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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

BELIZE
PROJECT PAPER
EXPORT AND INVESTMENT PROMOTION

AID/LAC/P-319

Project Number:505-0027

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AGENCY FOR INTERNATIONAL DEVELOPMENT		1. TRANSACTION CODE		DOCUMENT CODE	
PROJECT DATA SHEET		<input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete		Amendment Number _____	
2. COUNTRY/ENTITY USAID/Belize		3. PROJECT NUMBER 505-0027		3	
4. BUREAU/OFFICE LAC		5. PROJECT TITLE (maximum 40 characters) Export and Investment Promotion			
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 06 30 91		7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY 86 B. Quarter 4 C. Final FY 88			

8. COSTS (\$000 OR EQUIVALENT \$1 = 1,9825)						
A. FUNDING SOURCE	FIRST FY 86			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(1089)	(411)	(1500)	(1815)	(685)	(2500)
(Loan)	()	()	()	()	()	()
Other U.S.	1.					
	2.					
Host Country		402	402		670	670
Other Donor(s) Part Inst.		498	498		830	830
TOTALS	1089	1311	2400	1815	2185	4000

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SDA	730	730				1500		2500	
(2)									
(3)									
(4)									
TOTALS						1500		2500	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)								11. SECONDARY PURPOSE CODE	
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code									
B. Amount									

13. PROJECT PURPOSE (maximum 480 characters)

To develop the capacity of the private sector to promote, provide technical assistance for and facilitate export and tourism projects undertaken in Belize.

14. SCHEDULED EVALUATIONS				15. SOURCE/ORIGIN OF GOODS AND SERVICES			
Interim	MM YY	MM YY	Final	MM YY			
	11 87	03 89		01 91	<input checked="" type="checkbox"/> 000	<input checked="" type="checkbox"/> 941	<input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY	Signature Neboysha R. Brashich	Date Signed MM DD YY 06 30 86	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
	Title A.I.D. Representative		

PROJECT AUTHORIZATION

Name of Country/Entity: Belize
Belize Chamber of Commerce &
Industry (BCCI)
International Executive Service
Corps
The Government of Belize (GOB)

Name of Project: Export and Investment Promotion
Project

Number of Project: 505-0027

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Export and Investment Promotion Project for Belize, encompassing a grant to the Belize Chamber of Commerce and Industry (BCCI), a grant to the International Executive Service Corps (IESC), and a grant to the Government of Belize (GOB), and involving planned obligations not to exceed two and one-half million United States Dollars (U.S. \$2,500,000) in grant funds ("Grant") over a five-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is sixty (60) months from the date of initial obligation.

2. The project ("Project") consists of technical and financial support to develop the capacity of Belize's private and public sectors to promote export and investment expansion in Belize.

3. The Project Agreements, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following terms and conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Grant shall have their source and origin in Belize or in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Belize or the United States as their place of nationality,

except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

b. Conditions Precedent to Initial Disbursement

Prior to any disbursement of project funds under the Cooperative Agreement, or the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID the following:

1. Belize Chamber of Commerce and Industry

(a) A statement by the Board of Directors of BCCI naming the person empowered to receive the funds provided under the Cooperative Agreement and any additional representatives, together with a specimen signature of each person so designated.

(b) Evidence that BCCI has established a separate bank account to control the receipt and disbursement of all project funds.

(c) An implementation plan and detailed budget for the first year of program activities.

(d) Evidence of the establishment of Belize Export and Investment Promotion Unit (BEIPU) Executive Board.

(e) A statement by BCCI which indicates that the BEIPU Director has been appointed by the BEIPU Executive Board, together with evidence of an appropriate plan for staffing and office space.

(f) Evidence that BCCI has established and will maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records related to the Cooperative Agreement, adequate to show without limitation, the receipt and use of all goods and services acquired under the Cooperative Agreement. Such books and records will be independently audited annually, in accordance with generally accepted auditing standards and be maintained for at least three years after the date of last disbursements to BCCI under the Cooperative Agreement.

(g) Evidence that BCCI has hired a full-time accountant who will work for BCCI, BEIPU, and the Belize Institute of Management (BIM).

2. GOB Grant Agreement

(a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 6.A.1.a.i and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) A description of each activity which shall include, but not be limited, to its budget, implementation schedule and staffing requirements.

c. Condition Precedent to Additional Disbursement.

Prior to any disbursement, or the issuance of any commitment document under the Grant Agreement to finance any technical assistance, the GOB and BCCI shall furnish, in form and substance satisfactory to A.I.D., scopes of work for such technical assistance..

d. Covenants

(1) BCCI will submit to AID for approval annual implementation plans and budgets for project-financed activities.

(2) IESC covenants that it will coordinate the provision of technical assistance in Belize with the BCCI.

(3) The GOB covenants that equipment and materials funded by the project will be adequately maintained and that such maintenance will include adequate inventory control and security measures.

(4) The GOB covenants that it will submit in form and substance satisfactory to AID, a detailed workplan and budget for each year of the Project.

(5) The GOB shall covenant that within a year of the execution of this agreement it shall devise a plan to streamline and improve the GOB concession-granting process, and that this plan will be implemented in a timely and effective manner.

(6) The GOB shall covenant that it shall continue funding to the Belize Tourist Board for at least five years at

the minimum level of the combined AID-GOB funding level for project year one.

e. Waivers for Both BCCI and GOB Agreements

(1) Competition in the procurement of goods is hereby waived and a single-source negotiated contract is hereby authorized in order to permit the procurement of approximately two Ford vehicles valued at some \$25,000.

(2) The requirement for shipping by U.S. flag vessels is hereby waived. The waiver will permit payment for shipment on vessels registered in AID Geographic Code 899 countries.

(3) The requirement for technical assistance from the U.S. or the host country is waived. In the area of tourism, Third Country technical assistance is anticipated from a Caribbean nation which has a successful tourism program.

(4) The requirement for host country funding of AID-financed participant travel is waived.



Neboysa R. Brashich
A.I.D. Representative
Belize

June 30, 1986
Date

Cleared:

Mohamed Tanamly
Controller *M. Tanamly*

Peter Lapera
Project Development Officer *P. Lapera*

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- B. Log Frame Matrix
- C. Statutory Checklist
- D. Grantee Request for Assistance
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UNATTACHED ANNEXES:

- A. Concession-Granting Process in Belize by Deborah James
- B. Belize Report and Recommendations for Assistance in Design of Export and Investment Promotion Project, Price/Waterhouse
- C. Tourism Action Plan for Belize

I PROJECT SUMMARY AND RECOMMENDATION

A. Recommendation

USAID/Belize recommends the authorization of a \$2.5 million grant for the support of Export and Investment Promotion efforts to be made by the private and public sectors of Belize.

B. Summary

The economy of Belize expanded steadily during the 1960's and 1970's. Real GDP grew by 4.5 to 5.0% per annum. This development resulted mostly from the expansion of the sugar industry. Economic growth has slowed to small or even negative rates during the 1980's. Underlying this slowdown are factors associated with the international economic environment and the steady deterioration of the terms of trade for developing countries. Although the worldwide recession has ended and Belize's balance of payments situation has improved, Belize's economic future presents a bleak picture because of the uncertainty of sugar prices and reduced U.S. import quotas. From 1981 to 1984, Belize's per capita GDP and exports both decreased by 7 and 21 percent, respectively.

A broad consensus exists in between the GOB and the Belizean private sector that the expansion of non-traditional exports and the tourism industry are the best means of revitalizing the Belizean economy and establishing the means for sustained future growth. The orientation of the Belizean private sector to outside markets, particularly the U.S. and Eastern Caribbean, is one of the major objectives of this project. The U.S. market is of particular interest because of the advantageous terms that exist for Caribbean Countries under the CBI. This project provides support for the export and investment promotion efforts of the GOB and Belizean private sector for industrial stabilization and recovery.

The project goal is to generate employment, income and foreign exchange in the Belizean economy.

The purpose of this project is to develop the capacity of the public and private sector to promote, provide technical assistance for, and facilitate export and tourism projects undertaken in Belize.

Through policy development and technical and financial assistance, the project will support the Belizean private sector's efforts to develop a strategy for export and investment promotion. Included in these activities will be the

development of a marketing strategy, organization of a promotion and information network (both in terms of exports and investments), product improvement services and project monitoring and evaluation.

This same policy development and assistance will also support the GOB's efforts to strengthen both the Belize Tourist Board and the Office of Economic Development. The tourism support activities will result in the development of a tourism marketing plan for Belize, coordination between the BTB and tour operators and wholesalers, and the development of a program to encourage the restoration and initiation of ground service facilities in an effort to attract cruise ships to Belize. Through the strengthening of the OED, the project will assist in the streamlining of the concession process so that investors are treated equitably and on a timely basis. This streamlining will enable OED to maintain its efficiency when the volume of investor inquiries increases.

This project will also finance the creation of a trade and investment promotion service, namely, the Belizean Export and Investment Promotion Unit (BEIPU) with the Belizean Chamber of Commerce and Industry. This service will provide necessary technical and logistical assistance to export projects whose objective is to expand non-traditional exports. BEIPU will also provide information services to businessmen and coordinate trade missions abroad.

The Mission will sign a Project Agreement with GOB and a Cooperative Agreement with BCCI. The Ministry of Foreign Affairs and the Ministry of Commerce, Industry and Tourism will be the primary implementing entity for the project's public sector component. BCCI will have overall coordination and management responsibility for the private sector component.

