Group prepared a growth diagnostic, *Rekindling Economic Growth in Belize*, which was complemented with a set of sector notes.[55] The documents concluded that the country's high-cost finance and taxes on trade constituted binding constraints on economic growth. In addition, transport infrastructure was an emerging constraint on market integration. The same document considered challenges related to fiscal sustainability, environmental management, administrative capacity, and the need for more efficient public services and effective control over discretionary spending. Other development partners working in the country concurred with this diagnostic (Box 3.1). Moreover, the government's priorities were reflected in the development strategies for the periods 2010-2013 and 2016 2019; the two medium-term strategies were guided by the long-term plan "Horizon 2030". Those two government strategies also addressed challenges related to (1) macroeconomic stability, (2) basic infrastructure, (3) institutional strengthening and governance, (4) citizen security, (5) access to and quality of education, (6) health care, and (7) climate change in economic development (Box 3.2). The strategic objectives selected for the CS met, in general, Belize's

55 The Country Development Challenges document was introduced in 2016 after the revision of the CS guidelines. Considering that for this CS no Country Development Challenges was prepared, however, a growth assessment that included an update of the 2007 diagnostic was prepared, as well as sectoral notes for education, tourism, solid waste, transport, tax and trade policy, and trade integration. Sector policy and technical notes were also completed in the following areas: water and sanitation, fiscal integration and trade, public employment and pay, citizen security, regional integration, trade policy scope and taxation, the pension system, and a review on agriculture.

key development needs and were aligned with the government's priorities (Annex III), except for the trade and taxation policy priority sector, whose scope was limited to the simplification of the taxation system. The strategic objectives were aligned with the objectives of the Bank's Institutional Strategy 2010-2020.[56] Since the non-sovereign guaranteed (NSG) windows were expected to support tourism, access to finance, small and medium enterprises (SMEs), and export development, the NSG Business Plan (2011-2015)[57] was also aligned.

Box 3.1. Belize development challenges

The 2013 Bank diagnostic on Belize's development challenges (Rekindling Economic Growth in Belize) identified the following as binding constrains on economic growth: (1) high and uneven tariff and nontariff barriers to trade, along with associated tax policy distortions; (2) the high cost of finance; (3) poor road networks and unproductive ports, affecting trade and hampering effective integration with neighboring markets; (4) the effort to maintain fiscal sustainability (affected by the government wage bill and pension expenditures); (5) low school attendance and poor education quality; (6) fragile terrestrial and marine ecosystems that are distinctly vulnerable to climate change events; and (7) low administrative capacity and, especially, the lack of capacity to implement development programs and absorb development assistance. At the time of the 2013 Bank diagnostic, preventing crime and violence was the second most important functional destination of public funding. The public funding might have benefited from a public expenditure review, but public funding did not appear to constitute a binding constraint on economic growth at the time. However, for the 2020 CS Update, citizen security became a priority for the Bank as the incidence of major crimes increased and because violence prevention services in Belize are weak.

The diagnostic assessments of other development partners concur with the IDB's diagnoses. The Caribbean Development Bank identified eleven key development challenges related to (1) sustaining a stable macroeconomic environment; (2) fostering an appropriate investment climate addressing infrastructure needs, improving the environment for private sector growth, and supporting the development of tourism and agriculture; (3) improving the distribution of water and the collection and treatment of sewage; (4) addressing constrains on the export sector; (5) addressing crime and security; (6) addressing deficiencies in education; (7) strengthening institutional and human resource capacity; (8) improving environmental and disaster risk management; (9) promoting gender equality; (10) improving governance and institutional development; and (11) building statistical capacity.

The World Bank pointed out that Belize's developmental challenges were due to its high vulnerability to external shocks and its small size and low population density. The World Bank further identified six priorities: (1) strengthening resilience to climate

56 The Institutional Strategy 2010-2020 (document AB-2764) was valid until March 2015. The five sector priorities it formulated were (1) social policy for equity and productivity; (2) infrastructure for competitiveness and social welfare; (3) institutions for growth and social welfare; (4) competitive regional and global international integration; and (5) protecting the environment, responding to climate change, promoting renewable energy, and enhancing food security.

57 The NSG Business Plan 2011-2015 (document GN-2591) – the integrated strategic approach to the IDB Group's private sector and NSG activities – focused origination activities on the five sector priorities outlined in the Ninth General Capital Increase (Institutional Strategy 2010-2020).

change and natural disasters, (2) improving education and skills, (3) addressing crime and violence, (4) safeguarding fiscal sustainability, (5) improving the availability and quality of data, and (6) increasing financial inclusion.

The United Nations identified the following development challenges: (1) an elevated poverty level; (2) weak governance (e.g., a lack of rule-of-law institutions, barriers to transparency and accountability, deficiencies in human rights culture, and low participation in national politics); (3) crime, violence, and inadequate citizen security; (4) lack of sufficient capacity in public administration; (5) low coordination and intersectoral collaboration; and (6) suboptimal management related to cultural and natural resources, vulnerabilities to climate change, and disaster risk reduction.

Finally, according to the International Monetary Fund, the main priorities in 2013 were (1) strengthening fiscal consolidation, (2) the implementation of a strategic tax reform, and (3) enhancing structural competitiveness. Annex VI shows the participation of other development partners in Belize.

Source: OVE, based on IDB (2013b, 2019); World Bank (2011, 2017a); United Nations (2012); CDB (2011); IMF (2013).

Box 3.2. National priorities: Horizon 2030, medium-term development strategy - MTDS (2010-2013), and growth and sustainable development strategy (2016-2019)

In 2010, the Government of Belize laid out its long-term priorities in Horizon 2030. The document comprises the core values to guide citizen behavior. It is based on four pillars: (1) the democratic governance needed for effective public administration and sustainable development, (2) education for development and for life, (3) economic resilience, generating resources for long-term development, and (4) healthy citizens and a healthy environment. Following the principles of the Sustainable Development Goals and informed by the Horizon 2030 plan, two medium-term strategies were developed as actionable plans to push Belize toward a common vision of development and the future. These strategies covered the periods 2010-2013 and 2016-2019.

For the 2010-2013 period, the earlier of the strategies considered the following priorities: (1) enterprise development; (2) international trade capacity and competitiveness; (3) environment and disaster risk management; (4) human development; (5) national and citizen security; (6) effective finance, macroeconomic policy, and public debt management; (7) public sector institutional strengthening; (8) improved governance systems; (9) citizen participation and gender and equity issues; and (10) transportation, building, and public utilities.

The development strategy for the period (2016-2019) gave continuity to the government's priorities. The strategy prioritized the government's work toward (1) maintaining macroeconomic stability and fiscal space for the financing of other development efforts; (2) developing basic infrastructure and improving institutional performance and overall governance, including public service delivery; (3) enhancing citizen security; (4) improving access to and quality in education and health care; and (5) mainstreaming climate change and ecosystem management into economic development planning. The IDB Group CS is compatible with the medium-term strategies for both the 2010-2013 and 2016-2019 periods as well as with the long-term Horizon 2030 plan.[a, b]

Source: OVE, based on Government of Belize (2010, a, b, c).

Notes: [a] For details on the government priorities and their alignment with the 2013-2017 CS, see Annex III. [b] Between 2014 and 2015, the government prepared two documents in which the MTSD for 2016-2019 was built: the Zero draft Concept Note for the development of a National Sustainable Development Strategy and the Development of a medium-term Growth and Poverty Reduction Strategy.

