

## 1.0 EXECUTIVE SUMMARY

The major political and economic events in Belize in 2006 include the following,

- **Local government elections** were held in March 2006, which resulted in the opposition party (UDP) winning 64 of 67 available seats, constituting the majority of seats in all City Councils and Town Boards. The change in leadership took place without any unrest.
- In 2006 **real GDP growth (excluding oil) slowed** as fiscal and monetary policies were tightened to slow consumption and improve the current account position. Preliminary figures for end 2006 put real GDP growth at 3%, led by services.
- The efforts to improve the **balance of payments** position met with limited success as the trade deficit increased as import costs eclipsed the higher tourism earnings and remittance inflows.
- Government's efforts to **reduce the deficit** to sustainable levels have shown significant improvements in fiscal performance during the past two fiscal years. The outturns reflect improvements in budget discipline including additional revenue measures such as the new General Sales Tax, cuts in capital expenditure and lower debt service costs.
- As of June 2006 public and publicly guaranteed **debt** stood at US\$1,088 million or 93.5% of GDP. At the end of 2006 preliminary figures put external debt at 83.1% of GDP.
- In view of Belize's fiscal situation, multilateral and bilateral financing will have increased significance in balancing the economy. The EU is becoming a major development partner.
- In terms of **control of corruption**, in 2006 Belize's Corruption Perception Index score as measured by Transparency International was 3.5, which places Belize in 66<sup>th</sup> position of 163 countries. This is a deterioration from 2005 (rank 62) and 2003 (rank 46).

Developments in poverty reduction in 2006 include the following,

- It is expected that the **National Poverty Elimination Strategy (NPES)** that has been completed and Action plan scheduled to be completed in 2007 will influence the current strategy in which the focus is on reducing poverty in the rural and urban areas. The NPES indicated that incidence of poverty was more prevalent in rural (44%) than in urban (23.7%) areas of the country. For this reason, the GOB has committed itself to a broad-based approach to rural development with specific resources to address poverty reduction and marginalized populations.
- In terms of progress in the **MDG targets**: Belize is struggling to reach the first target of halving poverty by 2015. The unstable economic environment, chronic poverty among the indigenous population and increasing immigration from neighbouring countries, are all significant causes. Health indicators for Belize are generally reasonably poised and can compare favourably with other countries with similar levels of income. Although Belize is lagging behind on indicators on combating the spread of HIV/Aids. The MDG targets with respect to education are largely on track, with a fair gender balance in primary school enrolment. Gender equality in education is generally progressing well, however, Belize is lagging behind in women's participation in decision making. The GoB remains committed to environmental sustainability, however, enforcement of policies and legislation will have to be addressed more efficiently.

Developments in the EU- Belize cooperation programme in 2006 include the following,

- The **End-Term-Review (ETR)** of the Country Support Strategy for the cooperation between the EU and Belize was conducted. The findings of the ETR are that the EC response strategy continues to be pertinent to the GoB's development needs and priorities. The ETR recommended to maintain the country strategy for Belize as contained in the Country Support Programme and National Indicative Programme for the remainder of the 9<sup>th</sup> EDF programming, but to decrease the A-Envelope by €901,689. The indicative allocation following the ETR was € 7,130,414 for rural development and €746,000 for support outside the focal sector.
- **Focal sector 1: Consolidation of Infrastructure Development.** The main activity in 2006 was the construction of the Silver Creek Bridge. This was completed within the time and budget.
- **Focal sector 2: Development of human and natural resources.** Projects within this area were in their final stages in early 2006. The project was implemented by the Coastal Zone Management Authority and Institute (CZMAI), and received € 554,370 to date from the EU.

- **Focal sector 3: Rural Development with focus on Agriculture.** This is implemented through the Belize Rural Development Programme (BRDP). The programme experienced delays in the start-up. The project inception was effective in April 2006 and was completed in November 2006. A start-up Program Estimate (PE) was implemented during this period. The first PE covering the period Nov. 06 – Oct.07 was signed and is now under implementation. At the end of 2006, approximately 40% of the funds were committed.
- **Outside the focal area:** the Technical Cooperation Facility (TCF) aims at strengthening the capacity of the NAO Office. 60% of funds were committed at the end of 2006.
- **Community Budget Lines:** Special Framework of Assistance to the Banana Industry (SFA). Despite the problems and delays faced before the devolution which was effective in 2005, the implementation of the program the benefits of the banana industry to Belize's economy are substantial. Improvements in industry yields will translate into the safeguarding of foreign exchange earnings and employment in southern Belize. The private sector's ability to diversify in southern Belize is heavily reliant on the existence of shipping lines. The banana industry has created the only shipping link to Europe through the Big Creek Port in southern Belize. In future, this facility could also be used for trading other commodities.
- 2006 saw the start of the **programming of the 10<sup>th</sup> EDF CSP and NIP** for the period 2008-2013. Top priorities for Belize in the medium and long term continue to be the alleviation of rural poverty, and the high debt situation. The area of focus will continue to be rural development.

## 2.0 UPDATE ON THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

### 2.1 The Political Situation

The most recent general election took place in March 2003. Of the 29 seats in contestation, the People's United Party (PUP) won 21 seats in the House of Representative while the remaining 8 were won by the United Democratic Party (UDP). General Elections are next due by mid-2008. Local government elections were held in March 2006, which resulted in the opposition party (UDP) winning 64 of 67 available seats, constituting the majority of seats in all City Councils and Town Boards. The change in leadership took place without any unrest.

The Attorney General's Ministry continues to focus on improving the judicial system in Belize, with the following short to medium term priorities: to increase the number of judges in the Supreme Court-two by December 2006 and a full complement within the next five years. Three judges have been appointed since December 2006; including the Chief Justice, the number of Supreme Court judges presently in country is nine.

### 2.2 The Economic Situation

Government's medium term fiscal stabilization programme has two main objectives, the reduction of the deficit to sustainable levels and the achievement of a sustainable debt profile.

#### *Fiscal Adjustments Give Way to Improved Fiscal Performance*

Regarding the deficit, there has been a significant improvement in fiscal performance during the past two fiscal years. Latest figures show that the primary balance increased from a deficit of 3% of GDP in FY 2003/4 to a surplus of 3.0% in FY 2005/6 and is expected to increase further to 3.4% of GDP in FY 2006/7. The overall deficit decreased from more than 8% of GDP in FY 2003/4 to 3.3% in 2005/6 with an estimated level of 3.2% for FY 2006/7<sup>1</sup>.

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<sup>1</sup> Figures from IMF Staff report for 2006 Art. IV Consultation; and GoB Budget presentation FY 2007/2008

The outturns reflect improvements in budget discipline including additional revenue measures such as the new General Sales Tax, cuts in capital expenditure and lower debt service costs. Also during this period, the Central Bank has taken actions to tighten financial sector liquidity. Starting in May 2005 social security deposits were channelled to the Central Bank and cash reserve and liquid assets requirements were increased four times, latest in September 2006.

**The General Sales Tax (GST)**, which replaced the previous Value Added Tax (VAT), came into force in July 2006 and has exceeded expectations with regards to revenue collection. The rate of compliance is around 88% but the intention is to raise this level to 90%. The GST Department is working with the private sector to achieve better understanding of the GST guidelines. Government will be reconvening the Tax Reform Committee to review the Excise Regime and the GST with a view to recommending areas for improvement. The Committee will also review recommendations to raise the annual threshold for income tax purposes to \$24,000 together with the reintroduction of some tax exemptions for charitable purposes. The Ministry of Finance (MOF) will be carrying out a study on options for the establishment of a Revenue Authority. The study is expected to be completed during FY 2007/8. The MOF with technical assistance from the Caribbean Development Bank (CDB) intends to update and reform its financial regulations in 2007.

While the net foreign assets of the banking system increased, growth in broad money slowed to 6.5% (down from 13.3% in 2004), as the **Central Bank acted to reduce liquidity and credit expansion**. In May 2005, liquid asset and cash reserve requirements were raised by a further 1.0%, long-term loans to Central Government were removed from the list of approved liquid assets and the gradual sterilization of Belize Social Security Board (BSSB) deposits was initiated. These measures contributed to a 32.3% contraction in excess statutory liquidity and a slowing in the growth of net domestic credit to 4.2% as compared to the 19.8% expansion in 2004. With greater reliance on foreign financing, net domestic credit to Central Government contracted by 16.9% and the growth of private sector credit fell from 11.1% to 6.4%. Much of the incremental credit was in the form of personal and real estate loans with lesser amounts being extended for construction and manufacturing. Loans for primary production declined with only banana and mining activity recording net increases.

With conditions tightening, the weighted average lending and deposit rates of commercial banks rose slightly, yielding a net increase of 10 basis points in the banks' weighted average interest rate spread, which stood at 8.9% at yearend.