The total cost of the project is \$4.0 million. A.I.D. will provide \$2.0 million in project grant funds for the private sector component and \$0.5 million for the public sector component. An additional \$0.83 million will be generated through investor use of BEIPU's services. The final financial component will be a \$0.67 million provided in the form of an in-kind contribution by GOB. The life of the project is five years.

II. BACKGROUND

A. Economic Overview

The Belizean economy depends on international trade for survival. Its relative small size limits its ability to compete with other countries in the region. But like other countries in the region, Belize is currently experiencing economic difficulties. Declines in agricultural commodity prices, continuous devaluations of the Mexican Peso and a reduction in construction activity, are the principle factors responsible for the decline in economic growth.

The economic outlook for Belize is promising. In the short term, the outlook is for slow growth. But in the longer term, the outlook is more optimistic. This outlook is evidenced by Belize's economic assets. They include :

- a government that encourages both domestic and foreign investment;
- abundant natural resources;
- a history of social and political resources;
- proximity to U.S. and Eastern Caribbean markets;
- and sound government policies that seek to diversify productive sectors and expand infrastructure.

Relative to other countries in the region, the Belizean economic well-being is high and there is a broad distribution of benefits. The main cause of poverty is the country's low level of economic development. Even though 75% of the adult population is literate, Belize's human resources are not yet developed to assure sustained growth.

B. Historical Perspective of Exports and Tourism

Exports

Belize is the smallest country in Central America with a population of approximately 160,000 people. The country's principal economic activity is sugar production (accounting for approximately 20% of GDP), followed by citrus, seafood, bananas and live stock. Consequently, these activities have been the leading export revenue earners as well (see table I)

Table 1

Major Domestic Exports 1981 - 1985

<u>COMMODITY</u>	Unit	VALUE				
		1981	82	83	84	85
Sugar	'000 BZ\$	85,277	65,673	68,335	65,069	45,857
Garments	"	22,128	12,747	16,770	31,240	31,362
Citrus (conc.)	"	13,004	14,054	13,668	19,547	24,236
Fish Products	"	14,443	12,641	13,950	13,439	13,613
Bananas	"	4,311	4,205	4,818	6,286	6,518
Molasses	"	2,419	1,700	1,854	2,280	1,725
Sawn Wood	"	2,394	3,619	2,705	2,131	1,165
Other	"	5,496	4,877	8,185	5,727	3,244
<u>Total Domestic</u>	<u>"</u>	<u>149,472</u>	<u>119,516</u>	<u>130,285</u>	<u>145,719</u>	<u>127,720</u>

Exports

As is evident in this table, sugar and sugar products are the major source of Belizean export earnings. However, due to internal inefficiencies and a shrinking export market, the industry is in decline. Due to record low prices, the industry recently reduced the prices paid to farmers (for delivered cane) by 20%. This has resulted in the industry's lowest price to date, barely adequate to cover production and transportation costs.

Tourism

Tourism (including business travel) ranks second to sugar in terms of foreign exchange earnings. For the period covering 1983-1985, Belize experienced a 45% increase in the volume of tourists. The spectacular barrier reef is the longest in the western hemisphere and the second longest in the world. The sport fishing has been considered excellent as well as the availability of other water sports (sailing, wind surfing and snorkeling). The amount of space available to accommodate tourists is limited. There are only 138 hotels in the country with 1,377 rooms (one-third of them in the Belize area). Hotels in the Cays have the capacity to host scuba tours and fishing parties. Inland hotels can provide tours to the archeological sites as well as bird-watching and other nature trips.

C. Constraints to Increasing Exports and Tourism

Exports

Of the two, exports are facing the greatest barriers to success. Until recently, the banks have maintained an extremely conservative outlook, lending money primarily to the

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short term market and for overdraft protection. The size of Belize's labor force and their management capabilities also pose problems to the expansion of exports. Given the literacy rate (75%), additional training is needed to develop managerial tools necessary to benefit the export sector. Another constraint to increased exports is the lack of diversification. Given that sugar has been the dominate export and the instability of sugar prices, export diversification is the only answer to export expansion. In addition to this lack of diversification, Belize suffers from a lack of reliable infrastructure. Poor road systems, absence of a rail network, unreliable air service and no adequate deep water port pose obstacles to expanding exports in Belize. Power generation is (\$US .21¢/KWH) unreliable and limited. Sixty percent of the population is being served by diesel generators. The final constraint to export expansion concerns the legal barriers to foreign investment. The Belize Investment Code specifies five areas not normally open to foreign investment. In addition, it states that joint ventures are encouraged but not mandatory and that a company must be locally incorporated to qualify for investment incentives under the Development Incentives and Fiscal Incentives (Industrial Enterprises) Ordinances. The Alien Landholders Ordinance poses an additional legal constraint to foreign investment. It is entirely at the discretion of the Ministry whether to grant a foreigner a license for land involving less than 1000 acres and a Cabinet decision involving more than 1000 acres. There are no regulations or guidelines defining what must go into a development plan before a license will be granted. Although it has never yet happened, this law permits a license to be withdrawn without compensation due to non-compliance with the development plan. It should be further noted that there is currently no treaty between Belize and the United States waiving double taxation.

Many of these constraints have already been addressed through other AID projects or other public sector initiatives. The problem of export credit is being dealt with through the coordination of the Export Investment Credit Project (505-0019) and the Latin American Agribusiness Development Cooperation (LAAD). In addition, Belize will be included in LAAD's new \$15 million project in Central America. This relationship seeks to increase credit for appropriate agricultural projects. The constraint of managerial training is being addressed in USAID's Training for Employment and Productivity Project (505-0020). This project provides some of the training necessary to help the new export and investment industries that this project will address. The Commercialization of Alternative Corps Project (505-0008) will address some of the problems brought on by the

lack of export diversification. This project will seek to diversify Belize's agricultural economy away from its traditionally one-crop export. Through a coordinated effort one aspect of the infrastructure problem is already being addressed. Highways between Belize City, Belmopan and the Southern Districts are being rehabilitated through British and World Bank Projects. AID has completed approximately one-half of the proposed 300 mile Rural Access Roads and Bridges Project (505-0007). The final constraint to export and investment promotion are the previously mentioned legal barriers. While no action has been taken to remove this constraint, none seems necessary due to the fact that there have been no instances revocating a land license due to non-compliance of the Alien Landholders Ordinance.

Tourism

Presently, there are two major constraints to the expansion of the tourism industry in Belize. First, there is a general lack of attractive, high quality facilities and accommodations. Secondly, quality standards are lacking in such areas as domestic travel, training and professionalism of those involved in the tourist business.

D. Attempts to Date to Promote Exports and Tourism

Exports

An increased sense of cooperation now exists between the GOB and the private sector. The following results have been achieved as a result of the cooperation and combined efforts of the BCCI, BEIPU, GOB and USAID.

1. Investment

- Citrus- Citrus production and processing
- Aquaculture- Establishment of shrimp breeding and farming
- Cocoa- Research for production and processing and a market for local farmers
- Bananas- Increased investment and output
- Fruits and Vegetables- Increase in non-traditional items
- Specialty Foods- Increased production and export
- Light Apparel- Increased markets and sales
- Meat- Increased markets

2. Facilitation

- Fishing Coops- Increased markets and contacts
- Advertising- Increased USDOC Business Bulletin ads
- OPIC- 1986 trade mission to Belize
- Product Exposure- European trade exhibits
- Export and Investment Promotion Trips- Trips to Miami, New Orleans, Salt Lake City and the AID-sponsored investment workshop in Puerto Rico, Caricom in Barbados, Europe and the Far East have resulted in both the sales of Belizean products but also have garnered the interest of potential foreign investors

Tourism

Reliable data not available

E. Need for the Project

Success in any investment promotion program is measured by the growth in the number of inquiries that are generated by the program and the conversion rate of these inquiries. Belize offers an attractive incentive program which, when coupled with its natural resources and other advantages, provides a solid basis for attracting investment. An effective promotion program is the missing ingredient in realizing the benefits of these resources. The proposed BEIPU incentive program offers promise in the filling of the void and thereby gaining substantial new investment in production enterprises.

III. PROJECT RATIONALE AND AID STRATEGY

A. Relationship to GOB Development Strategy

The recently elected administration (December 1984) has embarked on a development strategy that emphasizes growth in exports. The GOB capital investment program has been designed to address the need for more physical infrastructure to support exports.

Through a variety of incentives and policies, the GOB actively encourages private foreign investors to invest in productive ventures to increase employment. Its goal is to attract investments that:

- help the country diversify its economic base
- increase exports and foreign exchange earnings
- utilize local raw materials
- are largely self-financing
- produce an inflow of technological and managerial resources not otherwise available in Belize
- provide for the gradual transfer of both skills and control to Belizeans.

The GOB has identified tourism, agriculture and light industry as priority areas for export-led economic growth. This project is aligned with the policies, directions and objectives of the GOB. The objectives of the Belize Export Investment Promotion Unit (BEIPU) in large part agree with those of the GOB, and BEIPU enjoys the endorsement of the Government and its leadership.

B. Relationship to AID Strategy and the CBI

This project is part of AID's strategy for the CBI in the LAC Region and for the Mission in Belize. Its effectiveness will be increased through its integration with the on-going roads program, the agricultural diversification program, and private sector management training.