3.3 Compared to the prior CS, the 2013-2017 was more focused. It left some key development challenges out, although this approach was consistent with Belize's limited absorptive capacity. Fiscal matters and private sector development were reoriented. While the previous CS had included seven priority sectors, the 2013-2017 CS focused four priority sectors. This number reflects a reduced scope, and education was the only sector that remained in the group of strategic priorities related to human capital. Health was shifted to a dialogue area even though the inherited portfolio included an important multiphase project in that area; because of the leadership of other development partners in the sector, social protection was cut out of the CS. Agriculture was also left out because of limited absorptive or execution capacity of the government units. The CS changed the approach to fiscal matters from addressing the strengthening of the institutional framework for fiscal management to a more limited scope focused on the improvement of efficiency in the taxation system. This approach seems to differ from the development partners' diagnosis and the government's priorities, which pointed out weaknesses in Belize's fiscal administration. With regard to private sector development, the strategic objectives were considerably revised. From increasing access to credit, the strategic objective was changed to improving the conditions for sustainable, export-led growth and the consolidation of the tourism sector. This change responded to the importance of the sector as a growth driver and to the fact that the challenge of access to credit was being addressed by the CDB in its 2011-2015 strategy.

3.4 Citizen security and climate change and disaster risk management were prioritized in the 2020-2021 update of the CS, at the expense of the strategic focus. Citizen security was outside the strategic objectives in 2013. According to the CS, it was not prioritized at that time due to the limited absorptive or execution capacity of the relevant executing agencies, although the inherited portfolio included a project in that area. Climate change and disaster risk management was explicitly included in transport and tourism but left as a crosscutting issue. In the 2020-2021 CS Update, both issues were added as strategic priorities, given that they are critical issues for the growth of the country. Nevertheless, Belize's institutional or absorptive capacity does not seem to have improved, and the strategic focus was weakened.

Box 3.3. Recommendations from the CPE 2008 2012

In the CPE for the 2008-2012 period, OVE made six recommendations (see Annex IV). Because the Evaluation Recommendation Tracking System (ReTS) did not launch until 2014, these recommendations are not in the system, and IDB Management was not required to make an action plan to address them. However, OVE reviewed documents and conducted interviews with Management to gather information regarding the recommendations' level of implementation. Following are the findings.

Recommendation 1: Dedicate more efforts toward increasing the country's integration. The 2013-2017 CS included trade as a priority sector (unlike the previous CS). However, OVE's recommendation went further, urging Belize's integration beyond trade. According to interviews with Management, the government was not interested in IDB support in regional integration. Yet, the Bank has been supporting integration initiatives mainly through regional efforts (e.g., the Central American Integration System). In terms of operations, the Bank implemented the Mesoamerica Health Initiative and the Regional Malaria Elimination Initiative and financed regional projects to improve natural disaster response. A loan in the tourism sector focused on attracting tourism from Guatemala and Mexico and creating a regional market (BL-L1020), a technical cooperation (TC) promoted the free trade zone in Corozal (BL-T1087), and a study reviewed links with Mexico in energy connectivity and security.

Recommendation 2: Dedicate still more efforts toward reducing the country's vulnerability, understood in an ample sense. To address this recommendation, the Bank designated climate change, disaster risk management, and environment as a crosscutting issue, and it was included in eight out of 13 operations of the sovereign guaranteed investment loans. This is in line with the focus of OVE's recommendation. This recommendation also suggested increasing efforts to create a comprehensive social safety net; however, this issue was not a strategic priority in the CS, and the government preferred to work on this issue with other donors (the CDB and World Bank), according to interviews with Management. Still, the Bank developed a Poverty Map and trained the Statistical Institute of Belize on its use. The Bank also approved a loan (BL-L1020) focused on diversifying tourism destinations.

Recommendation 3: Work within the limits of the country's absorptive capacity, in terms of institutions and human resources. Between 2013 and 2021, the Bank approved a maximum of two operations per year, each averaging US$15 million, in consideration of the country's weak institutional capacity. To ameliorate this issue, the Bank also included institutional capacity strengthening components in all 16 of the investment loans approved during the strategic period, which were also supported by TC operations (see Annex V). According to Management, during this period, the Country Office sought to ramp up execution support to Belize by (1) strengthening its financial and procurement capacities, (2) supporting the Project Executing Unit (PEU) with external consultant expertise and assistance from the Country Office, and (3) trying to ease the procurement process by simplifying and minimizing the number of contracts. There is no evidence of coordination with donors.

Recommendation 4: Ensure that all Bank operations are consistent with the debt sustainability analysis performed by the Country Strategy with Belize. According to Management, the Bank conducted debt sustainability analysis every six months, following standards and approaches established by the IDB's Research Department. Moreover, the Bank's lending did not exceed what the country economists and regional economic advisors deemed sustainable.

Recommendation 5: Reduce the costs the Bank imposes on the country. Due to its absorptive capacity constraints, Belize's preparation and execution expenditures are high compared with those for the Bank's operations in other countries. Compared with the 2008-2012 period, preparation expenses by US$ approved have increased, and execution expenses by US$ disbursed have decreased by 3%. According to Management, the Bank (1) increased staff presence in the Country Office, (2) increased mission travel to Belize by sector specialists to directly support PEUs, and (3) transferred specialists to regional hubs in Central America. There is no evidence of improved coordination with other development agencies to reduce costs.

Recommendation 6: Consider increasing in-country presence. The Bank has substantially increased its presence in the country. Compared to the previous period, the Country Office has additional personnel involved in operations: Financial Management and Procurement increased its presence with fiduciary and procurement staff, as well as with operations analysts. Also, since the country economists are based at IDB headquarters, there is a local economist for the Country Office; specialists based in the Regional Office or headquarters traveled regularly to Belize to provide additional support. The private sector has also increased its presence.

Source: OVE, based on self-reported information from Management; and IDB, 2013c.

3.5 The CS considered three risks: macroeconomic risk, disaster and climate risk, and implementation risk; mitigation was to take place primarily through the Bank's operations. The macroeconomic risk was related to Belize's vulnerability to fiscal and external shocks. The Bank's strategy to mitigate this risk was to improve opportunity for economic growth in the leading tourism sector, enhance public sector efficiency, and strengthen tax policy. Tourism and trade and taxation policy were two of the six priority sectors included in the CS, and several operations were approved to support them (see Chapter IV). However, while the risk was properly identified, mitigation measures fell short because they focused primarily on the implementation of the program. As described in paragraph 2.4, debt sustainability concerns remained largely unaddressed, and fiscal and external positions remained weak and were worsened by the COVID-19 pandemic. Regarding disaster and climate risk, the Bank's strategy was to continue to strengthen capacity to manage disaster and climate-related risks in Belize. That was done in part through technical cooperation (TC) that supported the design and implementation of infrastructure projects considering climate change and disaster risk management,[58] the Climate Vulnerability Reduction Program investment loan, and the approval of a Credit Contingency Facility in 2019. The risk was adequately identified; it materialized with three hurricanes that hit the country during the strategic period. Mitigation actions were adequate.

3.6 Implementation risk had already been identified in the 2008-2012 CS, but for the 2013-2017 strategy, the analysis of this type of risk was more systematic and built upon the lessons learned during the previous CS. Implementation risk was related to the

58 These loans included the George Price Highway Rehabilitation (BL-L1019 and BL-L1029), Sustainable Tourism Program II (BL-L1020), Solid Waste Management Project II (BL-L1021), and Education Quality Improvement Program I and II (BL-L1030 and BL-J0002).

challenges of executing investment programs in the country – specifically, client absorptive capacity, project design and execution readiness, implementation capacity, and country systems. To mitigate these risks, the Bank proposed a group of actions oriented to adapt the design of the operations to the country's capacity and to support the Project Executing Units (PEU). During the 2013-2021 period there was some progress, yet the risk did materialize in the execution of some operations (see Table 3.2 for details).