The **Development Finance Corporation** is in formal liquidation mode following the passage of legislation in December 2006. Operating costs have been significantly reduced, the complement of staff has been reduced to less than half its original size and total assets were \$190m at the end of 2006 in contrast to a level of \$551m at the end of 2004. The CDB has approved funds for a study to make recommendation on a suitable development lending institution in the wake of the demise of the DFC. The selection process for the consultants is now ongoing. The Government has committed to early consideration of the recommendations in view of the gaps in availability of credit to small and medium enterprises, in the wake of DFC's problems. The Public Hearings of the Commission of Enquiry into the Operations of the DFC, were concluded in the second week of March 2007. No time frame has been given as yet for the presentation of the Commission's report.

### *Restructuring of the External Commercial Debt*

The objectives of the Government's debt management strategy are to bring sustainability to Belize's external debt profile and to strengthen public debt management capacity. One essential element of the strategy is the **restructuring of the Government's external commercial debt**<sup>2</sup>. This has been implemented through the launch of New Bonds for approximately US\$516m, together with a Commission equalled to the unpaid interest on current notes up to December 2006. The New Bonds were launched in December 2006 with a closing date of January 26, 2007. At the end of February 2007, the Government announced that 98.1% of the bonds had been taken up. Holders of the

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<sup>2</sup> 90% of total debt is external public debt. Commercial creditors hold over 60% of the external public debt.

remaining 1.9% eventually agreed to the exchange offer.<sup>3</sup> The New Bonds have a principal payable in twenty semi-annual instalments commencing in August 2019 and reaches final maturity in February 2029. The first interest payment is due in August 2007.<sup>4</sup>

The debt restructuring covers approximately half of the Government's total external debt, while the remainder, which is comprised mainly of bilateral and multilateral debt, continues to be serviced as required. As of June 2006 public and publicly guaranteed debt stood at US\$1,088 million or 93.5% of GDP.<sup>5</sup> At the end of 2006 preliminary figures put external debt at 83.1% of GDP. The restructuring has resulted in an improved outlook for the future of Belize. The new debt service profile will provide Belize with considerable net cash flow relief between the years 2007 and 2015 estimated at US\$481.5million. With this new debt service profile, Belize has already begun to gain benefits and recognition from the international financial markets.

### Growth Slows in 2006<sup>6</sup>

In 2005 and 2006 **real GDP growth (excluding oil) slowed** as fiscal and monetary policies were tightened to slow consumption and improve the current account position. Preliminary figures for end 2006 put real GDP growth at 3%, led by services. Tourism played a key role in the expansion of distributive trade, transport & communications, as well as continuing growth in hotel and restaurant activities. Activity in fisheries also increased as a result of positive developments in shrimp and tilapia farming. New employment opportunities were largely concentrated in community, social, communications and tourism services; these helped to cut the unemployment rate from 11.6% to 9.4% in the face of a 2% increase in the labour force. Meanwhile, inflation rose by 4.3% in response to hikes in prices for petroleum and other imports as well as increases in water rates and government taxes designed to improve fiscal performance.

The efforts to improve the **balance of payments** position met with limited success as the trade deficit increased as import costs eclipsed the higher tourism earnings and remittance inflows. Balance of payments financing needs for 2006 have been covered through bilateral funding from the Republic of China on Taiwan (ROC) and Venezuela in the order of US\$35m.

The export sector performed well with the advent of crude oil exports as higher earnings from citrus products, sugar and papaya drove up the value of domestic exports by at least 12.0%. After a bumper year, citrus will return to normal output levels and marine and basic grain production should also not see much change. On the other hand, there are some concerns for the banana industry, which will be subject to the new and less favourable EU import regime come January 2008 if an Economic Partnership Agreement (EPA) between the countries of CARIFORUM and the European Union (EU) is not concluded. In the secondary sector Construction should be stable and Manufacturing growth will hinge on the performance of items for domestic consumption such as soft drinks and beer, which did not appear to respond well to tax increases in 2005. Activity in services is not likely to exceed the 2005 level given a projected decline in cruise ship arrivals, fiscal tightening and other efforts to slow domestic consumption<sup>7</sup>.

### Update on Belize's Trade Situation

Guided by CARICOM's position on integration, Belize maintains the view for the need for asymmetrical treatment in terms of longer phase-in periods for CARICOM less developed countries in trade agreements, which would allow development to move in tandem with Belizean trade policy objectives. Asymmetric treatment could also be accommodated through the establishment of

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<sup>3</sup> Central Bank of Belize

<sup>4</sup> Ministry of Finance, Belize

<sup>5</sup> IMF Art IV consultation Oct. 2006

<sup>6</sup> See annex 1a for the table on key macroeconomic indicators

<sup>7</sup> Central Bank of Belize Annual Report 2005

safeguard mechanisms for sensitive products and technical assistance from the more developed partners.

Belize is committed to the multilateral process in the WTO and to the Doha Development Round. Regarding Market Access, Belize supports the call for the resumption of Doha but the Government is of the view this should not be done at the cost of sacrificing the interests of small developing countries in the area of special and differential treatment.

Negotiations with the EU for an EPA have been advancing fairly well in 2006. However, as is customary in most trade negotiations, Market Access in Goods has been the most contentious area. The EPA will effectively replace the trade component of the Cotonou Agreement signed in 2000, as the follow-up to the Lome Agreement. The preferential arrangements that ACP countries currently benefit from under the Cotonou Agreement are incompatible with WTO rules and must therefore be restructured. A waiver was signed with the WTO but this runs out at the end of 2007. Two commodities affected by these changes are bananas and sugar. The recent challenge by Ecuador for the reduction of MFN tariffs on bananas of €176/ton will cause major shifts in the market for bananas and will affect Belize's Banana Industry in terms of both quotas and prices. Likewise, with the reform of the EU Sugar Regime, both prices and market access arrangements will undermine the benefits derived from Cotonou.

A significant relationship that could be bridged regionally may occur with the prospect for a CARICOM- Central America Agreement —whether in the form of a free trade agreement or a partial scope trade agreement building on the CARICOM- Costa-Rica Agreement. Assuming that this is negotiated, it may further change the dynamics of trade with respect to Belize's traditional export markets. Proximity to the rest of Central America could hint at direct advantages if there is successful exploration of the potential links for investments, services and cross-border trade.

The Belize-Guatemala Partial Scope Trade Agreement (PSA) has yet to be ratified by the Guatemalan Congress.

### *Official Development Assistance and Support from the International Financial Institutions*

In view of Belize's fiscal situation, multilateral and bilateral financing will have increased significance in balancing the economy. The EU is expected to become a major development partner for Belize. In December 2006, the Inter American Development Bank (IDB) and the Caribbean Development Bank (CDB) approved Policy Based Loans in support of the Government's stabilization measures.<sup>8</sup> The IADB loan was conditional upon a favourable Assessment Letter from the IMF. The IADB loan of US\$25 million of which US\$10 million was disbursed in 2006 with US\$15 million scheduled for 2007, whilst the CDB loan of US\$ 25 million is due to be disbursed in 2007 and 2008. The CDB is also providing technical assistance to the Ministries of Finance and National Development, Investment and Culture for capacity building.

In his letter of December 20, 2006 to the international financial community, the International Monetary Fund's (IMF) Managing Director informed of the Fund's support for Belize's ongoing fiscal adjustment measures and the debt restructuring programme. He indicated that the Fund would continue to support the efforts of the Government, especially since additional adjustment measures will be necessary in the medium term to lower the deficit further, even with the new financing which has been approved by the multilateral financial agencies.

In 2006, bilateral loans of US\$30 and US\$50 million were provided by the Republic of China and Venezuela respectively which allowed the Government to continue to meet its principal and interest obligations until the presentation of the debt restructuring proposal. The Government also continued to receive debt relief under the Commonwealth Debt Initiative.

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<sup>8</sup> Full details of the IADB Policy Loan may be accessed through <http://www.iadb.org/projects/Project.cfm?project=BL-L1001&Language=English>

## 2.3 The Governance Situation

The **Office of Governance** continues to implement its Strategic Plan (2006 – 2008). The recently approved Strategic Plan focuses on four areas: ICT/IT and E-government, Human Resource Management and Development, Governance, and Public Sector Modernization. The Office has begun to implement activities in relation to the Plan's goals with the expectation that its objectives will be achieved, in large measure, by the end of its lifespan in March 2008.

With regards to **public sector modernization**, the first evaluation of the Performance Management and Appraisal System will be conducted in April 2007. The recently appointed Council on Good Governance and Public Sector Modernization has met.) There has been significant emphasis on human resource development and public sector modernization initiatives, including: 1. The development and conduct of training programs focusing on soft skills which include planning, leadership, results based performance management, policy development and analysis; 2. The implementation of a Performance Management and Appraisal System, which is to be used as the basis for the granting of annual increments and merit awards.

With regards to governance improvement, the Plan focuses on the following priorities: 1. Promotion of transparency in government affairs; 2. Support to the Council on Good Governance and Public Sector Modernization; 3. Strengthening of Oversight Agencies including the *Integrity Commission, Office of the Contractor General, Office of the Ombudsman and the Office of the Auditor General*; 4. Development of a Public Information Strategy and; 5. Survey of the Status of Non-Government Organizations in Belize.