The strategy of the AID Assistance Program in Belize is to attack the three constraints to economic growth: fiscal instability, a narrow productive base and lack of infrastructure. The Mission's program focuses on economic stabilization, agricultural diversification, export promotion and selected human resources development. All these areas are interconnected, and given Belize's small population base and limited domestic markets, the long-term economic solution to the balance of payments and fiscal deficits and development problems lies in export and tourism development. With this in mind, the interrelation of projects to the maximum extent possible is important. For example, the Commercialization of Alternative Crops (agricultural diversification) and the Training for Employment and Productivity Projects (505-0008 and 505-0020, respectively) both have a private sector emphasis and will be closely related to this Project.

These recently initiated AID projects will address many of the constraints described above in the background section.

Commercialization of Alternative Crops (CAC) will be concentrated in the sugar producing north and will address the entire range of production and marketing, from on-farm trials to packing and shipping to markets. The Export and Investment Promotion Project, 505-0027 will complement CAC by promoting the export of agricultural and perhaps agroindustrial products from other parts of the country, as well as providing additional markets for the Northern districts.

The Training for Employment and Productivity Project (TEP) will develop entrepreneurial and other business skills required by the private sector to implement export and tourism development. That project will also develop vocational skills of industrial workers of actual or potentially export-oriented businesses and of hotels and other tourist establishment employees.

Several months after the Export and Investment Promotion Project is initiated, the Mission will be finalizing the design of a project (Export-Investment Credit, 505-0019) which will provide additional credit to finance export and tourism development.

C. Prior USAID Efforts in Export and Investment Promotion

To help accomplish the objective of increasing exports, during FY 1984/85, USAID set up a \$200,000 OPG to start up the Belizean Export and Investment Promotion Unit (BEIPU). The intent at that time was to follow up this initial program with an Export and Investment Promotion Project, 505-0027.

Under the OPG, BEIPU was established with a Board consisting of three members from the private sector and two members from the public sector. An Executive Director has also been hired by the Board and BEIPU has already begun to play a major role in the process of export and investment promotion.

IV. PROJECT DESCRIPTION

A. Goals, Purpose, Beneficiaries and End-of-Project Status

The goal of the project is to generate employment, income and foreign exchange in the Belizean economy. The purpose of the project is to develop the capacity of the private sector to promote, provide technical assistance, and facilitate export and tourism projects undertaken in Belize.

Most sectors of the Belizean economy stand to benefit from this project either directly or indirectly. Promotion, technical assistance and facilitation services will directly benefit businesses involved in export and tourism. Foreign exchange attained from investments and exports will improve the balance of payments position of Belize and enable businesses to purchase needed equipment and other inputs to production. Jobs will be created as the products are exported and tourism and industry are developed. Increased spending by a larger body of employed workers will benefit small businesses in general.

B. Outputs and Inputs

1. Private Sector Component

a. Outputs

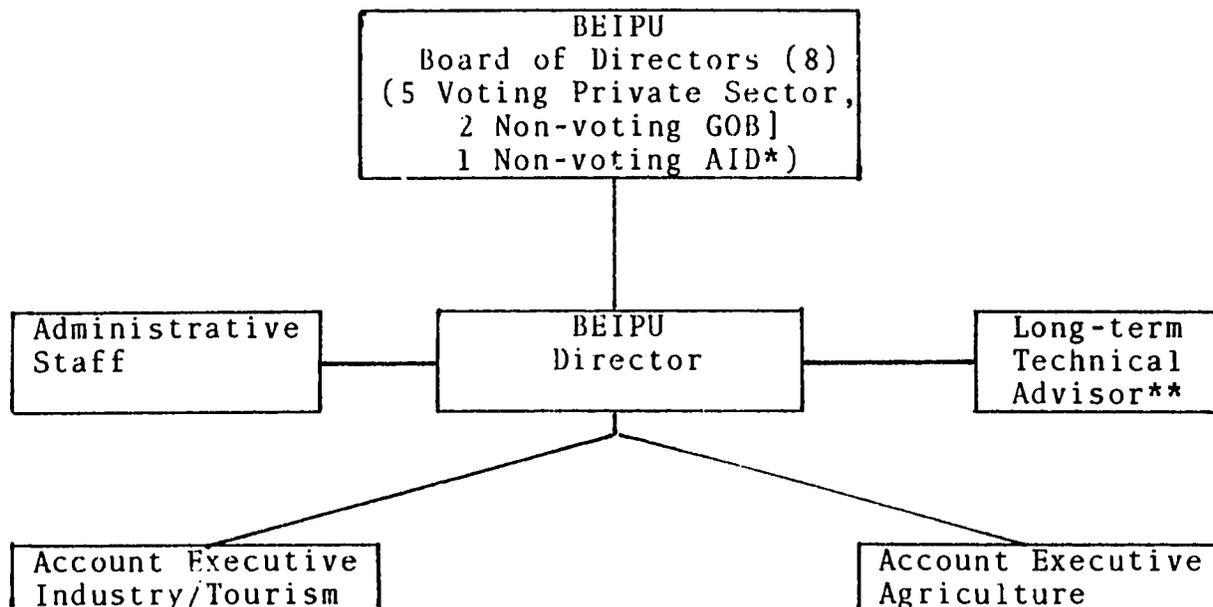
i. Institutional Development of BEIPU

BEIPU will have a staff of seven, comprised of a Director, an Administrative Assistant, two Secretaries, two Account Executives, and an accountant (to be shared with BCCI and BIM). In addition, a long-term advisor will work with BEIPU for two of the five-year LOP.

While the Director will be responsible for the overall direction, planning, management and accountability of BEIPU, the Account Executives will be specialized in agriculture and industry. The Account Executives will be advocates for exporters and investors, guiding them through the system and providing services.

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The organization of BEIPU will be as follows:



* In addition, two support staff (BEIPU Exec. Director, BCCI Mgr.) and the long-term advisor will be given standing invitations to attend all board meetings.

** Advises BEIPU Director and reports to BEIPU Board.

The project will assist in providing salaries for the staff during the life of the project. However, income from loan points, commissions, and consulting fees is projected to enable BEIPU to gradually assume all salary costs which will comprise the bulk of BEIPU's operational costs. It is the intent of this project for BEIPU to operate as a not-for-profit business, and to develop the capacity to generate its own revenues, so that it does not have to rely on public funding. If needed, BEIPU will also develop a capacity for attracting grants from other international donors and assistance from other similar organizations. In this regard, within one year from the signing of the Cooperative Agreement, BCCI will present to A.I.D. a detailed plan to make BEIPU financially viable.

ii. Technical Assistance

Under the guidance of A.I.D. and in accordance with A.I.D. procurement and contract regulations, BEIPU will contract consulting firms or individuals to assist in providing

technical assistance to the private sector. The following categories of consulting assistance will be contracted:

- Long-Term Technical Advisor: Will provide overall guidance to BCCI in regard to investment and export promotion.
- Institutional Strengthening: A major Technical Assistance (TA) contract will be awarded to a U.S. firm or group of firms which will provide assistance directly to BEIPU in the area of institutional development. Such TA will begin with an institutional analysis of BEIPU and the BCCI, and will continue with periodic assistance to BEIPU over the life of the project. The TA will be for short periods of time and will focus on the definition and implementation of actions necessary for carrying out activities of BEIPU, as described below.
- Marketing, promotional and product improvement assistance to BEIPU clients through the International Executive Service Corps (IESC), Project SUSTAIN, and other sources.
- Technical Assistance for special reports and studies for BEIPU
- Investor search services

iii. Marketing Plan for Belize

Since BEIPU will be operated as a financially viable entity, it will be necessary to develop a strategy to identify and assess appropriate markets. BEIPU will prepare a Marketing Plan for Belize. The Marketing Plan will be a detailed strategy for increasing investments and exports, and will identify the products or services to be sold, target markets, and indicate how the markets will be accessed. The marketing plan will also establish BEIPU's pricing policy, fee structure, sales projections, objectives and benchmarks, financial plan and budget.

In the process of preparing a marketing plan, it will be necessary to develop an understanding of the capability of the producers in Belize and areas of comparative advantage. BEIPU will take an inventory of the export capability of producers in Belize as well as develop a complete and detailed understanding of the investment needs of the productive sector.

BEIPU will develop a "sales pitch" for Belize. It will develop an understanding for certain products and markets (including an understanding of Belize's comparative advantage in the U.S.

market vis-a-vis other Central American and Caribbean countries) while advocating the favorable, relatively unrestricted atmosphere for business development in Belize. In the area of investment promotion, analysis will determine what areas, disciplines, industries, etc. provide the best opportunities for concentrated and specific efforts to attract investment.

In formulating the marketing plan for Belize, BEIPU will need to perform two particular activities. First, BEIPU will consolidate all of the existing marketing studies that have been done - and second, BEIPU will use those consolidated results to formulate a strong consensus in Belize.

iv. Promotion and Information Services

Promotional and information materials will be prepared for project generation and informing clients. Items such as the Belize Investment Code, a brochure with data and information about Belize (Investors' Guide to Belize), a brochure expounding the services of BEIPU, standard agreements for services, guidelines for business plans, advertisements for association newsletters and magazines, standard and suggested letters, information kits and other materials will be prepared. Agricultural information on soil area and type, rainfall, labor available conditions, etc. will also be made available through BEIPU.

In addition, a data base with investor, market and resource lists will be established within BEIPU. In this regard, BEIPU will have access to investors' search services through a contract with a U.S. firm. BEIPU will also investigate the other existing brokering/matching subscription services to either determine their usefulness in BEIPU's work, or at the very least, elicit technical assistance from these information networks on how best to set up a network for Belize. BEIPU may be able to work out a barter arrangement with an existing service (such as CBlN or OPIC' Opportunity Bank) to exchange investor and market opportunities information in Belize for interested foreign investor or trader leads. AID will also assist BEIPU in liaison with the Caribbean Basin Business Information Center (CBBIN), located in the Department of Commerce's U.S. Foreign and Commercial Services Division. As one of its services, CBBIN publishes investor newsletters regularly, which announce opportunities and interested investors.