Table 3.2. Risks and mitigation actions

Risk	Proposed Mitigation Action	Progress
Client absorptive capacity	Focused and selective programming	→ Between 2013 and 2021, the Bank approved a maximum of two operations per year, averaging US$15 million each, and engaged in those areas where the Bank had already strengthened the country's capacities (education, solid waste management, tourism, and health programs).
Project design and execution readiness	Adapting project design to local capacity	
Project design and execution readiness	Ensuring execution readiness of operations	→ Infrastructure projects, in general, needed to (1) wait for the designs to be ready to start or (2) go through redesign for the work to start (e.g., George Price Highway Rehabilitation and Climate Vulnerability Reduction Program). During the strategic period, having TC grant resources for the design was identified as a good practice.
Implementation capacity	Continued training of executing units in project and results-based management	→ The Bank included institutional capacity strengthening components in all the investment loans and investment grants approved during the strategic period (14 operations), which were also supported by TCs (see Annex V).
Implementation capacity	Close monitoring by and support from the Country Office	→ The Bank hired sector consultants to support the implementation of the operations, considering that there are no IDB sector specialists in the country.
Weak country systems	Strengthening of country systems	→ There were improvements in public financial management functions such as budgeting, treasury, and accounting. However, several deficiencies remain, including in the external audit function, and more improvements are required to align Belize's public financial management with international best practices. Regarding procurement systems, progress toward the modernization of the system was limited to the development of a Public Procurement Notice Board (see Chapter V, paragraph 5.5).

Source: OVE, based on IDB, 2013b.; interviews with Management; and Project Monitoring Reports.
Note: → Relevant mitigation action that contributed to reducing the risk. → No action or insufficient action to mitigate the risk.

3.7 The vertical logic from the CS results matrix was adequate, but there were some evaluability weaknesses. The theory of change presented in the strategy is clear and consistent with the results matrix, reflecting a coherent chain of causality between the expected results and the strategic objectives. The results matrix included 18 results indicators, and all but one included an updated baseline; however, evaluability was weakened because: (1) two indicators were limited to outputs rather than outcomes, (2) several updated values had unidentified sources, (3) baseline indicators and updated indicators were different and (4) some values were outdated (see Annex III, Table I.3.2).

04

Program Approved and Alignment

A. Program approved

4.1 During the 2013-2021 period, sovereign guaranteed (SG) program approvals focused on investment loans. Thirteen investment operations were approved for US$135 million: 11 investment loans, one contingent credit facility (CCF),[59] and one guarantee. Belize's program contains relatively small operations, and no policy-based loans (PBLs) were approved during the period. The average amount per loan approved was the smallest of all the IDB borrowing countries,[60] despite having increased by 36% compared to the previous period. This is due to the size of the country and to its limited absorptive capacity, which affected PEU performance. Moreover, the SG program was limited mainly to investment lending as a result of the country's macroeconomic conditions and the application of the Bank's Macroeconomic Safeguards. By amount, 26% of the approved investment portfolio focused on the tourism sector, followed by transport (25%) and education (15%) (Annex VII, Table I.7.2). The Bank also approved three loans and a guarantee for US$32 million (24%) as part of its COVID-19 response. Additionally, four investment grants (US$3.5 million) and 51 TC operations (US$16.7 million) were approved. The CCF (BL-O0005, US$10 million) that was approved in 2019 has not disbursed funds yet.

4.2 SG approvals during 2013-2021 period were US$135 million. The Bank's estimated baseline lending envelope scenario with Belize for 2013 2017 was US$85 million in SG approvals, higher than the previous period and with an alternative high scenario of US$135 million, subject to the existence of macroeconomic conditions, as per the Bank's evaluation criteria, to support a substantial package of policy reforms.[61] The 2020-2021 CS Update did not define a lending framework for those additional years but indicated that it would be consistent with the original

59 A CCF is an instrument that provides the borrower with the option to either reallocate undisbursed balances from a list of pre-identified existing investment loans or receive a new loan (as long as there is room in the country lending envelope) to finance emergency expenditures following a natural disaster or public health emergency. In March 2021, consideration was given to use funds under Belize's CCF to cover COVID-19-related response expenditures, but as of August 2021 no funds had been disbursed for this purpose yet.

60 The average approval amount of investment loans in Belize is US$12.8 million, the smallest of all IDB borrowing countries. The average approval amount for investment operations in CID is US$ 90 million, for Country Department Caribbean it is US$31 million, and for small and vulnerable countries (as defined by the *Report on the Ninth General Increase in the Resources of the Inter-American Development Bank*. IDB, 2010) it is US$56 million.

61 In the 2013-2017 CS, the Bank proposed two financing scenarios for SG lending. The baseline scenario consisted of up to US$85 million, concentrated in investment loans. The high scenario consisted of the baseline scenario plus support for a substantial package of policy reforms to enhance growth and fiscal sustainability, for a total lending envelope of up to US$135 million. The trigger for moving from the baseline scenario was the existence of conducive macroeconomic conditions, as per the Bank's evaluation criteria, to support a substantial package of policy reforms.

CS's envelop.[62] Before the 2018-2019 CS extension, approvals were US$72 million, slightly below the CS baseline projections. In 2019, the approval of a second education loan (BL-L1030) and the tax strengthening loan (BL-L1031), both aligned with the CS, increased total approvals to US$103 million. During 2020 and 2021, the pandemic led to the approval of additional loans, leading to a total of US$135 million on approvals for the 2013-2020 period.

4.3 The program included the approval of 51 TC operations for US$16.7 million in 2013-2021, an increase from the preceding period, which saw 17 TC approvals for US$8.1 million. At the start of the strategic period, there were 11 legacy TC with an undisbursed balance of some US$3 million. According to interviews with Management, the increase this period came amid a strategic approach taken by the Bank to improve the execution of its loans by developing plans and feasibility studies or hiring consultants to smooth future loan implementation. As a result, 47% of the new TC portfolio was for operational support (21 TCs for a total of approximately US$8 million). Another 30 TCs were for client support, with 42% of them tied to strategic objectives (see Annex VII, Table I.1.8).

4.4 The private sector took on a larger role with increased NSG lending, pointing to a more active IDB Invest involvement. From 2013 to 2021, IDB Invest approved three NSG operations in the country for US$41 million. These included a loan for US$15 million to support agriculture exports (12295-01, BSI-ASR), a loan for US$6 million to support the national gas company (12486-01), and a loan for US$20 million to support tourist-sector SMEs impacted by the pandemic (11834-02, Atlantic Bank). These three operations, approved at the end of the period, represent a significant increase compared to the previous period, which did not see any NSG approvals.[63] According to interviews with Management, this increased engagement is explained by the implementation of the Small and Island Countries Action Plan,[64] which proposed (1) directing 10% of total IDB Invest commitments to these countries (which include Belize) and (2) creating the multi-segment in-country investment officer position, focused on a business development mandate across various segments and on coordinating operations with the Country Office. Moreover, during 2020 the COVID-19 pandemic

62 The 2020-2021 CS update states that the indicative financial envelope for the 2020-2021 period would be consistent with the indicative lending framework proposed in the CS. According to interviews with Management, "consistent" meant that the original envelope of US$135 million – the high scenario – was sufficient and applicable up to 2021.

63 Additionally, in 2009, the Inter-American Investment Corporation approved a technical assistance that consisted of conducting a diagnostic review for 13 SMEs and delivering six training workshops for 15 SMEs each.

64 See the Small and Island Countries Action Plan (document CII/GN-354).

created an additional demand for funds. Furthermore, there was one Trade Finance Facilitation Program (TFFP) active line, which was first approved in 2009.

4.5 The SG program was limited to investment operations and IDB Invest approved mostly senior loans. The country's macroeconomic context prevented the approval of PBLs. The IDB supported the country through a combination of investment operations, mainly investment loans, supplemented with TCs and an important group of investment grants (see Annex VII, Table I.7.1). No loans were co-financed with other donors during the CS period. A number of loans benefited from coordination between IDB, IDB Invest, and IDB Lab. For instance, six TCs financed by IDB Lab supported IDB operations (see Annex VII, Table I.7.14).