**Governance at the village and community levels** continues to improve with greater autonomy being given to village councils and capacity building training for the National Association of Village Councils (NAVCO). The improved commitment to consultation with non-state actors, including those at the local and community levels is evidenced by various ongoing sessions such as those for the establishment of a Petroleum Revenue Management Fund and for the National Poverty Elimination Strategy and the related Action Plan. The first draft of legislation for the Petroleum Fund will be completed by the end of March 2007 and will be followed by another series of intensive consultations. The National Poverty Strategy was launched in January 2007 and the National Poverty Elimination Action Plan will be launched in early April 2007.

In terms of **control of corruption**, in 2006 Belize's Corruption Perception Index (CPI) score<sup>9</sup> was 3.5, which places Belize in 66<sup>th</sup> position (out of a total ranking of 163 countries). This is a deterioration from 2005 (ranked 62) and 2003 (ranked 46). The main mechanisms for addressing corruption in Belize as it relates to public life are those of the Prevention of Corruption in Public Life Act and the Finance and Audit (Reform) Act as well as the oversight agencies of the Ombudsman's Office, the Contractor General and the Integrity Commission.

Belize is a participating partner in the OECD Global Forum on Taxation, which aims at eliminating harmful tax regimes and implementing the principles of transparency and exchange of information for tax purposes. The last meeting Belize participated in was in November 2005, where Belize contributed to factual assessment of its tax regimes.

Further amendment to the Finance and Audit Act are being finalized for presentation to the Cabinet. Organizational reviews of the oversight agencies have been completed by the Office of Governance and the reports will be presented by the end of March 2007.

The MOF through technical assistance from the CDB is also undertaking to upgrade and modernize its finance regulations.

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<sup>9</sup> Scoring by Transparency International: [www.transparency.org/policy\\_research/survey\\_indices/cpi/2006](http://www.transparency.org/policy_research/survey_indices/cpi/2006) The CPI score relates to the perceptions of the degree of corruption as seen by business people and country analysts and ranges between 10 (highly clean) and 0 (highly corrupt).

## 2.4 The Social Situation

### *The National Poverty Elimination Strategy (NPES) and Action Plan (NPEAP)*

The overall goal of the National Poverty Elimination Strategy (NPES) is to reduce poverty in Belize in keeping with the Government's commitment to Millennium Development Goal (MDGs) one. This will be followed by the National Poverty Elimination Action Plan (NPEAP) in March 2007. The Strategy and Action Plan will cover the period 2007 – 2011.

It should be noted that the NPEAP will incorporate approved and ongoing programs, such as the Toledo Strategy and Action Plan (TSAP). The TSAP finalized in March 2006 sets out a poverty reduction strategy through geographical targeting; it is under the responsibility of the Toledo Development Corporation (TDC). The South Side Poverty Reduction Project estimates that some \$47m will be needed to be allocated in the next five years to improve the physical environment and quality of life in the South Side of Belize City. The objective of the EU funded Belize Rural Development Project (BRDP) is to reduce poverty in Belize by supporting the rural sector. It aims at improving the standard of living of the rural population through "integrated development", bearing in mind the agricultural base of the Belizean rural economy and the existing rural development programs that the Social Investment Fund (SIF) implements. The CDB contributes to poverty reduction in Belize by providing financial resources and strengthening the capacity of Belize Social Investment Fund (BSIF) to improve living conditions in poor communities.

### *Health and the Millennium Development Goals<sup>10</sup>*

Generally, the health indicators for Belize are showing a positive progression and can compare favorably with other countries with similar or even higher levels of income. In 2006, life expectancy at birth was reported at 72 years.

**Immunization rates** for communicable diseases are high in Belize. There have been no cases of measles since 1991, poliomyelitis since 1981, tetanus since 1997 and Rubella since 2001. The immunization schedule includes 10 antigens that are provided by one single antigen and 3 multiple antigen vaccines to children at health facilities or during mobile clinics to hard to reach and disadvantaged population. The Expanded Program on Immunization is one of the programs that achieved and maintained high vaccine coverage following the WHO recommendations. For the year 2006, the country average for vaccines among target population was equal or greater to the minimum acceptable rate of 95%. At the district level there are some districts with lower coverage for one or more vaccines; only for one vaccine is the coverage almost 90 %. The GOB provides 100% of funds for the purchasing of biological products and logistics through the Pan American Health Organization/World Health Organization (PAHO/WHO) Immunization Revolving Fund.

The preliminary report of the MICS for 2006 puts the **prevalence of underweight** children under five years of age at 5.9% in 2006. The last poverty assessment showed an 18% stunting prevalence rate country wide, being most affected children under five in Toledo with 45%. In MICS Report 2006 – the United Nation Children's Fund (UNICEF) and CSO- the national average of stunting prevalence rate increased from 18% to 22%. Access to quality food is an issue that needs to be addressed with strong community participation to build ownership and behaviour change among those most affected.

Under the Millennium Development Goals Belize is committed to **reducing child mortality** to 5.5/1000 births by 2015. Under five years, the mortality rate was 42/1000 births in 1990 and 17/1000 in 2005<sup>11</sup>. This is an annual rate of reduction (1990-2005) of 6.0% putting Belize on track for achieving this MDG. The highest proportion of deaths represented by the Under-five mortality rate between 1999 and 2003<sup>12</sup> was due to communicable diseases (24.3%) followed by external causes of

<sup>10</sup> Full table of MDGs can be found in Annex V.

<sup>11</sup> UNICEF – State of the World's Children 2007. <http://www.unicef.org/sowc07/statistics/tables.php>

<sup>12</sup> Rapid Assessment "Mother and Child's Nutrition", 2004 conducted by Dr. Hugo Amigo

injury, including transport accidents (11%), followed by accidental drowning (9.5%). Hospitalization of children in this group during the 1999 – 2003 periods was primarily due to acute respiratory infections (ARI), intestinal infections, bronchitis, chronic and unspecified emphysema and asthma among others. Over the last five years there has been an increase in the number of child deaths due to accidents and “neglect”, to the point that it warranted a study in 2003. While it was difficult to arrive at conclusions on whether these deaths could be categorized one way or the other since accidents can be attributed to neglect, researchers found that this is an emerging issue confronting Belize. Eighty percent of deaths in children under five years occurred before their first birthday. Of these 43% occurred before the first week of life. Deteriorated maternal health during pregnancy and prenatal conditions are responsible for the death of almost one of two children under one year of age.

In Belize the **proportion of births attended by skilled birth attendants** has increased from 76.9% to over 90% in the year 2006. However, there are differences between districts. In 2005, Toledo District exhibited the highest rate of deliveries attended by untrained personnel, nine times the country average. The proportion of home to hospital deliveries is almost 1:1, the husband being the most common childbirth attendant for those outside hospitals. Geographic inaccessibility and cultural differences continue to be a challenge among indigenous population in Toledo. Recent maternal deaths revealed non-compliance with referrals, due to restrictive socioeconomic conditions and/or a lack of support to take care of other children when women leave their communities to deliver at the hospital. Toledo also has the highest prevalence rate of anemia during pregnancy, and the lowest proportion of pregnant women with early antenatal care. The MDG target on the proportion of births attended by skilled medical personnel is 100%.

During 2006 there were a total of five maternal deaths. Forty percent of the total maternal deaths were due to complications of HIV infected women. HIV is becoming an important cause of maternal deaths. Regarding **HIV/AIDS**, the percentage of infected adults between the ages of 15-49 increased from 2.1% in 2003 to 2.5% in 2005<sup>13</sup>. HIV infection rate among pregnant women has decreased somewhat in the last three years. The HIV prevalence rate among pregnant women with access to antenatal care ranged from 1.23% in 2004 to 0.96% in 2006. There is a movement to slowly decrease the prevalence rate. One limiting factor to achieve this reduction has been recently addressed - the availability of contraceptive methods for infected women. The Ministry of Health has prioritized HIV infected women as those who need to have access to these commodities, to help women adequately space pregnancies and/or facilitate the access to contraceptive services for those with satisfied parity, by ensuring the procurement of prophylactics through the United Nation Population Fund (UNFPA) procurement services.

### Education and the Millennium Development Goals

The MDG targets with respect to education are largely on track. In 2005 Primary Completion Rate increased considerably from 37.0% to 44.8%. Over the 5-year period under review this statistic increased from 36.8% to 44.8%. This is indicative of improvement in the percentage of children who progress through and complete the primary school cycle within the prescribed eight years.