The project and BCCI will seek to develop relationships with trade associations, regions and small markets. BEIPU will

conduct activities in the agricultural, manufacturing and tourism areas in coordination with industry trade associations active in those areas such as the Belize Tourism Industry Association (BTIA), the Belize Tourism Board (BTB), the Vegetable Growers' Association, and the Federation of Fishing Cooperatives.

It is envisioned that BEIPU will undertake several carefully selected trade missions for investment and export promotion purposes, based upon the reporting of positive cost-benefit results from previous trade missions conducted under Export Promotion Project 505-0025. It is anticipated that major investments from at least three different countries, on a joint venture basis, will be made. Also the BCCI will build on "twinning" relationships already initiated with certain U.S. business chambers..

v. Export Promotion Services

The following are functions that BEIPU will carry out for any type of export:

- assist exporters and potential exporters in identifying markets for their products, particularly in preferential markets as identified under the CBI, Lome and Caricom Conventions.
- establish a data base to assist exporters as well as provide a brokering service for exporters by finding buyers for particular products through tie-in to existing brokering services.
- participate in overseas trade exhibitions and organize trade exhibitions in Belize.
- sponsor technical training workshops for exporters in product marketing, packaging, and design.
- assist exporters in obtaining short-term working capital finance from the commercial banks and other institutions with lending experience in Belize such as LAAD, OPIC, and CDB as well as new lending institutions fostered by the GOB, Belizean private sector and/or AID.

vi. Investment Promotion Services

The following are functions BEIPU will carry out for any type of investment - industrial, agricultural, or tourism:

- undertake feasibility studies for potential investors to identify sectors in which Belize can be competitive internationally, and also to analyze projects which can be profitable and useful in Belize.
- tie into an existing data base, or establish a suitable base with technical assistance from other services, to assist in evaluation of new investment opportunities.
- assist in identifying local partners for potential foreign investors and foreign investment partners for local entrepreneurs.
- provide assistance to potential investors requesting tax concessions from the Government and acting as an advisor and facilitator. To correct the inefficiencies of the present system of incentive and concession granting, BEIPU will involve itself closely in policy dialogue with GOB regarding the standardization of the incentive and concession granting process.
- consider sponsoring or participating in investment or trade missions to the United States as well as play a major role in hosting investment missions sponsored by groups in the United States. Decisions to commit funds to such activities will be carefully evaluated with a view to overall benefit to BEIPU's activities vis a vis time and cost.

The distinction between the Government BTB's role and BEIPU's role with respect to tourism promotion is as follows. Specifically, BTB will work with Tourism Destination Promotion (promoting Belize as a travel destination), while BEIPU will work with Tourism Investment Promotion. To fulfill their respective roles, obviously areas of duplication may occur. Thus, close co-ordination is required between BEIPU and BTB:

- BEIPU will develop a clear understanding of what exactly the tourism industry is seeking to promote, and set priority areas of intervention.
- BEIPU will coordinate a program that outlines priority investment needs in the tourist sector. The program should highlight upgrading and improvements in facilities and services that are needed.
- BEIPU will assist the BTB and the tourism industry in Belize in arranging a cooperative advertising effort with the U.S. tour operators and wholesalers.

BEIPU will work with BTB and BTIA in encouraging joint ventures between airlines, hotels, and tour wholesalers to develop package tours to various destinations in Belize.

vii. Project Analysis, Selection and Facilitation Capabilities Established within BEIPU

Systems for screening prospects (qualification) and assisting them to exercise the "system" (one-stop shopping) will be developed. Experience has shown that it is critical to find the right investor/entrepreneur and to assist that investor from beginning to end in making the investment. Initial inquiries will involve a fee or suggested contribution, to be applied to other service costs should the client decide to follow up. In this way, casual inquiries can be weeded out, which are a drain on BEIPU's time and resources. A serious investor will understand such a fee and be willing to help maintain a private entity. For corporations or individuals needing special services (e.g., feasibility studies, technical support) a fee for service will be charged. BEIPU will be a "one-stop shop" for business services related to exports and investments. Assistance in business registration, clearances, and paperwork will be provided by BEIPU to maintain a speedy and efficient process for getting exports out of the country and for getting investors through the system and operating on the ground. Access, liaison and input with local government planning units is necessary and will be a part of the ongoing communications and information process of BEIPU. Should incentives and/or concessions be necessary, BEIPU will act as agent for the investor in preparing documentation and gaining access to government officials. As mentioned before, care will be taken so that the investor realizes BEIPU's facilitation role in the process, and not the approval of incentives or concessions, which is the role of Government entities.

BEIPU will develop a fee schedule for these and any other services they will provide, based on the costs involved to provide the service (ie. person hours, materials, consultant services, purchase of special materials, transportation costs, etc.) on a not for profit basis.

vii. Product Improvement and Marketing Services

The lack of an efficient and growing production base in Belize is a major constraint to export growth; technical assistance will assist BEIPU in expanding and strengthening that production base. The Project will provide short-term technical assistance aimed at product improvement, quality control, and solving special marketing problems. The services of the IESC and Project SUSTAIN, as well as others will be utilized to

provide marketing, packaging production and quality control assistance to local manufacturers. BEIPU will also budget for special studies to be conducted by specialized consultants as the need may arise.

viii. Project Monitoring and Evaluation

The data base maintained at BEIPU will include a tracking system of all prospective and actual investors and projects. The tracking system will ensure that all steps and follow-up actions will be taken to assist potential investors implement projects. It will also measure the results of realized projects in detail, including foreign exchange, tax revenue and employment generation implications. The tracking system will enable BEIPU to inform the private sector, the GOB and AID, of progress made in meeting export, investment and tourism development objectives.

b. Inputs

The total cost of the private sector component is estimated at \$2.83 million.* The \$2.0 million DA grant will fund:

- (a) A long-term technical assistance PDAP advisor in BEIPU for three years at a cost of \$345,000 per month.
- (b) A short-term technical assistance of approximately 40 person months at a cost of \$400,000;
- (c) Promotion - Promotional costs for BEIPU (\$420,000);
- (d) Equipment and Supplies - purchase of equipment and supplies (\$87,000);
- (e) BEIPU operations (\$429,000)
- (f) Evaluations and audits (\$85,000)
- (g) Contingencies and inflation (15%) (\$234,000)

*Over the five-year life of project, \$830,000 is expected to be generated by BEIPU revenues, including user fees, loan points, commissions, consulting fees, and contributions by the private sector and/or other donors.

2. Public Sector Component

a. Outputs

The public sector component of the project will involve assistance to the Belize Tourist Board under the Ministry of

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Commerce, Industry and Tourism, and to the Office of Economic Development under the Ministry of Foreign Affairs and Economic Development.

i. Belize Tourist Board (BTB) Strengthened

The BTB has consistently suffered from lack of planning, staff and financial resources. As of now, the BTB has only one professional with limited experience, along with two clerical helpers, and its operational budget is only Bz\$100,000. This project will initially provide funding to contract for advertising promotion services, to hire technical assistance to assist BTB's staff, and to put together promotional materials. To receive this funding and staffing assistance, the GOB has agreed to continue funding the BTB after 3 years at the USAID/BTB combined funding level at the time the project ends. Thus, the BTB will be assured of sustainability.

The BTB will prepare a Tourism Marketing Plan for Belize. The plan will focus on promoting Belize as a travel destination and will focus on particular tourism markets (the adventure traveler). The BTB Director will be assisted in this endeavor by the Tourism Consultant hired by AID, and by an advisory panel made up of members from the tourism industry.

In formulating the plan, BTB will develop a clear understanding of exactly what the tourism industry is seeking to promote. But, the BTB will promote Belize as a tourist destination, and not any particular business or organization. BTB will work with the Belize Export and Investment Promotion Unit (BEIPU), Belize Tourism Industry Association (BTIA), etc., to prepare a brochure to improve awareness of Belize as a travel destination. The brochure will promote the areas with most potential--that of specialized tourism, especially in the areas of diving, fishing, nature studies and archaeology. BEIPU will closely monitor the implementation of recommendations set forth in the November 1985 Tourism Action Plan for Belize, by the Caribbean Tourism Research and Development Centre, and where appropriate become involved in the implementation of recommendations, and other future studies sponsored by the GOB.

BTB will work with specialized tour operators and wholesalers in the U.S. to build awareness of Belize's attractions. In conjunction with this, BTB might consider arranging for familiarization trips for a few carefully chosen operators and wholesalers.

BTB will develop a program to encourage the restoration and development of ground service facilities in an effort to attract cruise ships to Belize.

BTB will track the results of efforts by monitoring the increased amount of tourism traffic coming into Belize. As BTB's future funding depends on increasing the number of tourists, it should keep close tabs on these figures to enable effective planning.

ii. Office of Economic Development (OED) Strengthened

The project will provide a total of three months of technical assistance (TA) over one year to the Office of Economic Development. The TA will assist OED in streamlining the concession process so that investors are treated equitably, and on a timely basis. But, in this element of the project, extreme care will be taken to ensure proper co-ordination between BIM's public administration advisor with OED, and the advisor added under the Economic Stabilization Agreement.