4.6 Most of the program was anticipated in Country Program Documents in the strategic period. Two-thirds of the investment loans included in the indicative operational program for the year - Country Program Document (CPD) - were approved (see Annex VII, Table I.7.11). Of the 12 loans (10 SG and 2 NSG) totaling US$176.6 million programmed in the annual CPDs, eight (seven SG and one NSG), totaling US$82 million, were approved in the strategic period. Four operations were ultimately not approved due to different reasons.[65] Without considering COVID-19 approvals, the only loans that were not anticipated were the George Price Highway Rehabilitation loan (BL-L1019)[66] and the CCF (two out of nine loans approved in the period). With regard to TCs, almost 75% of the programmed operations were approved. According to interviews with Management, those that were not approved were rejected mainly due to government priorities[67] or lack of funding,[68] while four of them were deferred from 2020 to 2021 and are still on their way to approval[69] (see Annex VII, Table I.7.12).

4.7 In addition to these approvals, the portfolio included seven SG legacy investment loans with considerable undisbursed balances at the start of the CS period. The legacy portfolio[70] included

65 According to interviews with Management, the loan for citizen security (BL-L1032) was being reviewed and its approval was not prioritized for 2020 by the new government in the context of the COVID-19 pandemic. The Caracol Road Rehabilitation loan (BL-L1022) was finally financed by another donor – OPEC Fund for International Development (SG loan: Upgrading of Caracol Road Project, Phase I, 2017). A PBL (BL-L1035) oriented to economic recovery through trade and investment did not go ahead, considering the macroeconomic restrictions.

66 This loan was first mentioned in footnote 2 of the CPD 2015 (dated November 2014) as an operation expected to be approved in 2014. However, the indicative pipeline for SG in that same document does not report the George Price Highway Rehabilitation loan.

67 BL-T1060 and BL-T1104.

68 BL-T1117 and BL-T1137.

69 BL-T1126, BL-T1129, BL-T1130, and BL-T1139.

70 Defined as operations approved before 2013 but with any amount pending disbursement as of January 1, 2013.

seven SG investment loans with US$30.2 million pending disbursement at the beginning of the period (nearly 63% of their approved amount).[71] The loans covered the following sectors: agricultural and rural development (BL-L1008 and BL-L1009), reform and modernization of the state (BL-L1014), water and sanitation (BL-L1006 and BL-L1015), transport (BL-L1013), and sustainable development (BL-L1003) (see Annex VII, Table I.7.6). An investment grant (BL-G1001) was also inherited, along with 11 non-reimbursable TCs. There were no inherited NSG loans.

4.8 Loan cancellations were minor (3.2% of the original approved amount); the one reformulation was to address the pandemic, and it tempered support for the strategic objectives in tourism. The country executed most of the approved operations without modifications. However, three legacy operations witnessed partially cancellations: two loans and one investment grant. The Bank canceled 98% of the Placencia Peninsula (BL-L1015) loan due to the opposition of local actors regarding the location of the wastewater treatment plant across the lagoon on the mainland. The impossibility to find an alternative location led to the cancellation of this loan.[72] The agriculture service program (BL-L1009) had US$1.3 million (24% of the original amount) cancelled due to delays in the creation of the PEU and a lack of interest in the grant scheme program. In addition, 25% of Mesoamerica Health Initiative 2015 funds were canceled because the country did not meet the conditions to access the performance tranche of the financing.[73] The only formal reformulation was in the Sustainable Tourism Program (STP) II - BL L1020. This reformulation, of 41% of the original amount approved (US$6.2 million), was based on the government's request for financial support for the immediate health response to the pandemic. Modifications to the program were concentrated in Component 1, "enhancement of the tourism product", which aimed to diversify the country's tourism product, and tempered an already weak possible contribution of the operation to the increase in spending on tourism.

B. Program alignment

71 Original amount approved: US$51.9 million.

72 The total cost for this operation was US$10 million. Of that amount, US$5 million was drawn from Ordinary Capital Resources (OCR) through a loan agreement between the Bank and Belize (BL-L1015), and the remaining US$5 million was provided under a separate operation funded by the regional Testing a Prototype Caribbean Regional Fund for Wastewater operation (RG-X1011). Due to problems with the Placencia Peninsula, BL-L1015 canceled 98% of its funds, but RG-X1011 continued with its implementation. According to its (non-validated) Project Completion Report, the Belmopan Sewer System Upgrade and Expansion was identified as an alternative project, which included a pilot for a financing mechanism for wastewater and financed the construction of three facultative lagoons.

73 Two other loans (BL-L1013 and BL-L1014) had 1% and 2% of their funds, respectively, canceled due to overestimated costs that did not affect the final delivery of products.

4.9 In the education priority sector, the country program was strongly aligned with the objective of improving the governance and quality of education relative to investment in the sector. The country program included two loans, one investment grant and six associated TCs, explicitly designed to support the loan and achieve the expected results of improving teacher quality and improving monitoring of education quality. The design of the Education Quality Improvement Program I (EQIP, BL-L1018) and II (BL-L1030, BL-J1002) included specific components to address teacher training: in-person training for career teachers and technical assistance to teacher education institutes. EQIP proposed the development of an Education Management Information System, and EQIP II supported a STEAM (Science, Technology, Engineering, Art, and Math) laboratory as well as new educational challenges related to COVID-19 (hybrid education) and a growing migrant population. Four TCs were explicitly intended to support the implementation of these loans by developing studies, plans, and pilots.[74] Two other TCs, approved in 2011 and 2020, respectively, to support teacher training on initial education and renewable energies skills.

4.10 In the tourism priority sector, the program was strongly aligned with the strategic objectives of increasing overnight visitors' demand in a sustainable manner and improving stakeholder coordination and quality management. The program's first objective was supported by three SG legacy loans, three SG approvals, one NSG loan, and 11 associated TCs. The STP approved its first loan in 2008 and the second in 2015. It is centered on improving tourism infrastructure, developing plans and studies, and capacity building.[75] Those activities were designed to diversify the tourism product and increase overnight visitors' demand and expenditures. STP II (BL-L1020) was reformulated in 2020 to address the pandemic, but the remaining components (promoting climate-resilient tourism destinations and environmental sustainability along with institutional strengthening and capacity building) are still aligned. The Solid Waste Management Program (SWMP) approved its first loan in 2008 and the second in 2016. These loans were explicitly designed to achieve the expected result of improving solid waste management in tourism areas.[76] This objective was also supported by the Climate Vulnerability Reduction Program (BL-L1028), approved in 2017, which focuses on developing climate

74 BL-L1057, BL-L1069, BL-T1116, BL-T1100, and BL-T1049.

75 Supported by BL-T1054, BL-T1078, B-T1064, BL-T1071, BL-T1106, and BL-T1080.

76 Supported by BL-T1067 and BL-T1105.

vulnerability and resilience measures in tourism areas.[77,78] One IDB Invest operation (11834-02), approved in 2020, was also aligned with this objective and was focused on facilitating access to finance for tourism-sector SMEs affected by the pandemic. STP I and II (BL-L1003 and BL-L1020) included activities that were related to the second strategic objective of improving stakeholder coordination and quality management and that had only one expected result: the implementation of a quality management system and certification. STP I had one component focused on strengthening institutional capacity, including products associated with this strategic objective.[79] STP II included some activities designed to strengthen public-private coordination.

4.11 In the transport priority sector, the program was strongly aligned with the strategic objective of improving road infrastructure to facilitate trade and integration of and access to emerging tourist destinations, as well as with the strategic objective of strengthening sector planning capacity. The program inherited one loan and approved two loans and six associated TCs to support the first strategic objective. The flood mitigation infrastructure program (BL-L1013), a legacy operation that disbursed 95% of its funds during this period, was designed to rehabilitate and protect drainage and urban road networks, preventing road damage. The George Price Highway Rehabilitation project (BL-L1019 and BL-L1029) was approved in 2014 and focused on road infrastructure improvement (considering climate resilience and safety on roads). The associated TCs were designed to support the implementation of these loans.[80] To support the second strategic objective, the Bank approved three TCs that were aligned with the strategic objective (BL-T1065, BL-T1070, and BL-T1115).