Table 2: Selected Education Indicators 2000-2005

Indicator	Actual	Actual	Actual	Actual	Actual	Actual
	2000	2001	2002	2003	2004	2005
Net Enrolment rate in primary education	97.7	87.7	91.1	90.9	88.5	88.6
Primary Completion rate	36.8	38.2	38.2	39.7	37.0	44.8
Ratio of girls to boys in:						
Primary education	0.95	0.95	0.96	0.96	0.95	0.96
Secondary education	1.09	1.04	1.05	1.09	1.05	1.08
Tertiary education	1.43	1.56	1.41	1.27	1.43	1.65

Source: Planning & Projects Unit, MOE

<sup>13</sup> UNAIDS 2006



Net enrolment at the primary level improved marginally, with a 0.1% increase from 88.5% to 88.6% from 2004 to 2005. The calculation excludes children of primary school age who are enrolled in either preschools or secondary schools (a total of 738 in 2005), but its addition does not impact upon the statistic. This implies that either there is a large number of primary school aged children out of school or a large number is enrolled in institutions for which there is no statistical data.

The ratio of girls to boys enrolled at the primary level remained virtually unchanged over the five years from 2000 to 2005, at approximately 0.95 to 0.96 over the entire period. There was more variation at the secondary level, with the statistic ranging from 1.04 to 1.09. It is apparent, however, that beyond the primary level of education, there is a shift in terms of gender equity in favour of females. Indeed, other secondary education indicators – including repetition and dropout rates, which clearly show that males fare worse than females – further emphasize this fact.

At the tertiary level, the disparity is even greater, with girls outnumbering boys by almost two to one. Trends for the 5 year period further indicate that the gender gap at this level is widening, as the ratio of girls to boys grew from 1.43 to 1.65 between 2000 and 2005.

Table 3: Selected Education Indicators

Indicator	1990	2000	2005	2006*	2007*	2008*	2015*
Net Enrolment rate in primary education	NA	97.7	88.6	89.7	90.9	92.0	100.0
Primary Completion rate	NA	36.8	44.8	45.8	46.8	47.9	55.0
Ratio of girls to boys in:							
Primary education	NA	0.95	0.96	0.96	0.97	0.97	1.00
Secondary education	NA	1.09	1.08	1.07	1.06	1.06	1.00
Tertiary education	NA	1.43	1.65	1.59	1.52	1.46	1.00

Source: Planning & Projects Unit, MOE

NOTE: Figures for 2015 represent targets. Figures for 2006-2008 are projected based on the final target.

The net enrolment rate has tended to fluctuate around 90% over the period from 2001 to 2005. It should be noted that the population figure on which the net enrolment rate for the year 2000 was based on the 2000 Census. In all other years, the calculation uses mid-year population estimates.

Table 4: Net Enrolment Rate 2000-2005

	2000	2001	2002	2003	2004	2005
Enrolment 5-12 year olds	49,126	48,931	52,371	53,927	54,197	56,046
Population 5-12 year olds	50,306	55,767	57,477	59,320	61,249	63,243
Net Enrolment Rate	97.7	87.7	91.1	90.9	88.5	88.6

Source: Planning & Projects Unit, MOE; Central Statistical Office

Other achievements:

- Preschool education: Total number of preschools increased from 118 to 142 in 2004; A total of 15 preschools were newly attached to primary schools in 2005; A total of 140 preschool teachers were fully paid by government (up from 40 in 2004); Preschool enrolment increased by 10.2% in 2005 from 4,412 to 4,861.
- Primary education: Enrolment increased by 1.6% from 63,474 to 64,516 in 2005.
- Secondary education: Secondary enrolment increased by 3.4% from 16,150 to 16,696 in 2005. 2 additional secondary schools were opened in 2005 (in Cayo and Toledo Districts).

## 2.5 The Environmental Situation

The Government of Belize remains committed to MDG Seven which is to ensure environmental sustainability. For Belize to fully achieve this goal, enforcement of policies and legislation will have

to be addressed. Belize is a signatory to various international protocols including Kyoto, and there are several pieces of legislation and environmental policies on the books that create the legal and policy bases for the sustainable management of the environment.

Legislation currently in effect include the National Lands Acts (1992), the Land Utilization Act (1981), the Environmental Protection Act (1992), the Housing and Town Planning Act (1980), the Forest Act (1980), the Wildlife Protection Act (1980) and the National Park System Act (1980). The Government has also endorsed the recently completed (2006) Protected Areas Policy and Plan. The focus of the Plan is to strengthen the management of protected areas by making the processes more comprehensive, simple and financially sustainable. It proposes the sustainable use of resources in those areas and recommends community involvement in related environmentally friendly income-earning activities as a way of combining environmental protection with poverty reduction activities. The cost of full implementation of the Plan over a six-year period has been estimated at US \$7.5m. So far only the Global Environment Fund (GEF) has committed US \$1.5 million.

### **3.0 OVERVIEW OF PAST AND ONGOING CO-OPERATION**

#### **3.1 Focal sector 1: Consolidation of Infrastructure Development**

a) Results: The specific objective of this focal area is to facilitate the Government's efforts to improve the country's infrastructure in support of the productive and social sectors of the economy. Within this specific area, the European Commission (EC) is to contribute to the completion of infrastructure development already started under the previous European Development Fund (EDF), and to the improvement of the maintenance and operation of existing infrastructure. In this context, efforts were concentrated on the Road Sector.

The Hummingbird Highway is viewed as of strategic importance by the EC because it connects the capital city Belmopan with the coastal town of Dangriga, and is passing through one of the areas where the citrus industry is well developed. The highway is a significant contributor to the socio-economic development because it de-isolates, through its connection with the Southern Highway, the poor rural district of Toledo, and facilitates the transport of agricultural products towards markets.

This highway constituted also an important corridor to supplying emergency aid in the east and southern areas, when adverse natural conditions struck those parts of the country. The European Union's role focused in the past on the reconstruction of the Hummingbird Highway. The funds necessary for the rehabilitation were provided by both the United Kingdom (UK) government and the EU (under the 6th, 7th, and 8th EDF); for the upgrading of sections between Dangriga and Sibun River Bridge, and for the construction of the latter.

b) Activities:

New Bridge over the Silver Creek Bridge – B envelope - 9 ACP BEL 2 - € 1.0 million

Following the conclusion of a financing agreement in 2005, a works tender was launched in July 2005. The contract was awarded to contractor Cisco Construction Ltd in December 2005. The works started in February 2006. The project was completed within time and budget. The works were provisionally accepted in October 2006. The Head of Department (HoD) participated in the opening ceremony, together with the Minister of Works.

c) Integration of Cross Cutting Themes: The completion of the Hummingbird Highway saw the enhancement of transport operations between Belmopan and Dangriga, in the main citrus production belt of Belize and a region with growing potential for eco-tourism development, as well as for agricultural production. For the populations living along the road, the upgrading of the Highway has improved access to health services, to centers of employment and to the administrative and social services available in Belmopan and Dangriga.

### **3.2 Focal sector 2: Development of Human and Natural Resources**

#### Conservation and Sustainable Use of the Barrier Reef Complex - 8 ACP BEL 005 (€ 600,000)

a) Results and Activities: The project started in September 1999 to promote the conservation and sustainable use of the Belize Barrier Reef Complex through integrated marine and coastal area management. This important ecosystem comprises the second longest barrier reef in the world, hundreds of patch reefs, three offshore atolls and over 1,000 cays. With its mangrove forests and extensive beds of sea grass, it is home to several endangered species including the West Indian manatee, the American crocodile, marine turtles and several species of birds. At that time, there were concerns regarding impacts to the coral reefs and other coastal habitats by inappropriate coastal development involving dredging or the run-off of sediment, agricultural chemicals and sewage. Furthermore, the need arose to strengthen the public's awareness to increase the understanding of coastal zone management.

The project contributed to two of the major components of the larger GEF/UNDP Project. Among its main outputs is the completion of a Coastal Zone Policy Framework, which divides the coastal regions according to categories and intensity of use. As part of this, Coastal Advisory Committees (CACs) have been established in Caye Caulker, Turneffe Islands and Placencia/Laughing Bird Caye. Members have been trained in leadership skills, planning, conflict resolution and consensus building, and are preparing detailed regional guidelines facilitated by wide community participation.

Under the EU component, several items of equipment were purchased to support the monitoring activities for water quality, flagship species and the condition of the reef. Specific attention was given to the Manatee Research Program, which continued its tagging and monitoring activities in conjunction with Wildlife Trust International. A sophisticated data center was equipped with an up-to-date Geographical Information System. It processes and disseminates the scientific and technical data gathered from these monitoring activities, thereby greatly increasing the baseline knowledge available for decision-making.

The results of the final evaluation of the project conducted during the 4<sup>th</sup> Quarter of 2004 were presented in February 2005. The evaluation was conducted by a team of three consultants (two international, one national) in accordance with the UNDP/GEF Monitoring and Evaluation (M&E) policy at the project level. The evaluation found that many project activities could be checked off as successfully accomplished. The main conclusion was that the project has made significant progress in establishing the Network of Marine Protected Areas. These were marked with demarcation buoys and continue to be patrolled by Rangers. However, CZMAI, the national institution, is at present time floundering as a result of poor management and lack of vision and commitment for the future.