The discretionary features of Belize's investment and incentive laws result in a process which, in terms of stimulating timely investments, can be improved. Experience elsewhere has shown that clear definition of eligibility and consistent practice in administration of incentive programs are of substantial importance to investors. In short, they want to know on a timely basis, if they meet the qualifying criteria and, if so, what concessions and incentives they will receive. They prefer to deal with a system of prescribed qualifications and benefits and avoid dependence on negotiations. This preference is particularly important when, as in Belize, uncomplicated incentives are involved.

The actual system of receiving inquiries, stimulating interest and processing proposals appears to work in a fairly satisfactory manner at the present time. The pertinent question is whether the system can maintain its efficiency when volume increases significantly. The Office of Economic Development will be strengthened to avoid volume related delays, and the process will be streamlined and standardized. The Office is already hard pressed to handle the current volume of applications. We anticipate a substantial increase in this volume as BEIPU becomes fully staffed. It is important that this problem be addressed before unacceptable processing delays occur.

In addition, the project will provide both, a micro-computer system to OED and training to the OED staff to operate that system. This provision will assist OED in rationalizing and streamlining its activities.

b. Inputs

The total cost of the public sector component is estimated at \$1.17 million. The \$.50 million DA grant will fund:

- (a) Technical assistance for BTB and OED (approximately 1/4 person years at a cost of \$200,000). This technical assistance consists of:
 - 4 person months of technical assistance, at the OED (\$40,000);
 - 1.5 years of technical assistance as the tourism advisor at BTB (\$160,000);
- (b) Promotion - U.S. promotional costs for BTB (\$220,000);
- (c) Equipment and Supplies - microcomputer for OED and BTB (\$40,000);
- (d) Contingencies and inflation (approximately 15%) (\$40,000).

c. Financial Plan and Analysis

1. Financial Plan

This project will total \$4.0 million, of which \$2.5 million (63%) will be an AID DA Grant, with the remaining coming from participating institutions' counterpart contributions, and private sector contributions.

The life of the project is five years, from FY86 through FY90. Table 3 presents the summary financial plan. Table 4 reflects summary cost estimates by component and activity. Table 5 reflects planned expenditures by year and source of funding.

Table 2
SUMMARY FINANCIAL PLAN
(US\$000)

	USAID		LC HOST COUNTRY			TOTAL
	<u>FX</u>	<u>LC</u>	<u>PS</u>	<u>GOB</u>	<u>LC</u>	
Personnel	0	234	261	125	620	
Long-Term TA	241	104	0	0	345	
TA/Studies	525	75	0	0	600	
Investor Search	75	0	0	0	75	
Equipment/Supplies	107	20	0	13	140	
Logistical Support	20	100	473	125	718	
Promotion	560	80	0	320	960	
Evaluation/Audit	75	10	0	0	85	
Inflation	75	22	35	29	161	
Contingency	<u>137</u>	<u>40</u>	<u>61</u>	<u>58</u>	<u>296</u>	
Total	1815	685	830	670	4000	

Table 3

SUMMARY COST ESTIMATE BY COMPONENT
(US\$000)

<u>ACTIVITY</u>	<u>USAID</u>	<u>PS</u>	<u>GOB</u>	<u>TOTAL</u>
Private Sector Component:				
Personnel	234	261	0	495
TA/Studies	400	0	0	400
Long-Term TA	345	0	0	345
Investor Search	75	0	0	75
Equipment/Supplies	87	0	0	87
Logistical Support	120	473	0	593
Promotional Costs	420	0	0	420
Evaluation/Audit	85	0	0	85
Sub-Total before inflation and contingencies	<u>1766</u>	<u>734</u>	<u>0</u>	<u>2500</u>
Inflation	83	35	0	118
Contingency	<u>151</u>	<u>61</u>	<u>0</u>	<u>212</u>
Sub-Total	2000	830	0	2830
Public Sector Component:				
Long Term T.A.	180	0	0	180
Short Term T.A.	20	0	0	20
Equipment Supplies	40	0	13	53
In-kind Support	0	0	250	250
Promotion	<u>220</u>	<u>0</u>	<u>320</u>	<u>540</u>
Sub-Total	<u>460</u>	<u>0</u>	<u>583</u>	<u>1043</u>
Inflation	13	0	29	42
Contingency	<u>27</u>	<u>0</u>	<u>58</u>	<u>85</u>
Sub Total	<u>500</u>	<u>0</u>	<u>670</u>	<u>1170</u>
Total	<u>2500</u>	<u>830</u>	<u>670</u>	<u>4000</u>

Table 4

SUMMARY EXPENDITURE SCHEDULE BY FISCAL YEAR

<u>FISCAL YEAR</u>	<u>USAID</u> <u>FX/LC</u>	<u>HOST COUNTRY</u>		<u>TOTAL</u>	<u>%</u>
		<u>PS</u>	<u>GOB</u>		
1986	443	50	30	523	13
1987	716	107	71	894	22
1988	507	140	95	742	19
1989	384	188	153	725	18
1990	300	225	211	736	18
1991	150	120	110	380	10
Total	2500	830	670	4000	100

The largest category, totaling \$945,000, or 24% of total project costs, is for technical assistance. Of this amount, 79% is allocated to the private sector component, and 21% to the GOB public sector component. The technical assistance financed under the private sector component will consist principally of the long-term TA and short-term technical assistance in the expansion of production base and conducting feasibility studies. The technical assistance in the public sector component will be concentrated on the BTB to improve tourism development and management and for the OED, to streamline the concession process.

Other costs, including personnel, equipment and supplies, logistical support, project management, facilities, and promotion total \$3,055,000 and represent 76% of total project costs. Of this amount \$1,500,000 or 37.5% will be contributed by participating institutions.

The project has a total of \$85,000 budgeted for two evaluations and four annual audits, the first audit taking place in the second year of the project. Budget line items for both inflation (4%) and contingencies (8%) have been included in both components.

2. Methods of Financing and Evaluation of Need for Audits

The Methods of Implementation and Financing for this project as currently envisioned by the Mission are shown in Table 1 of the Financial Analysis Annex. As shown in that Table, the Mission proposes to utilize direct payment and direct reimbursement methods of financing for all project inputs. These are identified as preferred methods of financing in AID's Payment Verification Policy Implementation Guidance.

All A.I.D. appropriated funds for foreign exchange costs of the private sector component will be managed directly by A.I.D. BCCI will be charged with the responsibility of sound cash management and fiscal control of all funds, including the detailed accounting and reporting on cash receipts, cash outlays and expenditures by obligating documents (any contract to which BCCI is a party). Forms to be used and procedures to be followed by BCCI for discharging its responsibilities will be those established by the Mission for U.S. dollar financing.

To provide senior responsible officials of BCCI and AID with assurance that adequate financial management practices are exercised in handling resources provided under the Project, an independent audit of BCCI's financial records for the project will be carried out annually. BCCI, in coordination with AID, will arrange for subject audits. The cost of these audits will be funded under the Evaluation/Audit budget element of this Project.

All A.I.D. appropriated funds for foreign exchange and local currency costs of the GOB component will be subject to audits arranged by A.I.D. Such audits will also be funded under Evaluation/Audit budget element.

All direct A.I.D. procurements funded under this grant will be handled by the Mission directly in the form and manner established by A.I.D for such purposes.

With regard to the project's recurring costs, BCCI has expressed its interest to the Mission that it plans to operate BEIPU efficiently as a not-for-profit business. A number of revenue raising mechanisms are presented in the Financial Analysis Annex. These include fees for brokerage service, export marketing, consulting, feasibility studies, concession application assistance and general information. The BCCI will covenant to provide, within 1 year of signing the Cooperative Agreement, a detailed plan for becoming financially viable and self-sustaining by the end of the Project.

V. IMPLEMENTATION PLAN

A. Implementation Responsibilities and Administrative Arrangements

The \$2.5 million grant will be obligated by means of two grant agreements. The agreement for the public sector component will be signed with the GOB and will have the Ministries of Foreign

Affairs and Economic Development and of Commerce, Industry, and Tourism as the primary GOB implementing entities. The agreement for the private sector component (a cooperative agreement) will be signed with the BCCI.

1. GOB

On an annual basis, detailed budgets and workplans for activities to be implemented under GOB ministries/agencies will be approved by AID, and the authorized representative(s) of the implementing entities. Approval for costs according to the workplans may be made by way of Implementation Letters.

In all cases, the specific objectives, budget, implementation requirements and responsibilities for each activity will be specified in the approval documentation related to that activity.

AID will contract most TA from the U.S. and some TA from Code 941 countries. A USAID Project Review Committee will (a) periodically review existing and proposed resource allocation under the project, including any need to make major changes in it; (b) review obligating documents, and clear and/or make recommendations to the AID Representative according to normal Mission procedures.

A project coordination committee consisting of a member each from OED, MCIT, BCCI, and USAID/Belize will meet quarterly to assure the coordination of project activities between the three entities. In addition, the committee will also assist in coordinating project activities with other programs and policies of the GOB, USAID/Belize and BEIPU.

2. BCCI/BEIPU

As in the case of the GOB, detailed budgets and workplans will be submitted and reviewed on an annual basis and approval for Implementation Letters.

BCCI/BEIPU will be responsible for negotiating and managing contracts with local entities for conducting a variety of in-country training, technical assistance and research activities. In order to strengthen BCCI as an institution, contracts for technical assistance required by the project will be executed and managed by the BCCI in accordance to Handbook 13 and under close supervision by AID. USAID/Belize will rely on BCCI to see that the activities of the U.S. contractor(s) are performed in a manner that is in the best interests of the composite program for which BEIPU is the main implementing entity.