4.12 In the trade and taxation policy priority sector, the program was strongly aligned with the strategic objective of fostering export-led growth and greater trade integration by strengthening the economic efficiency and simplicity of the tax system and reducing non-tax barriers. The program included two SG loans, one NSG loan, and six TCs. On one hand, the agriculture services program

77 Supported by BL-T1090 and BL-T1098.

78 BL-L1015 was approved in 2010 to support water management in the Placencia Peninsula, an important tourism destination, but most of its funds were canceled, making it unlikely to contribute to this objective in the future. Before this cancellation, BL-T1048 was designed to support the implementation of BL-L1015.

79 These products were (1) design and endorsement by the Ministry of Tourism and the Belize Tourism Board of hotel standard frameworks and a hotel classification system, and (2) one event for public-private sector engagement.

80 BL-T1050, BL-T1063, BL-T1066, BL-T1072, BL-T1079, and BL-T1088. The last three TCs supported the design of a loan that the government decided not to approve and instead funded with other resources (BL-L1022). BL-L1022 was intended to develop infrastructure improvement involving Caracol Road and would have been aligned with these strategic objectives.

(BL-L1009), an inherited loan with 67% undisbursed funds at the beginning of the period, was designed to improve public agriculture services. It included one expected result that focused on improving the export market share, which aligned with the expected result of faster growth of exports. Similarly, the NSG loan BSI-ASR (12295-01) was focused on agriculture and was designed to increase direct-consumption sugar production and export sales. On the other hand, the strengthening of tax administration loan (BL-L1031) focuses on improving the effectiveness of the government's revenue collection and on reducing taxpayers' compliance costs, which is aligned with reducing trade taxation and non-tax barriers and simplifying and consolidating an indirect taxation system with economically efficient taxes.[81] The remaining TCs were also aligned, focusing on strengthening the national agriculture statistical system, reviewing the existing free zones, analyzing the economic consequences of indirect taxation and income tax reform, and developing the shrimp industry.

4.13 The program was strongly aligned with the strategic objectives defined for the climate change and disaster risk management priority sector, added in the CS Update. The program included five loans aligned with the strategic objective of improving resilience to natural hazards and climate change (all were approved before the inclusion of the objective but with undisbursed funds, and there were no new approvals after 2020). The Climate Vulnerability Reduction Program (BL-L1028) – also considered in the priority sector of tourism – was explicitly designed to achieve the result of increasing the resilience of coastal infrastructure. Four SG loans initially approved for tourism and transport included products associated with this objective. The George Price Highway Rehabilitation (transport) included activities to ensure the climate change resilience of the road. STP II (tourism) had a component to improve the resilience of coastal infrastructure in Toledo, Caye Caulker, and Corozal. SWMP II (tourism) prioritized the closure of dumpsites located in areas vulnerable to natural disaster and climate change impacts. To improve disaster risk management at the country level, the program approved three loans (all approved before the inclusion of the objective but with undisbursed funds). The Climate Vulnerability Reduction Program has one specific component to strengthen the country's governance and financial capacity for disaster risk management. Similarly, the CCF was aligned with the latter expected result by

81 BL-T1114 was designed to support the implementation of this loan.

enhancing the disaster risk management of the country.[82] Finally, STP II included activities and studies to support climate change risk management.[83]

4.14 Lastly, the program did not have any active operation aligned with increasing access to targeted crime and violence prevention programs for youth (citizen security priority sector). Although there was one legacy SG loan (BL-L1014, Community Action for Public Safety - CAPS) and four TCs executing during 2013-2016, they were already closed in 2020 when this priority sector was included in the CS.[84] The program was preparing an extension of the CAPS loan (BL-L1032) in 2020, but the operation has not been approved.[85] Overall, after the inclusion of this objective in 2020, the Bank did not have any active operations to support it.

4.15 A few investment operations and 30% of approved TCs were not aligned with any CS objective. Two regional Bank initiatives were not aligned: the Mesoamerica Health Initiative (one inherited and two approved investment grants) and a recently approved new investment grant to participate in the Regional Malaria Elimination Initiative were approved to support the health sector. Similarly, the Land Management III, a legacy operation focused on consolidating and expanding land management services countrywide was not aligned. Lastly, almost 30% of TCs approvals were not aligned with the CS strategy objectives; all of them were for client support.

4.16 One-third of investment loans were approved in response to the COVID-19 pandemic.[86] During the period, four investment operations (three SG loans and one guarantee) were approved and one reformulated to support the COVID-19 response.[87] The Bank approved US$38 million between June 2020 and August 2021 to help the efforts to interrupt the virus's transmission chains and providing financial support to vulnerable populations and SMEs. The four operations and the reformulation were approved as prototype operations, part of the Bank COVID-19 response.

82 Supported by BL-T1118.

83 It included vulnerability and risk assessments, guidelines, action plans, and risk management plans for climate change.

84 CAPS (BL-L1014) was intended to reduce youth involvement in criminal activities and youth violent behavior in schools, reduce recidivism, and enhance the government's capacity in the public safety area by developing a school-based positive youth development initiative, support for juvenile rehabilitation, and creating a public safety management information system. It was supported by BL-T1046, BL-T1052, and BL-T1056.

85 BL-T1082 supported the preparation and implementation of this second phase. It has supported the development of a gang pilot intervention, the completion of diagnostics and assessments regarding and the design of a pilot for youth in conflict with the law.

86 Loan cancellations mentioned in para. 4.6 were minor and did not affect support for the strategic objectives

87 Aside from these four approvals, BL-L1020 was reformulated to address the pandemic and redirected US$ 6.2 million for financed these actions.

4.17 With regard to crosscutting issues, several operations included climate change, disaster risk management, environment, and gender in their design, but diversity was not addressed. Thirteen of the 20 SG investment loans approved during the strategy period included consideration of climate change, disaster risk management, and environment issues. These elements were included through the design and implementation of appropriate infrastructure and by developing studies and plans to better address these issues. However, only 10 had monitoring indicators. Gender is included in seven SG investment loans by prioritizing the impact on women,[88] and six of these included monitoring indicators. Most of the operations that did not include gender in their design are legacy operations. After 2014 most of the operations mainstreamed this crosscutting issue. The issue of inclusion of culturally diverse populations was rarely raised in operations,[89] which is striking given the country's ethnic diversity.

88 BL-L1020 promotes the participation of women in vocational training, BL-L1021 promotes the inclusion of female informal recyclers in the program, BL-L1029 includes gender workshops for women to learn about construction, and BL-L1030 and BL-L1037 have defined specific targets for females participating in the program. BL-L1018 had a different approach, incentivizing male participation as teachers. BL-O0005 includes the number of gender issues addressed in the Comprehensive Disaster Risk Management Program.

89 Some loans have an emphasis on social inclusion (BL-L1020, BL-L1021, and BL-L1034) but OVE did not identify explicit activities designed to promote inclusion of the indigenous population, as defined in the CS.

05

Program Implementation

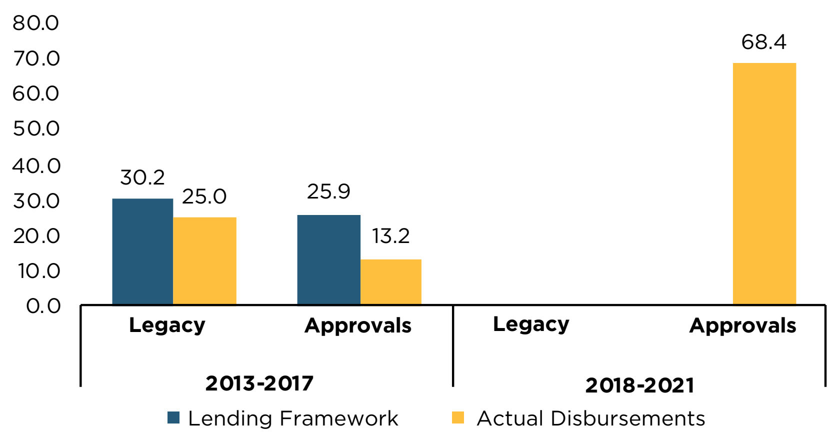
A. Program executed

5.1 Disbursements increased with respect to the previous period. Total disbursements during 2013-2021 (US$107 million) were substantially higher than in the previous CS period (US$44 million). Between 2013 and 2017, the amount disbursed for SG operations (US$38.2 million) was lower than the indicative amounts in the CS lending framework for the period (baseline scenario: US$56.1 million). Legacy operations disbursed and closed, but most operations approved during this period experienced a slow start-up (they were expected to disburse US$25.9 million but reached only US$13.2 million at the end of 2017). Two of the operations[90] faced delays associated with a lack of management skills in the PEUs and the design of civil works (see paragraph 5.5). After 2018, disbursements for most of these operations sped up.