The project was implemented by the Coastal Zone Management Authority and Institute (CZMAI), and received € 554,370 to date from the EU. Its activities will end after the audit has been completed in February 2006. The general and individual de-commitments have been done in 2006.

b) Integration of Cross Cutting Themes: The CSU Barrier Reef project integrates environmental matters related to biodiversity conservation and sustainable management of coastal ecosystems, with the development of socio-economic opportunities for local communities. The CZMAI improved its policy making, planning and managerial capacity as a result of the execution of CSU Reef project.

### **3.3 Focal sector 3: Rural Development with focus on Agriculture**

#### Belize Rural Development Programme (BRDP) - 9 ACP BEL 003 (€ 7,000,000)

a) Results: The most serious threat to Belize's ambition of achieving a greater standard of living for its people continues to be the incidence of poverty, exacerbated by major resource adjustments in the export agricultural sector. The NPES indicated that incidents of poverty was more prevalent in rural (44%) than in urban (23.7%) areas of the country. For this reason, the GOB has committed itself to a

broad-based approach to rural development with specific resources to address poverty reduction and to support the efforts of marginalized populations to enter the mainstream of economic activity. As a result of the implementation of the BRDP, the percentage of rural poverty is expected to decrease by 3.5 % in the 2007 and by 5% in 2008.

b) Activities: The overriding objective of the BRDP is to support sustainable economic growth of Belizean rural areas. The project aims at reducing poverty in Belize and improving the standard of living of the rural population by supporting the rural sector, bearing in mind the agriculture base of the Belizean rural areas. This will be done through the participation of rural communities in the planning and implementation of this program.

The project's results will be as follows (i) more efficient and competitive rural enterprises (both farming and non-farming ones established), (ii) basic services of the rural population improved and (iii) policies and institutional environment strengthened within which rural enterprises, traders, processors, local organizations and communities operate. In order to reach these results, the BRDP is intended to (i) strengthen policies, institutions and communities to ensure the sustainability of "integrated rural development" in the long-term without donor support, (ii) promote an efficient rural sector and facilitate the development of farming and non-farming activities as by stimulating the Small, Medium and micro Enterprises (SMEs) and (iii) support the development of rural infrastructure in the most disadvantaged areas in Belize.

The overall responsibility for the implementation of the program lies with the National Authorizing Officer (NAO) for the EDF, and the Ministry of National Development (MND) that is the Contracting Authority. A Project Steering Committee (PSC) has been set up to provide guidance and policy direction to the project and is chaired by the MND. BRDP is implemented by an independent Project Coordination & Management Unit (PCMU), which assumes an administrative and financial role and co-ordinates the project's implementation at community, district and national level with the various line Ministries and donor agencies. The PCMU also coordinates all the activities carried out by the partner organizations, especially the District Development Committees (DDCs) and service providers.

The tender for the provision of the Project Coordination and Management Unit was launched in July 2005. As a result of this consultation, a consortium led by ICON Institute GmbH was awarded the contract. The project inception was effective in April 2006. The inception phase lasted 6 months and was completed in November 2006. A start-up Program Estimate (PE) (Aug. 06 –Nov.06) was implemented during this period. The first PE covering the period Nov. 06 – Oct.07 was signed and is now under implementation. At the end of 2006, approximately 40% of the funds were committed.

c) Integration of Cross Cutting Themes: The financial support, which is being given to the underprivileged groups including single women, may not have an initially high economic impact. However, these small sums will: (i) help ensure that benefits reach a wide cross section of beneficiaries, (ii) act as a catalyst for economic activities that are successful, and (iii) stimulate further economic activity in the medium to long term. Implications of technology choices for sustainability (maintenance, repair and replacement options, and use of local capacities) will be considered for all activities and projects early in the participatory process of project development. Many projects will be implemented relying on local technologies, knowledge and skills.

### **3.4 Projects and Programs Outside Focal Sectors**

#### Technical Cooperation Facility (TCF) - 9 ACP BEL 001 (€ 546,000)

As a consequence of the closure of the EC office in Belize in 2002, the changing nature of EC rules and the expanding role of the NAO under the new EDF Regulations there was a need to reinforce the capacities of the NAO Office. For this reason a Technical Cooperation Facility (TCF) of € 546,000 was adopted in early 2004 with the objective of strengthening the capacity of the NAO Office through (i) the provision of Technical Assistance, (ii) the definition of an appropriate rural development policy, (iii) and the organization of training and seminars for the NAO Office's staff. The

implementation of the TCF became effective in 2005 and the following activities were implemented during the year:

1. A consultancy to prepare the 2008-2013 CSP was awarded to HTSPE & completed in 2006. The study presents the framework, which will govern the EC's development co-operation with Belize for the period 2008-2013, in the wider context of the implementation of the ACP-EU Partnership Agreement, signed in Cotonou on 23<sup>rd</sup> June 2000. The preparation of this CSS was carried by a team of consultants in extensive and comprehensive consultations with the NAO in the MND, major stakeholders in other Ministries, non-state actors and other International Development Partners. The preparation of the CSS was formally undertaken during the period 8 May 2006 to 30 June 2006. The focal area of the EC Support Strategy for Belize will be Poverty Reduction with institutional and capacity building, in support of a two-tiered rural development approach including: a) Local (district, community and group) level interventions to promote market-led rural enterprise development; b) Strategic infrastructure interventions to create an enabling environment for rural development.

2. The second and last PE was prepared and signed during this period. The preparation was delayed due to the difficulties met by the NAO in receiving contributions from other Ministries (especially the Ministry of Foreign Trade). The PE was signed in November 2006 and covers the period Nov.06-Sep.07. The main activities foreseen in this PE are: (i) A Marketing Study (126,400 EUR) conducted in partnership with Belize Trade and Investment Development Enterprise (BELTRAIDE); (ii) A seminar on Phyto-Sanitary Standards (11,164 EUR) in association with the Belize Agricultural Health Authority (BAHA); (iii) Training for Belizeans in EU procedures (6,000 EUR) and; (iv) Evaluation/Audit of the Program (20,000 EUR).

The FDC of the TCF is March 2007. At the end of 2006, 60% of the funds were committed. All the remaining funds shall be committed before the expiration of the FDC.

### **3.5 Utilization of Envelope B**

See text on activities in focal sector 1 on the New Bridge over the Silver Creek Bridge – B envelope - 9 ACP BEL 2 - € 1.0 million

### **3.6 Community Budget Lines**

#### Special Framework of Assistance to the Banana Industry (SFA)

a) Results: Despite the problems and delays faced before the devolution which was effective in 2005, the implementation of the program the benefits of the banana industry to Belize's economy are substantial. Improvements in industry yields, which this project supports, will translate into the safeguarding of foreign exchange earnings and employment in southern Belize. The private sector's ability to diversify in southern Belize is heavily reliant on the existence of shipping lines. The banana industry has created the only shipping link to Europe through the Big Creek Port in southern Belize. In future, this facility could also be used for trading other commodities.

Until 2005, the Program had been managed under centralized procedures following the previous Financial Regulations, with the Banana Growers Association (BGA), through a Project Management Unit (PMU), as implementing agent of the Project through Annual Work Programs (AWP). However, following the entry into force of the New Financial Regulations and as a result of a verification exercise carried out in November 2004, partial decentralization was granted to the GOB with the Ministry of Agriculture (MOA) replacing BGA as implementing agency, effective at end 2005.

A Financing Proposal for the 2006 SFA allocation (€2.11 million) was approved at the end of 2006. In line with the strategy of Belize, the lack of competitiveness of the sector will be reinforced through (i) increased costs and reduced yields in the industry due to nematodes (21%), (ii) increasing farm cost due to aged and diseased plantations and the need for improved crop timing (21%), (iii) low standards of living and persistently elevated levels of poverty for communities based in the banana-producing

areas (42%). This component now represents 50% of the allocation of the SFA compared to 15% in the previous one. It aims at supporting economic and social activities at the community level of the Banana Belt through a Rural Development Fund. The remainder of the allocation will be dedicated to the management of the project itself (12%) and audit, evaluation and contingencies (6%).

b) Activities carried out during 2006 and results achieved: As anticipated in 2005, activities in 2006 have been facilitated by the completion of the devolution in 2005 and the (partial) decentralization of the management of some SFAs.

1999 SFA: Drainage and Irrigation Project - Phase I (€3,100,000) (BEL/B7-8710/1999-01): No actions were carried out in 2006 under this SFA. The balance left under this SFA is 231,192 Euros. These remaining funds will be used to conduct marketing activities in 2007 and 2008.

SFA 2000: Plantation Rehabilitation and Quality Improvement (€3,100,000)(BEL/B7-8710/2000-1): Under this SFA, the local audit of the WP2 by Mark Hulse was done in 2000. The gap in the financing of the PMU is a matter that is still unsettled. Despite this extension there still has been a 3 months gap in the financing of the PMU in 2005 because the replacement contract was only signed in November 2005. The main reason for this was that the new contract under SFA 2004 required a derogation for a direct service contract with BGA.