Constant liaison between BCCI and USAID will be maintained by the BEIPU director and the USAID project manager.

B. Disbursement Procedures

A variety of standard AID disbursement procedures will be employed, depending upon the complexity of each of the approved activities. AID direct disbursement mechanisms will be controlled at the Mission level. In addition, Direct Letters of Commitment will be utilized for procurement of commodities requiring foreign exchange.

C. Procurement Procedures

The selection of consultants and contractors, procurement of equipment and material, shipping and insurance will be done in accordance with standard AID procedures. USAID/Belize will supervise adherence to the Gray Amendment which provides for the increased use of minority and women-owned firms, historically black colleges and universities, and minority controlled PVOs in contracting under this project. For those DA grant-funded acquisitions for which BCCI are responsible, terms and conditions will be specified in the Cooperative Grant Agreement and subsequent Implementation Letters, in accordance with HB 13. Project-funded procurements for the GOB component will, in accordance with the Project Authorization, be done by the Mission or AID/W, except on an exceptional basis where it is determined that sufficient capability exists for a particular host-country contracting action.

D. Schedule of Major Events

Disbursement of funds is scheduled over a period of five fiscal years. The Project Assistance Completion Date (PACD) will be 60 months from the date of signing of the Grant Agreements (planned for June 30, 1986).

There is time allowed (6 months) at the beginning of the project for project startup and initiation.

ESTIMATED IMPLEMENTATION SCHEDULE

Major Action	Estimated Project Month	Responsible Organization
<u>Private Sector Component</u>		
--Signing of Agreement	6/86	USAID/BCCI
--Appointment of the Board	7/86	BCCI/BEIPU
--BEIPU formally hires Executive Director	7/86	BCCI/BEIPU
--Submit annual plan and budget	7/86	BCCI/BEIPU
--Advertisement for TA	8/86	USAID/BCCI/BEIPU
--BEIPU hires staff	8/86	BCCI/BEIPU
--T.A. proposals received	10/86	BEIPU
--T.A. contract awarded	11/86	USAID/BCCI/BEIPU
--First visit by T.A.	1/87	USAID/BCCI/BEIPU
--Annual review, submittal of plan and budget	6/87	BCCI/BEIPU
--In-depth evaluation	11/87	USAID/BCCI/BEIPU
--Annual review, submittal of plan and budget	6/88	BCCI/BEIPU
--In-depth evaluation	3/89	USAID/BCCI/BEIPU
--Annual review, submittal of plan and budget	6/89	BCCI/BEIPU
--Annual review, submittal of plan and budget	6/90	BCCI/BEIPU
--Independent, in-depth evaluation	1/91	Contractor
--Project termination	6/91	USAID

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Public Sector Component

--Signing of agreement	6/86	USAID/GOB
--Annual review, submittal of plan and budget	7/86	GOB
--Initial conditions precedent met	8/86	GOB
--Advertisement for T.A.	8/86	USAID
--T.A. proposals received	9/86	USAID
--T.A. contracts awarded	11/86	USAID/GOB
--Annual review, submittal of plan and budget	6/87	GOB
--In-depth evaluation	11/87	USAID/GOB
--Annual review, submittal of plan and budget	6/88	GOB
--Annual review, submittal of plan and budget	6/89	GOB
--Independent, in-depth evaluation	1/91	Contractor
--Project termination	1/91	USAID

In addition to the above schedule of major events, quarterly progress reviews will be held with USAID/Belize.

E. Monitoring Plan

1. Aid Project Monitoring Arrangements

Project monitoring will be exercised by a Project Manager assigned from USAID's Program and Project Development Office (PPDO). The PDO Project Manager will work closely with BEIPU, BCCI and GOB implementing entities to assure that project implementation plans and objectives are met.

In accordance with Mission policy, project review meetings will be held monthly to review and direct project implementation. The AID Representative will chair the meetings. Representatives from the Program and Project Development Office, the General Development Office (GDO), and the Controller's Office (CONT) will attend the meetings.

The PPDO Project Manager will also call upon other Mission offices as needed. This will include:

--GDO, which will assist in carrying out BIM/BEIPU project coordination.

--CONT, which will review disbursement and reimbursement requests for conformity with AID regulations and ensure that adequate financial controls are exercised.

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2. Assessment of AID Monitoring Capability

It is expected that given the level of Mission staff, on-board and planned, there will be no difficulty in carrying out project monitoring responsibilities.

F. Evaluation and Audit Arrangements

As project implementation moves forward, it is anticipated that some problems may emerge and modifications may be necessary. Regular monitoring and evaluation will have an important role in the identification of those problems, and the project plans three levels of reviews to maximize their input to contribute to the achievement of the project objectives.

Quarterly reports will be provided to USAID/Belize by BCCI/BEIPU, the OED, and the MCIT. The reports will cover all major activities and accomplishments, including actual versus planned progress, factors affecting implementation, financial status, and training effectiveness, as well as a financial report.

Initial evaluations to be conducted after two and four years will involve USAID/Belize, AID/W, BCCI/BEIPU staff, and two independent consultants. These evaluations will be conducted to examine the progress of activities under each component, the appropriateness of the services being provided, and the responsiveness of BEIPU, MCIT, and OED towards private sector needs and the management of the project.

A final evaluation will be conducted at the end of year five. It will be carried out by an independent consultant team and will focus on an assessment of the overall success of the project. To do so, country developments, problems, and accomplishments will be examined.

The project has budgeted \$50,000 for five annual audits. The audits will examine and render audit opinions in financial statements, analyze and make recommendations on internal control and vulnerability, and focus on assessing and making recommendations on BEIPU's financial viability, cost structure, etc. The audits will also include a management audit section which will examine how well BEIPU and the project in general are being administered.

VI. CONDITIONS, COVENANTS, WAIVERS AND NEGOTIATING STATUS

Two separate agreements will be signed to obligate the project's funds. A Cooperative Agreement will be signed with

BCCI for obligating project funds for the private sector component. A Grant Agreement will be signed with the GOB for obligating project funds for its component. The conditions and covenants to be included in each of the two obligating instruments are as follows:

A. Cooperative Agreement

1. Conditions Precedent to Disbursement

a. Conditions Precedent to Initial Disbursement

Prior to any disbursement of project funds under the Cooperative Agreement, or the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

(i) A statement by the Board of Directors of BCCI naming the person empowered to receive the funds provided under the Cooperative Agreement and any additional representatives, together with a specimen signature of each person so designated.

(ii) Evidence that BCCI has established a separate bank account to control the receipt and disbursement of all project funds.

(iii) An implementation plan and detailed budget for the first year of program activities.

(iv) Evidence of the establishment of BEIPU Executive Board.

(v) A statement by BCCI which indicates that the BEIPU Director has been appointed by the BEIPU Executive Board, together with evidence of an appropriate plan for staffing and office space.

(vi) Evidence that BCCI has established and will maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records related to the Cooperative Agreement, adequate to show without limitation, the receipt and use of all goods and services acquired under the Cooperative Agreement. Such books and records will be audited annually, in accordance with generally accepted auditing standards and be maintained for at least three years after the date of last disbursements to BCCI under the Cooperative Agreement.

(vii) Evidence that BCCI has hired a full-time accountant who will work for BCCI, BEIPU, and BIM.

2. Covenants

BCCI will submit to AID for approval annual implementation plans and budgets for project-financed activities.

B. GOB Grant Agreement

1. Conditions Precedent to Disbursement

(a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 6.A.1.a.i, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) A description of each activity which shall include, but not be limited to its budget, implementation schedule and staffing requirement.

2. Condition Precedent to Additional Disbursement.

Prior to any disbursement, or the issuance of any commitment document under the Grant Agreement to finance any technical assistance, the GOB and BCCI shall furnish, in form and substance satisfactory to A.I.D., scopes of work for such technical assistance.

3. Covenants

(a) The GOB covenants that equipment and materials funded by the project will be adequately maintained and that such maintenance will include adequate inventory control and security measures.

(b) The GOB covenants that it will submit in form and substance satisfactory to AID, a detailed workplan and budget for each year of the Project.

(c) The GOB covenants that it will, after the project ends, continue funding the BTB (at the USAID/BTB combined funding level at the end of the project) for a period of three years.

C. Waivers for Both BCCI and GOB Agreements

1. Competition in the procurement of goods is hereby waived and a single-source negotiated contract is hereby authorized in order to permit the procurement of approximately two Ford vehicles valued at some \$25,000.
2. The requirement for shipping by U.S. flag vessels is hereby waived. The waiver will permit payment for shipment on vessels registered in AID Geographic Code 899 countries.
3. The requirement for technical assistance from the U.S. or the host country is waived. In the area of tourism, Third Country technical assistance is anticipated from a Caribbean nation which has a successful tourism program.
4. The requirement for host country funding of AID-financed participant travel is waived.

D. Negotiating Status

The project has been jointly developed with representatives of the GOB and BCCI and other organizations which will be involved in the project. Enthusiasm is high and USAID/Belize expects that Agreements will be signed expeditiously after the project is authorized.

VII. SUMMARY OF ANALYSES

A. Economic Analysis Summary

The proposed project will assist BEIPU over a period of five years to promote exports, investments and tourism in Belize. BEIPU's activities will result in several long-term benefits for the Belizean economy. These include an institution building component, human resource development, increased employment and generation of foreign exchange. The extent of these and other benefits will depend upon the number of productive investments and tourists that BEIPU's activities attract. In addition, the size and sectoral location of these investments will play a large part in determining the extent of the benefits to the economy. Although increases in potential productive enterprises and tourists were identified, quantification of the benefits to the economy as a whole (i.e. cost-benefit analysis of an assumed percent increase in exports) would be arbitrary. In addition, the contribution of several of the benefits to the economy (human resources development, for example) is extremely difficult to quantify even though the costs of undertaking the proposed project, on

the other hand, are easily quantified. Hence, the benefits are discussed here in qualitative terms.