Figure 5.1

Disbursement of sovereign guaranteed loans (US$ million)

Source: OVE, with IDB Enterprise Data Warehouse data.



Note: No indicative lending framework was defined for the extension or the update of the strategy (post-2017); therefore, the figure does not reflect one.

5.2 The increased engagement with the private sector led to a substantial growth in NSG disbursements during this period. IDB Invest disbursed US$33.5 million, not including the TFFP. Those disbursements supported multiple sectors: agriculture (US$7.5 million), energy (US$6 million), and financial markets (US$20 million).

5.3 Preparation and execution times were faster than in the Country Department Central America, Mexico, Panama, and the Dominican Republic (CID) average. The Bank's expenditures for project preparation and execution, were higher than for other countries. For investment operations approved during 2013-2020, the time elapsed from registration to approval

90 The George Price Highway Rehabilitation loan (BL-L1019) and the STP II loan (BL-L1020).

has remained similar to that seen in the previous period (13.3 months). Even though Belize requires legislative approval of IDB loans, this has not caused delays; usually, the country takes less time to obtain approval (4.6 months) than other CID countries that require legislative approval (7.5 months). Regarding execution time, Belize also takes less time than other countries, with an average cumulative extension of 2.6 months, compared with 5.8 months for CID countries or 7.4 months for LAC (Annex VII, Table I.1.15). During the review period, Bank preparation expenditures per US$ million approved increased compared to the previous period, from US$23,393 to US$26,355 (Annex VII, Figure I.7.4). That is three times the CID average (US$7,038). Expenditures on execution remained high (US$53,389 per US$ million disbursed) and were significantly higher than the CID's and the Bank's averages (US$21,816 and US$20,540, respectively).

5.4 Insufficient absorptive and execution capacity in the country, a challenge that carried over from the previous CS, has been the leading cause of preparation and execution issues. According to interviews with Management and information available in Project Monitoring Reports (PMRs), an insufficient base of skilled human resources affected the smooth implementation of most operations.[91] OVE's CPE for 2008-2012 already identified this challenge. It is still difficult to find personnel with solid project management and procurement skills familiar with the Bank's fiduciary policies. Individuals' managerial capabilities did not match the complexity of the loans, there was a shortage of personnel with technical skills, and work overload due to various ministries not having their staffing needs covered. In addition, most IDB project specialists are based in the HQ, an issue that increased logistic expenses. As a result of those challenges, IDB Group specialists actively engaged with the PEUs in Belize during project design, implementation, and monitoring. During the strategic period, the Bank supported project designs that were more appropriate for the country's absorptive capacities, reviewed civil works designs,[92] assisted in developing PEU skills,[93] and strengthened PEU teams by hiring sector consultants. The lack of competitive wages also caused high turnover in PEUs, since the staff could find better opportunities with higher salaries in the private sector.

5.5 The CS included key actions to strengthen country systems, but progress in improving the procurement system has been limited. The expectation to use the fiduciary systems

91 BL-L1003, BL-L1008, BL-L1018, BL-L1030, BL-L1021, BL-L1020, and BL-L1019.

92 BL-L1003, BL-L1019, BL-L1030, BL-L1021, and BL-L1028.

93 BL-L1031, BL-L1030, BL-G1002, and BL-G1003.

in Belize during the CS period was limited to the public financial management system, in particular, the budget and treasury subsystems. The procurement system was still weak to be used, however some actions were planned to support it. The Bank formulated a group of actions to strengthen both fiduciary systems; implementation was concentrated toward the end of the period, and 36% of the actions (4 out of 11) were actually completed. Most of them were oriented to the public financial management system (see Annex VII G). Following is a synthesis of the progress as reported by Management: (1) *Budget area:* support for the implementation of the new Chart of Accounts, the automation of the budget, and the implementation of requisition and invoice functions in the purchasing module (from the financial software); the three actions were executed, and the Chart of Accounts will be used in the upcoming 2022/2023 fiscal year. (2) *Accounting and reporting*: implementing a project module in financial software to produce customized Bank reports; the action is in progress. (3) *External control:* support for the Office of the Auditor General; the action is in progress. Regarding the *procurement system*, three out of the five planed actions related to the information subsystem advanced; one was completed: developing the Public Procurement Notice Board, and two other actions are still in progress: (1) support the government to modernize the National Procurement System, and (2) provide technical support in development of procurement regulations (See Annex VII G).

B. Contribution to objectives

5.6 This section reviews the information available on country program results and the country program's contribution to the strategic objectives. Many of the investment operations executed during the strategic period were part of multi-phase programs (e.g., EQIP I and II, Land Management Program III, STP I and II, SWMP I and II). Hence, there has been enough time to see progress in the expected results defined for the various priority sectors. The operations that concluded during the period were mainly legacy operations. Most operations' results contributed to some degree to their respective strategic objectives; however, many loans are still executing, and results are not yet available. Annex VII (see Table I.7.13) provides a review of program achievements for each of the strategic objectives that are summarized below.

5.7 The program executed in the education priority sector substantially contributed to the strategic objective of improving governance and quality of education relative to investment in the sector. The IDB Group was able to support (1) teacher quality improvement and (2) monitoring of education quality improvement, mainly through the implementation of the Education Quality Improvement Program – EQIP – (BL-L1018).[94] That loan is fully disbursed and completed all of the defined products,[95] that is, the training of 1,525 teachers, 320 principals, and 1,558 parents, which has benefited 30,000 students. Progress toward the expected result of improving teacher quality was made through raising the proportion of in-service and future teachers who obtained at least a B grade in the content test. Progress toward the expected result of improving monitoring of education quality was made with the accomplishment of 99% of teachers being evaluated by their principal and the implementation of a new integrated Education Management Information system. This system ensured that 98% of all students and teachers were registered and that 26% of schools were able to publish their supervision reports on the Ministry of Education online site.[96] Moreover, the implementation of the EQIP I has improved students' math, language, and science scores, a reflection of improvement of quality in education. The second phase of the EQIP (BL-L1030), which also supports the strategic objective, is in an early implementation stage. It has disbursed 30% of its funds and supported the distribution of technological equipment for hybrid education and the approval of the STEAM laboratory design; however, training for teachers, school principals, and parents as well as the construction of the STEAM laboratory is still pending.

5.8 In the tourism priority sector, the IDB program has contributed somewhat to the strategic objective of increasing overnight visitor demand and expenditures in a sustainable manner by completing key investments in prioritized destinations as well as improving solid waste management practices. The IDB Group delivered products for (1) the diversification of tourism products in emerging destinations, (2) the increase in total overnight visitor demand and spending, and (3) the improvement of solid waste management in tourism areas. According to the PCR, the STP (BL-L1003)[97] made progress towards two expected results: (1) diversification of tourism

94 OVE's validation of the PCR rated the project's effectiveness as "excellent."

95 With the support of the TCs BL-T1057 and BL-T1069.

96 BL-T1057 and BL-T1069 supported the development and piloting of the Education Management Information system prototype.