SFA 2001: Drainage and Irrigation Phase II (€3,450,000) (BEL/B7-8710/2001): As for SFA 2000, the local audit of the WP1 was carried out by the same local auditor. A micro-Credit Survey was conducted to establish the Micro-credit Fund for Social Recovery within the EU. The launching of the recruitment of the Project Director of the PMU was also done in 2006.

2002 SFA: Support to the Belizean Banana Industry (€3,500,000): Under this SFA, the recruitment of the Rural Development (RD) expert was finalized in October 2006, which enabled a quick start of the RD Component Specific commitments. In fact, the Grant for Toledo Teachers Credit Union was approved by the Delegation in 2006 and is due to start in 2007. Concerning the Competitiveness component, the Agricultural Inputs Tender was finalized and the contract signed, implemented and paid for in 2006. The capacities of the PMU were reinforced in 2006, with the supply of 3 Land Rover vehicles.

2003 SFA: Financing Proposal SFA 2003 (€3,200,000): In 2005, the NAO wanted to reconsider the activities within the SFA and planned to introduce a nematode control management component instead of the drying plant component. While this idea has been abandoned, it has led to a postponement in the implementation of the program. A Rider to SFA 2003 granting full decentralization was signed in 2006. Subsequently a PE for a period of 18 months was also signed under which all the remaining funds have been committed. In 2006, the capacities of the NAO Office and the Banana PMU, where the Project Director resigned in February, were both strengthened by the appointment of a TA under this Budget line. The marketing study and the food processing study (in connection with the drying plant to be financed under this SFA) were carried out. The first external audit conducted by 2AC and financed under this SFA was conducted also in 2006. It reviewed the implementation of SFAs 1999, 2000 and 2001. The results of this audit revealed deficiencies in the management system in place and questioned the eligibility of some expenditures (amounting to approximately 800,000 EUR of which 50% was justified subsequently).

2004 SFA: Financing Proposal SFA2004 (€2,930,000): The service contract with BGA ended in 2006 and was not renewed as per changes in the EC financial regulations. No new contracts were signed in 2004, although many tenders and grants were prepared during this year for 2007.

2005 SFA: Financing Proposal SFA2005 (€2,490,000) : The Financing Agreement (FA) was signed in February '06. In line with the strategy of Belize, the competitiveness of the sector has been reinforced through a (i) Plant Nutrition Program (62%), (ii) Environmental Monitoring Program (8%) and (iii) a Rural Development Fund (15%). This component will aim at supporting economic and social activities at the community level of the Banana Belt through a Rural Development Fund. The rest of

the allocation will be dedicated to the management of the project itself (9%) and audit, evaluation and contingencies (6%)

c) Degree of Integration of Cross Cutting Themes: In terms of gender, most of the workers in the packing sheds are women. It is anticipated that as improvements in industry yields are realized additional women will be employed on the farms. Within the 2001 SFA, the PMU was to collect employment data as a part of the Social Recovery Program. With this information in hand the PMU would be able to speak more authoritatively on the employment and economic status of women in the industry. With respect to environmental impact, the BGA and the local regulatory authority have concentrated much effort on training industry players to enhance the safe use of chemicals. There is still need for a more systematic monitoring of the environment. The BGA has a Unit that is mandated to monitor baseline data that has been collected on rivers, in the banana industry. An environmental management project forms a part of Belize's Banana Country Strategy.

### **3.7 European Investment Bank**

See table in Annex 4. Over the various Lomé Conventions the Bank has lent some EUR 19.8m to projects in Belize (EUR 2.5m from own resources and some EUR 17.3m from risk capital resources drawn from the EDF). The current outstanding portfolio is EUR 9.67m, the sectoral allocation of which is 68% to the citrus industry, 22% energy and some 10% to small and medium sized enterprises through global loans through the Development Finance Corporation (DFC).

On 22<sup>nd</sup> December 2006 the Bank signed its first operation in Belize under the Cotonou Agreement, providing a loan of USD 4.7 million (equivalent to some EUR 3.7m ) to Astrum Travel International Ltd. (EUR 1.49m, equivalent to USD 2m was disbursed on this loan on 3<sup>rd</sup> April 2007). This direct Investment Facility operation in the private sector is in line with the Bank's mandate under Cotonou and consistent with national priorities, targeting the tourism and transport sectors that are key to the development of Belize's economy. The promoter is an SME and the project is expected to provide not only helicopter services to tourists and thus contribute to economic development, but also medevac and disaster relief missions, support to remote areas and any other kind of air work. Moreover, being the first helicopter operation to be approved in Belize, it will generally help develop civil aviation in Belize and will create skilled employment and train local talent to become certified helicopter mechanics and pilots.

Also under the Cotonou Agreement, in terms of indirect financing, i.e. EIB funding channelled to projects in Belize through regional financial facilities, the EIB approved USD 5m (disbursed early 2007) under its credit line with the Caribbean Development Bank to the Water and Sewerage Authority (WASA) for the financing of the expansion and improvement of the supply of water from the Water Treatment Plant at Double Run which serves Belize City and its environs.

## **4.0 COORDINATION AND COOPERATION WITH OTHER ACTORS**

In terms of the Four EU commitments, the following progress in the coordination with other actors has been made in 2006:

1. Provided all capacity building assistance through coordinated programs with a preference towards multi-donor agreements: Whereas EC has not yet co-financed any such initiatives (lack of flexibility due to pre-commitment of re-sources in nearly all areas), the Delegation takes part in these initiatives with other donors whenever possible.
2. Channelled 50% of government-to-government assistance through the recipient country's national budget: The EC has not reached this objective for its cooperation with Belize as the macroeconomic conditions in 2006 were not conducive to budgetary support.
3. Avoided establishment of new project implementation units: This objective has been taken to heart in the programming for the CSP and sugar accompanying measures for Belize. The ongoing Rural Development Program does have a separate PMU; however this was necessary to ensure

unbiased objectivity in program implementation, in particular the identification of beneficiaries and rural development opportunities to be supported.

Budget support is not possible in Belize; therefore PMUs are needed for all major interventions – Banana, BRDP and Sugar. Drawing from past experience, notably with banana, emphasis is given to ensuring the appropriate institutional location, ownership, independence and integrity of the respective PMUs. Particular consideration is given, and openly discussed with Government, for the need to ensure transparency and objectivity in implementation.

4. Reduced the number of uncoordinated missions by 50 %: Regarding ongoing projects/programs (implementation), regular missions are separate because they concern technical exchanges on the ongoing cooperation. However, on strategic issues (programming, monitoring, etc.) the number of uncoordinated missions has been reduced. However, it should be noted that the number of active donors is limited, in particular in the specific Banana and Sugar sectors and in Belize in general. UK (through DFID) is the only Member State with a significant development portfolio.

## **5.0 OVERALL ASSESSMENT OF THE EU-BELIZE PROGRAMME**

### **5.1 9<sup>th</sup> EDF CSP and NIP**

The indicative allocation for Belize under the 9<sup>th</sup> EDF CSP/NIP signed on 4 November 2002 is € 8.8 million: € 7.8 million of programmable resources (“A-envelope”) and € 1 million for unforeseen needs, such as emergency assistance and losses in export revenue (“B-Envelope”). The focal area of cooperation under the 9<sup>th</sup> EDF CSP and NIP is Rural Development, with focus on Agriculture, for which € 7 million have been earmarked. A non-focal programme of institutional support to Belize’s public administration will be supported with € 0.546 million.

The End-Term-Review (ETR) of the CSS/NIP was conducted in 2006. The EC response strategy continues to be relevant to the GoB’s development needs and priorities and the conclusion of the ETR is to maintain the strategy for Belize as contained in the CSP and NIP for the remainder of the 9<sup>th</sup> EDF programming, but to decrease the A-Envelope by €901,689. The indicative allocation following the ETR was € 7,130,414 for rural development and €746,000 for support outside the focal sector.

### **5.2 Quality of data and performance indicators**

The general quality of baseline economic indicators and statistics in the country is fairly good, although it can vary between sectors as public sector entities release their own data and oversight can be difficult. However, the timing of the release of data needs improvement across most sectors, and the statistical analysis and translation of data to policy is weak. The availability of data and assessment of the performance indicators of the EC supported projects has been facilitated by the periodical dialogue with the NAO on all interventions.

In an effort to improve the quality, the Central Statistical Office (CSO) will be transformed into the Statistical Institute of Belize (SIB) upon the coming into force of the Statistical Institute of Belize Act 2006 on April 1, 2007. The Institute will have broader responsibilities than the current CSO, one of them being coordination and oversight of data collection by other public sector agencies in an effort to achieve improved quality of data. This is important in view of Belize’s participation in the IMF’s General Data Dissemination System.

### **5.3 Programming of the 10<sup>th</sup> EDF CSP and NIP**

2006 saw the start of the programming of the forthcoming 10<sup>th</sup> EDF CSS and NIP for the period 2008-2013. Top priorities for Belize in the medium and long term continue to be the alleviation of rural poverty, and the high debt situation. The programming of the 10<sup>th</sup> EDF CSP and NIP for the period 2008-2013 started in 2006. The area of focus for the forthcoming CSP and NIP will continue to be rural development.