1. Benefits To The Economy

a. Employment Effect

One of the major benefits to the economy of increased investment and tourism activities will be a corresponding increase in employment. As new ventures and more facilities to cater to tourists begin operating, several hundred jobs will be created each year. This increase will be supplemented by additional jobs in ancilliary industries. Jobs will be created at all levels of the economy--skilled, semi-skilled and non-skilled--workers will be hired as construction of new infrastructure begins and as these ventures begin operations. While Belize does not suffer from population and unemployment pressures to the same degree as do other developing countries, this increase in productive employment will nonetheless be a significant benefit to the economy.

The cost of generating these jobs is not very high as is illustrated in a preliminary analysis prepared by BEIPU. The analysis encompasses new and proposed investments in Belize and estimated that between 1985-86, 25 productive ventures were projected to begin operations. Total investment costs were projected at U.S.\$15 million and projected job creation at 2,500 for an average cost per job of U.S.\$6,000, which is not very high.

b. Human Capital Development

As modern productive enterprises and institutions catering to the tourism sector establish themselves and begin operations, the Belizean labor force will benefit from training and hands-on experience in several sectors, which might not otherwise have been available to it. As a result, management skills will become more widespread which will, in turn, stimulate additional economic activity by developing a new generation of Belizean entrepreneurs, and by enhancing the skills of existing entrepreneurs.

c. Foreign Exchange Effect

An increase in the number of tourist arrivals in Belize and, as facilities develop, in the length of stay, coupled with the establishment of new export-oriented enterprises, will have a large and direct beneficial effect on Belize's balance of payments (BOP). While foreign exchange costs for imported

capital goods might increase in the short run, the resultant earnings from exports and tourism will exceed them in the medium term.

This point is underscored by the example from the tourism sector. Currently, an estimated 15-20,000 tourists enter Belize each year. The average length of stay is 4-5 nights and each tourist is estimated to spend approximately U.S.\$80 per day on average. Direct revenues could thus be estimated at between U.S.\$5-8 million annually. If, with the help of an active tourism promotion project, tourism arrivals increase to 75,000 per year, revenues from tourism would expand dramatically. In addition, the successful initiation of more package tours should increase average length of stay to 7-8 days. Thus, tourism revenue has a peak potential to increase to almost U.S.\$40-50 million per year.

d. Technology Transfer and Infrastructure Development

Many of the new enterprises that will be established in Belize, particularly in the agricultural sector, will be located in areas that are not currently well-developed, nor well-served by infrastructure. They will need to build access roads, link themselves to power and water connections and eventually to provide housing and education for workers and their families. This will be viewed by investors as part of the cost of doing business in Belize and hence an acceptable expense. Furthermore, investors will introduce sophisticated new technology which might not otherwise have been available to the country.

e. Multiplier Effect

As the economy begins to develop and gain more depth, ancillary industries such as airlines, other transport services, banking, food and lodging, among others, will expand the range of services available. This in turn will translate into greater prosperity for a growing number of the Belizean workforce. Some of these benefits will begin to accrue immediately, while others will take longer to prove fruitful. The net effect will be an immediate boost in the level of economic activity and BOP which should greatly stimulate long-term growth in the economy.

The multiplier effect of tourist dollars needs to be considered as well. Tourist industry statistics for the region indicate that each dollar spent by tourists generated \$3.50 in additional expenditure. Assuming that this multiplier is representative of Belize's situation, and assuming that the

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projected increases in tourist arrivals and length of stay materialize, the indirect expenditures generated could exceed U.S.\$100 million, as against their current level of approximately U.S.\$20 million.

2. Cost Effectiveness

Alternatives to the proposed project were considered and dismissed for various financial, economic, or other reasons. It is also clear that in the absence of the proposed project, BEIPU would be unable to sustain its present level of activity. While it is possible that other donors may be approached to fund a similar project, this has not yet been done and would involve a substantial delay and discontinuity in BEIPU's activities. There is also no other significant public or private sector initiative to promote exports, investments and tourism in Belize that could replace the proposed project at this time. In all probability, although there would be growth in these sectors as a function of general economic development, it would be random and neither sustained nor significant.

Among the alternative models considered were the following:

a. Strengthening the governmental agencies responsible for promoting and supporting industry, tourism and agri-business.

This approach would not be effective given the philosophical approach of the GOB, USAID objectives, and the difficulty of coordination. Furthermore, this approach appears to rule out any possibility of long-term self-sufficiency.

b. Long-term technical assistance to manage the start-up of the Project.

This approach appears to be deficient in that it ignores the institution building component of the BEIPU project. Experience with other AID export and investment promotion projects has indicated the high cost of initiating activities with a complete technical assistance team. It is estimated that a team of several persons for 2-3 years, with overhead paid to the home office, would utilize most of the LOP funding.

c. Establishment of foreign-based promotional offices.

At this time, foreign-based promotional offices are viewed as being of marginal benefit and too expensive, especially when viewed as a long-term, recurring cost for the GOB. They may prove to be viable at some time in the future, however.

d. A mixed public/private agency.

A mixed promotional entity poses an institutional problem in terms of reporting requirements and bureaucracy. It was felt that in the interests of simplicity and efficiency, a private sector orientation would be more likely to be successful.

B. Institutional and Administrative Analysis Summary

BEIPU is currently organized under BCCI, and the intent is for BEIPU to continue to operate as a semi-independent entity incorporating representation from a variety of private sector interests and trade associations in Belize. BEIPU is a division of the Chamber, but is an entity responsive to its own Board of Directors.

Close coordination between BIM, BEIPU, and BCCI will be required to ensure the success of all three.

OED should be able to adequately insure that the technical assistance for the concession process will be well used. Although, OED is somewhat understaffed, it is still an apparently well-run and efficient department.

The BTB will have greater problems insuring its success. The BTB is understaffed, undertrained, and underbudgeted, and thus a significant effort will be made to utilize the project funds efficiently and effectively, while increased GOB allocations will be used to augment the staff. After the project end, the GOB assures continued funding of BTB at combined AID/GOB levels during the project.

The Mission has carefully analyzed the institutional arrangements of BEIPU within BCCI, and of the division of labor between the private and public sectors. These analyses are included in the Institutional Analysis Annex.

C. Social Analysis Summary

Because the project will not concentrate strictly on one geographic area or sector, a good urban/rural distribution of benefits should be achieved. This takes into account the shift away from Belize City implied by increased and diversified agricultural production and investment, export and tourism promotion.

The project should have a positive impact on the employment situation. In addition, by stimulating private sector development in Belize, the project will help provide high

quality jobs to lure some emigrants back, and in addition, less loss though emigration should occur.

In terms of employment, this project is expected to help create a minimum of about 150 new jobs per year and facilitate a minimum of \$4 million in new investments in the productive sector (Figures based on 505-0025 project inputs). These jobs will be geographically dispersed. In agriculture the jobs will be located throughout the entire country; in industry, jobs created will start slowly and increase over time.

The impact on women from this project should be positive, and the project should bring about a large transfer of technology and skills.

D. Technical Analysis Summary

1. Overview

As discussed in the project description, BEIPU will undertake a much needed role in the development of the Belizean economy through export and investment promotion services provided through a variety of mechanisms. The project's design and technical feasibility is based on careful consideration of the country's export opportunities, trends in the U.S. marketplace, foreign investment flows, current constraints (institutional, legal/regulatory, credit, etc.) and infrastructure and human resource limitations.

In the initial stages, BEIPU will concentrate its efforts on two sectors in which Belize has the most significant potential and comparative advantage--agribusiness/agriculture and tourism. As these two sectors develop, BEIPU will concentrate more effort on light industry.

2. Agriculture

In agriculture/agribusiness, target products areas will be aquaculture and fisheries, fresh fruit and vegetables for the U.S. winter market (tomatoes, cucumbers, cut flowers, mango), cacao, and wood products. Because of several constraints to diversification, cultivating non-traditional crops poses substantial risk to any farmer or investor. If Belize is to succeed in broadening its economic base, these risks of diversifying agricultural production must be reduced. At the same time, the availability of skilled and seasoned manpower will have to be substantially increased. Many of the constraints in this area will be addressed by the Commercialization of Alternative Crop Project 505-0008.

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3. Tourism

In tourism, key areas of development will be marine resorts (diving, fishing, water sports), archaeological ruins and wildlife tourism. The industry appears to be aware of its specialized problems and how they impact tourist promotion in Belize. Tourism, although the number two foreign exchange earner after sugar, is such an underdeveloped activity in Belize that there is a danger of overestimating its growth potential. The opportunity is obvious when one assesses the attractions of Belize and how little awareness there is of these attractions in the travel trade. Further, these attractions lie largely in the specialized segments of travel, and fastest growing part of the industry. Nevertheless, the inherent lack of sophistication and experience in the domestic industry, the inadequacy of the infrastructure, the mix and quality of facilities are limiting factors which cannot be underestimated. A comprehensive tourism plan is needed, and is provided in part through the November 1985 report prepared by Steigenberger Consulting for the Caribbean Tourism Research and Development Center. The conclusions and overall recommendations contained therein will be carried out through BTB with a cooperative working relationship between BEIPU and BTIA. No further funds or efforts should at this point be devoted to studying the problem; rather, the urgent need is to get underway with an implementation program. In short, much needs to be done and much can be accomplished. The more that is done to overcome the limitations, the greater the growth that can be expected. Careful planning, facilities improvements and a highly effective marketing program will help to accelerate the growth in tourism for Belize.