97 Supported by BL-T1054 and BL-T1078.

products in emerging destinations and (2) increasing total overnight visitor demand and spending, mainly through infrastructure improvements in key destinations. Indicators of tourism expenditures, the number of visitors in prioritized areas, the number of hotel beds, hotel occupancy, and daily room rates improved in all prioritized destinations. However, in some destinations, those indicators were measured before new infrastructure was in operation, thus, putting in question whether these improvements could be attributed to the project in those areas. Regarding tourism product diversification, the PCR stated: "the program's focus on diversification was lower than initially planned."[98] The Belize Tourism Board's (BTB's) final evaluation noted that effects on overnight tourism could be verified in only one of the prioritized destinations and, according to the 2017 portfolio review, only one of the five investments was financially sustainable. Progress toward the third expected result was also achieved thanks to the Solid Waste Management Project (BL-L1006), which completed infrastructure to reduce environmental pollution and improved solid waste management practices (e.g., sanitary landfills and access roads, as well as closing dumpsites and developing a management plan). The rest of the aligned investment operations are in an early implementation stage due to the timing of their approval or delays in implementation, thus, they have only completed some of its products.

5.9 There is no evidence that the IDB Group's program resulted in improvements in tourism-sector stakeholder coordination and quality management. The STP I program completed products to implement a tourism quality management system and certification. According to interviews with Management, the loan worked well to strengthen BTB capacity for sector policy development, destination planning, and management.[99] However, most institutional strengthening activities (such as the development of the National Tourism Master Plan and the statistical management system) happened in the previous period. During this CS period, STP I supported the design and testing of a Hotel Classification System, but it was not endorsed by the government.[100] BL-L1003's final evaluation

98 Infrastructure, development of the tourism plan, capacity building in emerging destinations, and the incorporation of emerging destinations into the marketing strategy of the Belize Tourism Board and tour operators contributed to the product diversification objective.

99 Information reported by Management in the PCR that is not validated by OVE. The operation prospect of achieving its development objectives was rated as "probable."

100 The latest Management report stated that the hotel classification system had not been endorsed by the Ministry of Tourism or BTB at the time. OVE could not find additional information regarding an actual endorsement and/or implementation.

recommended continuing with the implementation of the hotel classification system, but OVE could not identify any operation supporting it, nor evidence of its use.

5.10 The program executed in the transport priority sector has contributed to the strategic objective of improving road infrastructure to facilitate trade and integration and access to emerging tourist destinations. Progress on the first objective and the related expected result of rehabilitation and upgrading of the road infrastructure, including climate resilience and road safety standards, was made with the Flood Mitigation Infrastructure Program for Belize City (BL-L1013) and the George Price Rehabilitation Program (BL-L1019/BL-L1029)[101]. The Flood Mitigation Infrastructure Program contributed to the decrease in flood levels and the maintenance of canals and drains by completing as planned, among other infrastructure works, 3,552 meters of canal system, 10,443 meters of roadside drains, 28,335 square meters of urban street surface improvements, and a maintenance management system.[102] The George Price Highway Rehabilitation Program has completed the construction of 485 meters of the bridge (as planned), rehabilitation of 19 out of 31 kilometers of the regional integration road, and three training events.[103] According to interviews with Management, most infrastructure improvements will be finished by the end of 2021.

5.11 The contribution to the strategic objective of improving transport sector planning capacity was substantial. Regarding this second objective of the transport priority, the Bank achieved what was expected from the program, implementing the medium-term Transport Master Plan (NTMP), and there is evidence of its use. The TC Capacity Building to Support Preparation of National Transportation Master Plan (BL-T1065) supported the development of this Master Plan through technical assistance for redesigning the national transportation network and engaging stakeholders. The plan was completed during the CS period and, according to Management, it has been disseminated to relevant counterparts. There is evidence that the OPEC Fund for International Development co-financed a project to improve the primary link to the Caracol Archaeological Site in Belize's Cayo District which was aligned with the National Transportation Master Plan.[104] The most recent Port of Belize expansion also takes the plan

101 BL-T1088, BL-T1072, and BL-T1079 developed key studies for BL-L1022, but this loan was never approved (see paragraph 4.6).

102 Supported by BL-T1050.

103 This loan was supported by BL-T1063 and BL-T1066, which completed key studies for the development of the loan.

104 OPEC Fund, 2020.

into account. Finally, an additional TC (BL-T1115) supporting capacity building to implement the NTMP (in particular, in the public transportation sector) is under execution. Overall, there is evidence regarding the effect of the delivery of the NTMP, and its use for planning transport investments.

5.12 There was no contribution to the strategic objective of the trade and taxation policy priority sector, fostering export-led growth and greater trade integration by strengthening the economic efficiency and simplicity of the tax system and reducing non-tax barriers. Overall, none of the funded operations effected changes in the two expected results either because they did not deliver the planned products, or they are in an early implementation stage. The expected results were (1) faster growth of exports and (2) trade taxation and non-tax barriers substantially reduced, and the indirect taxation system simplified and consolidated on economically efficient taxes. Regarding the first expected result, there was progress in products, but direct contributions to the expected result have not yet been reported. The Agricultural Services Program (BL-L1009) did not complete most of its products and did not achieve the expected increase in market share.[105] As of 2020, the related NSG operation, BSI-ASR (12295-01), has not achieved most of the expected results. A group of TCs has completed products associated to this result, but their scale is too small to affect changes in the expected results. The loan Strengthening of Tax Administration (BL-L1031) recently started implementation as it experienced initial delays due to PEU capacity.[106]

5.13 The IDB Group made some contributions to both strategic objectives under the priority sector of climate change and disaster risk management. For improving resilience to natural hazards and climate change, Bank support has helped deliver guidelines to improve disaster resilience in tourism areas, plans for improving disaster and climate resilience in the tourism sector and vulnerability and risk assessments (BL-L1020 and BL-L1019), the first two have been endorsed by the Government. One of six flood reduction investment works (BL-L1028) and partial infrastructure improvements in coastal areas (BL-L1021 and BL-L1019) have also been completed. Most of these operations are in an early implementation stage so many of its investments are pending.[107] For improving disaster

105 Information reported by Management in the PCR that is not validated by OVE. The PCR rated as "partially unsatisfactory" and states that contributions to this objective are unlikely.

106 The Bank has given technical assistance to support the execution. BL-T1114, which supports the implementation of BL-L1031, has completed products relating to the completion of key studies and support for the procurement process.

107 See Paragraphs 5.11, 5.13, and table I.7.13 from the annex for information regarding execution of the loans BL-L1028, BL-L1019, BL-L1029, BL-L1020, and BL-L1021.

risk management, the country developed a Comprehensive Natural Disaster Risk Management Program (CNDRM), as part of the CCF (BL-O0005) conditions, as well as the endorsement by the government of guidelines and crisis management plan funded by BL-L1020.

5.14 Finally, there were no contributions to the citizen security priority sector. There were no contributions to increasing access to targeted crime and violence prevention programs for youth (citizen security priority sector). The Bank did not approve any new operation and there were no legacy ones; hence, there are no contributions.

C. Crosscutting issues

5.15 There is evidence of significant mainstreaming on climate change, disaster risk management, and environment issues, while gender and diversity have lagged behind. As mentioned above (paragraph 4.14), 13 out of 20 operations included environment, disaster risk management, and climate change considerations in their design. Of those 13, six self-reported information regarding delivery of products and results (three are closed, and three are under implementation). STP I (BL-L1003) reported considering environmental sustainability in individual project design. SWMP I (BL-L1006) reported reducing environmental pollution and strengthened practices to manage solid waste. The Flood Mitigation Infrastructure Program (BL-L1013) reported reducing flood levels and maintaining canals to avoid flooding. The STP II (BL-L1020) operation reported in its PMR developing and endorsing guidelines for improving disaster and climate resilience in the tourism sector, completing four disaster and climate resilience destination plans, and implementing one environmental monitoring plan. SWMP II (BL-L1021) also reported in its PMR delivering one product related to this topic: training activities in solid waste management. According to its PMR, the Climate Vulnerability Reduction Program (BL-L1028) has completed the execution of one flood-reduction investment project. For gender, the EQIP I loan developed a campaign to promote the participation of male students in teachers' institutes (including gender monitoring indicators). Also, according to the PCR: "statistically significant gender differences *in student achievement in favor of boys in mathematics disappeared in the follow-up measures.*" According to STP I's PCR, there was a high degree of gender inclusiveness in the program: retail units and small businesses are mainly operated by women, and there was a high degree of female participation in trainings.