The EU-Belize cooperation strategy is aligned to the GoB's national development strategy, the National Poverty Eradication Strategy Action Plan (NPESAP) and responds to the major challenges facing Belize in the foreseeable future. The NIP for the period 2008-2013 is foreseen as follows:

- Poverty Reduction through integrated Rural Development: 85% of total NIP; implemented as project support. Two approaches are proposed for the interventions: 1) Local (district, community and group) level interventions to promote market-led rural enterprise development; Strategic infrastructure interventions to create an enabling environment for rural development.
- Non-focal areas: 15% of total NIP; implemented as project support. The areas of intervention foreseen include: building institutional capacity in directing Belize's response to globalisation and trade liberalization; and building institutional capacity for the NAO's office to effectively coordinate external support to Belize's development strategy.

#### **5.4 Relations with the NAO<sup>14</sup>**

The NAO is the CEO of the Minister of National Development, Investment and Culture. There are no regular EC/NAO meetings as the one held in Jamaica. Contacts are regularly maintained by the Delegation's representative in Belize, who meets the NAO on ad hoc occasions. However, the NAO or one of his deputies usually chairs the Project/Programme Steering Committees, Tenders opening and evaluation and any other relevant programme related activity. Dialogue with GoB is facilitated by the NAO. Dialogue with local government entities or non state actors is conducted within the framework of the projects and programmes through the project implementation units.

The NAO met with the Head of Delegation in the occasion of his end of duties mission to Belize in October 2006. The physical location of the Delegation's representative (contract agent) in Belize brought a significant improvement in relations with the NAO over the last 2 years.

With the expanding EC supported aid programme in Belize, and the increase in poverty and rural development related interventions, the NAO has had growing concerns over their human resource capacity. A reorganisation of responsibilities between the Ministry of National Development and Ministries in charge of the implementation, such as the Ministry of Agriculture (Banana, Sugar) has been mentioned as well as the need for long-term TA.

## **6.0 CONCLUSIONS**

The strategy of the Government of Belize continues to be the enhancement of the economy while maintaining macro-economic and financial stability, investment in health and education, the reduction of poverty in the rural and urban areas and creating the environment for local and international investment. Governance for sustainable development is also considered as a priority which includes public sector reform and effectiveness.

The focus of the GOB in 2006 was correcting fiscal and external imbalances. Both the CDB and the IDB have assisted the GOB by agreeing to provide policy based loans to balance the fiscal situation in the short to medium term. Additional funding was received from the Republic of China on Taiwan and the Government of Venezuela through loans and grants. The GOB has also committed itself to continue implementing corrective measures, including debt restructuring, tax reform and the control of expenditure within an appropriate macro-economic framework. In view of Belize's fiscal situation, multilateral and bilateral financing will have increase significance in balancing the economy. The European Union is becoming a major development partner for Belize.

2006 saw some important developments in the progress of the National Poverty Elimination Strategy (NPES) and National Poverty Elimination Action Plan (NPEAP) scheduled to be completed in 2007.

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<sup>14</sup> See also text on the Technical Cooperation Facility (TCF) under section 3.4 *Projects and Programs Outside Focal Sectors*

These will influence the current strategy in which the focus is on reducing poverty in the rural and urban areas. The overall goal of the NPES is to reduce poverty in Belize in keeping with the Government's commitment to the Millennium Development Goal (MDGs).

In terms of progress in the MDG targets: Belize is struggling to reach the first target of halving poverty by 2015. The unstable economic environment, chronic poverty among the indigenous population and increasing immigration from neighbouring countries, are all significant causes. Health indicators for Belize are generally reasonably poised and can compare favourably with other countries with similar levels of income. Although Belize is lagging behind on indicators on combating the spread of HIV/Aids. The MDG targets with respect to education are largely on track, with a fair gender balance in primary school enrolment. Gender equality in education is generally progressing well, however, Belize is lagging behind in women's participation in decision making. The GoB remains committed to environmental sustainability, however, for Belize to fully achieve this goal, enforcement of policies and legislation will have to be addressed more efficiently.

On the cooperation between the EU and the Government of Belize: In 2006 the End-Term-Review (ETR) of the Country Support Strategy for the cooperation between the EU and Belize was conducted. The findings of the ETR are that the EC response strategy continues to be pertinent to the GoB's development needs and priorities. The ETR recommended to maintain the country strategy for Belize as contained in the Country Support Programme and National Indicative Programme for the remainder of the 9<sup>th</sup> EDF programming, but to decrease the A-Envelope by €901,689. The indicative allocation following the ETR was € 7,130,414 for rural development and €746,000 for support outside the focal sector. The programming of the 10<sup>th</sup> EDF CSP and NIP for the period 2008-2013 started in 2006. The area of focus will continue to be rural development.

The development cooperation programmes reaped varied results during 2006. The construction of Silver Creek Bridge was completed within the timeframe and budget. Also the projects under focal sector two on the development of human and natural resources were completed during 2006. However, significant delays were experienced in focal sector three. The Belize Rural Development Programme (BRDP) has been very slow in the start-up and by the end of 2006 only 40% of funds were committed. With the structure of the programme now in place implementation and disbursement is expected to increase.

An important programme in the cooperation between the EU and Belize is the Special Framework of Assistance to the Banana Industry (SFA). Despite the problems and delays faced before the devolution which was effective in 2005, the implementation of the program the benefits of the banana industry to Belize's economy are substantial. Improvements in industry yields will translate into the safeguarding of foreign exchange earnings and employment in southern Belize. The private sector's ability to diversify in southern Belize is heavily reliant on the existence of shipping lines. The banana industry has created the only shipping link to Europe through the Big Creek Port in southern Belize. In future, this facility could also be used for trading other commodities.

In terms of modalities for support, the EU –Belize cooperation programmes all follow the project approach, as the macroeconomic conditions in 2006 were not conducive to budgetary support. Assessments will be made in the forthcoming years to determine the possible readiness of the Government of Belize for budget support instruments. These assessments will cover macroeconomic developments, progress in public finance management, the presence and quality of national and sectoral development strategies.

**ANNEXES:**

- 1a. Macroeconomic Indicators 2001-2007
- 1b. Millenium Development Goals 1990-2006
- 2a. Financial situation, indicative commitments and disbursements for 6<sup>th</sup>-9<sup>th</sup> EDF
- 2b. Programmes of the European Investment Bank
3. Forecasts for 2007 & 2008.

## ANNEX 1a: Table of Macroeconomic indicators

Indicator	2001	2002	2003	2004	2005	2006	2007
Population ('000 persons)	257.3	265.2	273.7	281.1	289.9	299.8	-
Population growth (%)	3.0	3.1	3.2	2.7	3.1	3.4	-
GDP per capita <sup>15</sup> ('000 US\$)	3376.5	3493.5	3583.5	3684	3818.5	-	-
Real GDP growth (%)	4.9	5.1	9.3	4.6	3.3	2.9**	2.6
External debt as % of GDP	-	-	96.7	91.2	91.2	83.1	80.5
External debt service as % of GDP	-	-	19.3	22.8	21.0	12.4	16.5
Trade balance as % of GDP	-	-	-20.9	-16.4	-21.1	-15.6	-17.2
Government income as % of GDP	-	-	20.7	21.0	22.7	23.6	25.2
Government expenditures as % GDP	-	-	20.6	23.6	24.9	23.6	23.5
Overall Balance (calendar year)	-	-	-10.6	-6.4	-5.5	-3.3	-2.6
Primary Balance (calendar year)	-6.8	-2.4	-5.9	0.8	2.0	3.2	3.3
Inflation (annual average, % change)	1.1	2.2	2.6	3.1	3.7	4.3	-
Exchange rate (\$ per US\$)				2.0	2.0	2.0	2.0
Unemployment rate (%)	9.1	10	12.9	11.6	11	9.4	-

<sup>15</sup> The figure represents value at constant prices.

## ANNEX 1b: Millenium Development Goals

Millennium Development Goal	1990	2000	2003	2004	2005	2006	2015
Population below \$1 (PPP) per day consumption, percentage	n/a	33	33.5	n/a	n/a	n/a	16.8
Children under 5 moderately or severely underweight, percentage	n/a	6	7.3	n/a	5.9	n/a	3
Children under five mortality rate per 1,000 live births	19.4	26	17.8	n/a	17	n/a	5.5
Children 1 year old immunized against measles, percentage	85	92	95.8	95	95	n/a	100
Net enrolment ratio in primary education, both sexes	90	97.7	90.9	n/a	88.6	89.7	100
Primary completion rate, both sexes (5 years)	72.2	81.1	92.2	n/a	n/a	n/a	100
Ratio of girls to boys in primary education	93.5	95	95.9	95	96	n/a	100
Ratio of girls to boys in secondary education	112	109	108.7	105	108	n/a	100
Ratio of girls to boys in tertiary education	n/a	143	127	143	165	n/a	100
Seats held by women in national parliament, percentage	5.4	6.8	7	n/a	6.7	6.7	n/a
Births attended by skilled health personnel, percentage	76.9	83.8	97	n/a	n/a	90	100
HIV prevalence rate among pregnant women, 15-24 years old	n/a	0.58	0.55	1.23	n/a	0.96	0.28
People living with HIV, 15-49 years old, percentage	n/a	2.1 (2001)	2.1	n/a	2.5	n/a	n/a
Proportion of the population using improved drinking water sources, total	71	80.8	80.8	91	n/a	n/a	100

**Annex 2a: Financial situation, indicative commitments and disbursements for 6<sup>th</sup>-9<sup>th</sup> EDF (updated from EAMR)**

					SITUATION END 2006		
YEAR of GLOB. Commit.	ACCOUNTING NUMBER of GLOBAL commit.	0	TITLE GLOBAL COMMITMENT	END date of imple- mentat°	GLOBAL COMMIT.	INDIV. COMMIT	RAC
		N° INDIV COMMIT	TITLE INDIVIDUAL COMMITMENT		AMOUNT	PAYMENTS	RAP
<b>TOTAL ON ONGOING GLOBAL COMMITMENTS</b>					<b>9,146,000</b>	<b>4,498,736</b>	<b>4,647,264</b>
<b>TOTAL ON ONGOING INDIVIDUAL COMMITMENTS</b>					<b>3,706,465</b>	<b>1,216,639</b>	<b>2,489,826</b>
1998	8ACP BEL2	0	INTEGRATED DRUG DEMAND REDUCTION PROGRAMME	20020330	300,000	287,466	12,534
1998	8ACP BEL2	2	DRUG DEMAND REDUCTION BEZ 660.000	20030630	258,500	136,831	121,669
1998	8ACP BEL2	Total Individual Commitment			258,500	136,831	121,669
1999	8ACP BEL5	0	CONSERVATION & SUSTAINABLE USE OF THE BARRIER REEF COMPLEX	20051231	600,000	537,919	62,081
2004	9ACP BEL1	0	TECHNICAL COOPERATION FACILITY (TCF)	20101031	546,000	330,519	215,481
2004	9ACP BEL1	2	PROGRAMME ESTIMATE NO. 1 (MAY 25, 2005 - DEC 31, 2005).	20051231	13,967	13,967	0
2004	9ACP BEL1	5	FPIR & PCM/(ECOFIN) WORKSHOP. DNAO'S LETTER DD 05062006.	20060709	6,100	0	6,100
2004	9ACP BEL1	6	DNAO'S LETTER DD 18102006 ON PE NO. 2.	20070930	56,100	17,752	38,348
2004	9ACP BEL1	Total Individual Commitment			76,167	31,719	44,448
2005	9ACP BEL2	0	DISASTER PREVENTION AND PREPAREDNESS MECHANISMS: NEW BRIDGE	20100630	1,000,000	834,000	166,000
2005	9ACP BEL2	1	NEW BRIDGE OVER SILVER CREEK, HUMMINGBIRD HIGHWAY	20070831	834,000	495,474	338,526
2005	9ACP BEL2	Total Individual Commitment			834,000	495,474	338,526
2005	9ACP BEL3	0	RURAL DEVELOPMENT PROGRAMME	20121231	7,000,000	2,796,298	4,203,702
2005	9ACP BEL3	1	PROJECT CO-ORD & MGMNT UNIT/BRDP	20100201	1,299,998	260,000	1,039,998
2005	9ACP BEL3	2	START-UP PE AUG 1 - OCT 31, 2006	20061031	36,300	34,953	1,347
2005	9ACP BEL3	3	PE #2. DNAO'S LTR DD 07112006.	20071021	1,460,000	394,493	1,065,507
2005	9ACP BEL3	Total Individual Commitment			2,796,298	689,445	2,106,853

**Annex 2b: Programmes of the European Investment Bank (EIB)**

<b>Project Name</b>	<b>Status</b>	<b>Convention</b>	<b>FI Number</b>	<b>Amount signed Own Resources</b>	<b>Amount signed Risk Capital</b>	<b>Total Amount Signed</b>	<b>Date of Signature</b>	<b>Amount Outstanding Own Resources</b>	<b>Amount Outstanding Risk Cap</b>	<b>Total Amount Outstanding</b>	<b>Beginning Repayment</b>
DFC BELIZE P.G.	Disbursed	Lome-2	70405		600,000	600,000	12/12/1983		81,540	81,540	10/12/1992
DFC BELIZE II PRET GLOBAL	Disbursed	Lome-3	70641		500,000	500,000	15/01/1987		164,900	164,900	30/09/1995
BELIZE ELECTRICITY	Disbursed	Lome-3	70971		200,000	200,000	05/10/1994		114,020	114,020	31/05/2000
BELIZE ELECTRICITY	Disbursed	Lome-4	70972		3,500,000	3,500,000	05/10/1994		1,995,350	1,995,350	31/05/2000
DFC GL III	Disbursed	Lome-4	18989	2,500,000		2,500,000	02/10/1996	760,081		760,081	31/03/2001
BELIZE CITRUS SECTOR OPERATION	Signed	Lome-4-Bis	20711		5,000,000	5,000,000	29/08/2000		3,000,000	3,000,000	15/07/2007
BELIZE CITRUS SECTOR OPERATION	Signed	Lome-3	20728		100,000	100,000	14/09/2000		97,844	97,844	15/07/2015
BELIZE CITRUS SECTOR OPERATION	Signed	Lome-4-Bis	20728		3,700,000	3,700,000	14/09/2000		3,461,605	3,461,605	15/07/2015
ASTRUM TRAVEL HELICOPTER SERVICES	Signed	Accord De Cotonou	23834		3,737,000	3,737,000	22/12/2006		0	0	
				<b>2,500,000</b>	<b>17,337,000</b>	<b>19,837,000</b>		<b>760,081</b>	<b>8,915,259</b>	<b>9,675,339</b>	

**Annex 3: Forecasts for 2007 & 2008**

YEAR of GLOB. Commit.	ACCOUNTING NUMBER of GLOBAL commit.	N° INDIV COMMIT.	TITLE INDIVIDUAL COMMITMENT	END date of imple- mentat°	SITUATION	FORECAST 2007		FORECAST 2008	
					END 2006	1 <sup>st</sup> SEMESTER	2 <sup>nd</sup> SEMESTER	1 <sup>st</sup> SEMESTER	2 <sup>nd</sup> SEMESTER
<b>TOTAL ON ONGOING GLOBAL COMMITMENTS</b>					<b>9,146,000</b>				
<b>TOTAL ON ONGOING INDIVIDUAL COMMITMENTS</b>					<b>3,706,465</b>	<b>464,748</b>	<b>269,926</b>	<b>141,400</b>	<b>124,650</b>
1998	8ACP BEL2	0	INTEGRATED DRUG DEMAND REDUCTION PROGRAMME	20020330	300,000				
1998	8ACP BEL2	2	DRUG DEMAND REDUCTION BEZ 660.000	20030630	258,500				
1998	8ACP BEL2	Total Individual Commitment			258,500				
1999	8ACP BEL5	0	CONSERVATION & SUSTAINABLE USE OF THE BARRIER REEF COMPLEX	20051231	600,000				
2004	9ACP BEL1	0	TECHNICAL COOPERATION FACILITY (TCF)	20101031	546,000				
2004	9ACP BEL1	2	PROGRAMME ESTIMATE NO. 1 (MAY 25, 2005 - DEC 31, 2005).	20051231	13,967				
2004	9ACP BEL1	5	FPIR & PCM/(ECOFIN) WORKSHOP. DNAO'S LETTER DD 05062006.	20060709	6,100				
2004	9ACP BEL1	6	DNAO'S LETTER DD 18102006 ON PE NO. 2.	20070930	56,100	30,848	7,500		
2004	9ACP BEL1	Total Individual Commitment			76,167				
2005	9ACP BEL2	0	DISASTER PREVENTION AND PREPAREDNESS MECHANISMS: NEW BRIDGE	20100630	1,000,000				
2005	9ACP BEL2	1	NEW BRIDGE OVER SILVER CREEK, HUMMINGBIRD HIGHWAY	20070831	834,000	255,000	83,526		
2005	9ACP BEL2	Total Individual Commitment			834,000				
2005	9ACP BEL3	0	RURAL DEVELOPMENT PROGRAMME	20121231	7,000,000				
2005	9ACP BEL3	1	PROJECT CO-ORD & MGMNT UNIT/BRDP -(BDG HD1. ASPCM)	20100201	1,299,998	178,900	178,900	141,400	124,650
2005	9ACP BEL3	2	START-UP PROGRAMME ESTIMATE AUG 1 - OCT 31, 2006	20061031	36,300				
2005	9ACP BEL3	3	PROGRAMME ESTIMATE #2. DNAO'S LTR DD 07112006.	20071021	1,460,000	577,850	487,657		
2005	9ACP BEL3	Total Individual Commitment			2,796,298				