For diversity, there is no evidence of results (or of delivered products); as mentioned, the operations did not include consideration of this issue in their design.

D. Results of operations that were not aligned with the CS

5.16 Although not aligned with any of the CS strategic objectives, the three-phase Mesoamerica Health Initiative program has achieved important results in improving the health of mothers, infants, and women of reproductive age, and in using and managing health data systems. The country received funds from the Mesoamerica Health Initiative through three investment grants (one inherited and two approvals). After some execution issues with the first operation,[108] the IDB Group has continuously provided technical assistance to help build central, subnational, and local capacity, through quality improvement officers. These efforts were reflected in the execution of the second operation which met the performance targets to access the performance tranche funds. Some achievements of the second operation include increasing the frequency and quality of (1) pregnant women's antenatal care visits, (2) growth and development checkups for children, (3) postpartum contraception and care, (4) child health services for newborns, (5) institutional deliveries, and (6) identification of obstetric and neonatal complications. The operation has contributed to ensuring the sustainability of the results by improving the use and management of data systems for maternal and child health data. The third operation disbursed 60% of its funds between 2018 and 2019 but has experienced severe delays in its implementation since the pandemic started. According to interviews with Management, the onset of this long-duration pandemic, plus the initiation of vaccinations, has posed a more significant challenge to the already diminished provision of health care at the community and first and second levels of care. However, this operation has also provided support to address the pandemic by delivering diagnostic kits, contact tracing devices, and vaccines.

108 The first operation did not receive funds from the performance tranche due to a lack of knowledge of measurement methodologies. This did not allow the PEU to anticipate the lack of compliance regarding the indicators and act accordingly. According to interviews, the two following operations anticipated this issue and focused on strengthening execution, conducting regular meetings with stakeholders to share experiences and knowledge, and establishing periodic visits to the field. At the beginning, these initiatives were led by the Bank, but the government has since taken the lead.

5.17 In response to the COVID-19 crisis during 2020 and 2021, the Bank approved four operations and one reformulation, with disbursements totaling US$18 million. The Bank approved four operations and reformulated one to support the government response to the COVID-19 pandemic. There are no reported results for STP II (BL-1020), the reformulated operation, regarding COVID-19 cases and deaths yet. The loan has partially (1) equipped laboratories to conduct diagnostic tests, (2) developed points of entry for detection and isolation, (3) trained health care workers, (4) fulfilled an advanced market commitment to access vaccines, (5) developed isolation centers for health workers and COVID-19 patients, and (6) improved the capacity of isolation centers. The Support to Safety Nets for Vulnerable Populations Affected by Coronavirus in Belize (BL-L1034) financed 32,836 cash transfers to unemployed adults through the Unemployment Relief Fund. Partial results suggested that the operation has contributed to support transfers to 81% of formal workers who lost their jobs due to the COVID-19 pandemic and 9% of informal workers who received pensions or transfers through the BOOST program.[109] According to interviews with Management, the implementation of this loan was expedited to promptly support the vulnerable population. The other three operations have not started disbursing yet.

E. Sustainability

5.18 Despite active mitigation of sustainability risks during the program implementation, operational results still face issues related to financial constraints and a lack of capacity to operate and maintain the new infrastructure. The country's fiscal situation and absorptive capacity are limited, which sometimes jeopardizes medium-term operation and maintenance of the investments once the Bank's support concludes. The Bank has been implementing key actions to address this issue. According to interviews with Management, the Bank has prioritized the design of low-maintenance civil works (BL-L1020 and BL-L1028), included institutional strengthening components in the loan proposals or provided financial support for the first years after the operation is closed, to leave the know-how after the operation is completed. Similarly, during execution, the Bank has also given substantial technical assistance to ensure the implementation of maintenance models (BL-L1013, BL-L1020) and buy-in from local contractors (BL-L1019, BL-

109 BOOST is a conditional cash transfer program that provides small amounts of cash assistance, subject to specific conditions. It targets poor households through the application of a proxy means test. The cash transfer varies by household structure and averages between US$25 and US$30 per month.

L1028). Moreover, the Bank has approved many multi-phase operations (i.e., STP, SWMP, EQIP, the Mesoamerica Health Initiative), which build upon the initial phases, consolidating and expanding with key interventions and assuring long-term sustainability. Despite these efforts, many operations have still faced sustainability issues, mainly related to ensuring a cost recovery mechanism to finance the operation and maintenance of infrastructure after the operations close (BL-L1003, BL-L1006, and BL-L1013) or ensuring full funding for their programs (BL-L1009).[110]

110 According to the self-reported PCR, the Agricultural Services Program (BL-L1009) operator finances 35% of its operational costs with external funds that are not ensured throughout the years.

06

Conclusions

6.1 The CS addressed Belize's main development challenges; however, its relevance was hindered by the inclusion of new sectors in the 2020-2021 Strategy Update and by the risk mitigation actions that fell short. The country program was aligned, in general, with the strategic objectives. The strategic objectives were consistent with the government's priorities, the diagnosis of other development partners, and the IDB Group's Institutional Strategies. The reorientation of private sector development responded to the importance of tourism as a growth driver. Compared to the previous CS, the 2013-2017 was more focused. The approach to fiscal matters, which focused on improving efficiency in the taxation system, fell short in addressing the weaknesses in Belize's fiscal administration. Moreover, the inclusion of new sectors in the 2020-2021 Strategy Update reduced the focus of the CS, considering that Belize's institutional capacity and absorptive capacity had not improved. The CS also identified relevant potential risks; however, some mitigation actions were inadequate since they were planned to be carried out primarily through the program, and some were poorly implemented (e.g., ensuring execution readiness of operations) or fulfilled only at the end of the (prolonged) strategic period (e.g., strengthening of country systems). The country program alignment with the strategic objectives was strong, only lacking support towards increasing access to targeted crime and violence prevention programs (citizen security priority sector).

6.2 The Bank made efforts during the strategic period to adapt its support to Belize's institutional capacity, but portfolio execution is still affected by this issue. For this strategic period the Bank tried to adapt to the country reality by preparing and executing loans that were small in comparison to those executed in the other IDB borrowing countries. However, Belize's limited human resources with technical and managerial skills is still a critical bottleneck for the start-up and execution of the projects. Preparation expenditures increased compared to the previous period and were three times the CID average. Project execution costs were also significantly higher than the CID's and the Bank's averages. There was active engagement of IDB Group specialists to closely support the PEUs. The IDB Invest also adapted its strategy to respond to the needs of a small country like Belize and has substantially increased its engagement during the period. The Small and Island Country Action Plan, by promoting a quota and an in-country investment officer, increased the number of approved operations in this strategic period. Moreover, a number of loans benefited from coordination between IDB, IDB Invest, and IDB Lab.

6.3 The program contributed to most of the strategic objectives, though to varying degrees. The Bank contributed substantially to the strategic objective in the priority sector of education while in the transport priority sector, the contribution was somewhat more limited. In the tourism priority sector and the climate change and disaster risk management areas, the IDB Group contributions were modest. The program was unable to contribute to the strategic objectives in the trade and taxation policy priority sector as most planned products have not been delivery. Lastly, there we no active operations in the citizen security sector after it was added as a priority area during the strategy update. While health was a dialogue area, the program delivered important results during the strategic period. In terms of sustainability, the program has shown the effort of the Bank to consider measures of mitigation of sustainability risks; however, some operational results achieved still face sustainability risks associated with various factors specific to the country's context.

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