4. Manufacturing

In manufacturing/industry, relatively little is currently being exported from the manufacturing sector. Manufacturing has a very small participation in GDP and most of it is centered on activities with direct links to the agricultural sector. This is a natural result of the small domestic market in Belize and the relatively low absorptive capacity of the economy. For this reason, Belize has had limited opportunities to develop an industrial sector based on an import substitution policy. In addition to the lack of diversification, Belize suffers from a paucity of productive infrastructure. This is manifested especially in the transportation network which is handicapped by a limited and poor road system, no railroad, infrequent air service and no deep water port facility. The major opportunity for development in this area lies in expansion within non-traditional sectors of the economy and in capturing new

offshore markets for manufacturing. This would involve setting up processing zones and facilities to allow foreign investors to utilize local labor and to have preferential access to regional markets.

5. Conclusion

In summary, the project has been designed so that BCCI/BEIPU can implement an export and investment promotion strategy based on real investment opportunities, the country's natural and human resources and advantages, and the limitations of its institutions and legal/regulatory environment.

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SUBJECT: REVIEW OF BELIZERS FY 1986/1987 ACTION PLAN

1. REVIEW OF BELIZERS FY 1986/1987 ACTION PLAN WAS CHAIRED BY DAA/LAC MARSHALL BROWN ON JUNE 14. A REVIEW OF NEW PROJECTS, CHAIRED BY LAC/DR, WAS ALSO HELD JUNE 14. IT WAS AGREED THAT: THE PROJECT DEVELOPMENT LIST IN PARA 5 BELOW WOULD BE FOLLOWED, AND THE FOLLOWING LEVELS FOR FY 86 AND FY 87 WOULD BE INCLUDED IN THE BUREAU BUDGET PRESENTATION:

	FY 86	FY 87
DA	6,800	2,500
ESF	4,000	4,000

2 ESF - THE ACTION PLAN ASSUMES THAT BALANCE OF PAYMENTS ASSISTANCE WILL NOT BE NEEDED AFTER 1986, AND PROPOSES ESF ASSISTANCE FOR PROJECTS TALLING DOLS 4 MILLION IN BOTH FY 86 AND FY 87. DURING THE REVIEW, IT WAS AGREED THAT RECENT EVENTS CALLED INTO QUESTION THE VALIDITY OF THIS ASSUMPTION THAT BALANCE OF PAYMENTS ASSISTANCE WILL NOT BE NEEDED AFTER 1986. IT WAS ALSO AGREED THAT THERE WAS A CONTINUING RATIONALE FOR ESF IN TERMS OF FURTHER GAINS

THAT COULD BE ACHIEVED IN POLICY DIALOGUE AND SUPPORT THAT COULD BE PROVIDED TO THE PUBLIC SECTOR INVESTMENT BUDGET (FOR SUGAR SUBSTITUTION PROGRAMS, FOR EXAMPLE). IT WAS AGREED THAT THE MISSION WOULD RECONSIDER ITS PLANNED USES OF ESF FOR FY 86 AND FY 87, WOULD PRESENT ITS REVISED PROPOSALS IN ITS FY 87 CONGRESSIONAL PRESENTATION (CP) MATERIALS, AND WOULD SUBMIT A CONCEPTS PAPER FOR FY 86 ESF SUBSEQUENTLY. THE CONCEPTS PAPER WOULD UPDATE THE MACROECONOMIC ANALYSIS, PRESENT A PROPOSED POLICY DIALOGUE NEGOTIATING AGENDA, AND INDICATE HOW THE DOLLARS AND GENERATED LOCAL CURRENCIES WOULD BE UTILIZED.

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3. PUBLIC ENTERPRISES - THE ACTION PLAN STATES THAT THE FY 85 STABILIZATION AGREEMENT REQUIRES THE BELIZE MARKETING BOARD (BMB) TO DIVEST ITS RICE MILLS AND TO DEAL ONLY WITH COMMODITY PRICE STABILIZATION. ALTHOUGH NOT PART OF CONDITIONALITY, THE MISSION'S POLICY DIALOGUE WILL ALSO ENCOURAGE DIVESTMENT OF THE BANANA CONTROL BOARD (BCB). IN RESPONSE TO A QUESTION IN THE REVIEW AS TO WHETHER THE ACTION PLAN GOES FAR ENOUGH IN DEALING WITH DIVESTMENT, THE MISSION REPRESENTATIVE EXPLAINED THAT THE GOB HAD EIGHT PARASTATALS, FIVE BREAK EVEN OR MAKE A PROFIT. THE THREE THAT ARE DRAINS ON THE PUBLIC BUDGET ARE THE BELIZE ELECTRIC BOARD (BEB) WHICH IS UNDER CONSIDERATION FOR DIVESTMENT, THE BCB WHICH IS TO END IN 1987, AND THE BMB WHICH IS BEING REDUCED IN ACCORDANCE WITH THE STABILIZATION AGREEMENT. THERE WAS DISCUSSION IN THE REVIEW REGARDING THE DESIRABILITY OF THE BMB CONTINUING WITH THE COMMODITY PRICE STABILIZATION FUNCTION AND IT WAS AGREED THAT THE MISSION SHOULD PRESS FOR COMPLETE ELIMINATION OF THE BMB AS SOON AS POSSIBLE WHILE EXPLORING OPTIONS FOR A MARKET ORIENTED MECHANISM TO DEAL WITH FOOD SECURITY. IF AT ALL POSSIBLE, THE MISSION SHOULD NEGOTIATE AN AMENDMENT TO THE FY 85 ECONOMIC STABILIZATION AGREEMENT TO REFLECT THIS CHANGE. IT WAS ALSO AGREED THAT THE MISSION, AS PART OF ITS PROPOSED POLICY DIALOGUE WITH FUTURE ESF ASSISTANCE, WOULD WORK WITH THE GOB TOWARD FURTHER DIVESTMENT OF THE PARASTATALS.

4. AGRICULTURAL STRATEGY - THE ACTION PLAN DESCRIBES WHAT THE MISSION PROPOSES TO DO IN THE AGRICULTURAL SECTOR, BUT DOES NOT PROVIDE ADEQUATE ANALYTICAL SUPPORT FOR ITS PROJECT ACTIVITY SELECTIONS. THE RECENTLY COMPLETED AGRICULTURAL SECTOR ASSESSMENT DOES NOT PROVIDE A SUFFICIENTLY COMPLETE ANALYSIS EITHER. THE MISSION REPRESENTATIVE AGREED THAT MORE WORK NEEDS TO BE DONE TO FILL GAPS IN AGRICULTURAL ANALYSIS AND THAT FOLLOW-UP

STUDIES TO BE FUNDED BY PD AND S AND THE NEW AGRICULTURAL DIVERSIFICATION PROJECT ARE PLANNED TO DO SO. IT WAS AGREED THAT GIVEN THE IMPORTANCE OF THE AGRICULTURE SECTOR IN BELIZE THE MISSION SHOULD HAVE A SOLID AND COMPREHENSIVE ANALYTICAL FRAMEWORK FOR THE SECTOR TO DISCUSS WITH THE GOVERNMENT.

5. THE FOLLOWING PROJECT DEVELOPMENT SCHEDULE WAS AGREED UPON:

FY 86
EXPORT AND INVESTMENT PROMOTION (0027)
FARMING SYSTEMS FOR MILPA FARMERS (0016) (A)
DEVELOPMENT CREDIT (0019) (B)

FY 87
ENERGY PLANNING AND DEVELOPMENT (0028) (C)

COMMENTS ON THE SUBSTANCE OF INDIVIDUAL PROJECTS WILL BE

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PROVIDED IN SEPTEL. PID APPROVAL AND PROJECT
AUTHORIZATION FOR PROJECTS 0027 AND 0028 IS DELEGATED TO
THE MISSION.

AS A GENERAL OBSERVATION, IT WAS AGREED IN THE ACTION PLAN REVIEW MEETING THAT GIVEN ITS WORKLOAD AND SMALL STAFF, THE MISSION SHOULD MAKE EVERY EFFORT TO CONSOLIDATE AND CONCENTRATE ITS ACTIVITIES.

- (A) DECISION ON MISSION OR AID/W PID APPROVAL OR PROJECT AUTHORIZATION FOR PROJECT 0016 WILL BE MADE AFTER INFORMATION REQUESTED IN SEPTEL IS REVIEWED.
- (B) PROJECT 0019 WILL HAVE PID REVIEW AND PROJECT AUTHORIZATION IN AID/W.
- (C) IT WAS AGREED THAT PROJECT 0028 WOULD BE SCALED DOWN SIGNIFICANTLY DISCUSSION OF SCALE AND TIMING OF PID FOLLOWS SEPTEL.

6. OPERATING EXPENSES: THE ACTION PLAN PROPOSES AN OE BUDGET LEVEL OF DOLS 640,000 FOR FY 86 COMPARED TO THE BUREAU'S TARGET LEVEL OF DOLS 450,000. THE PRIMARY REASON FOR THE MISSION'S INCREASED REQUEST IS EXPANSION OF THE OFFICE FORCE FROM 16, AS PROPOSED BY THE INK TASK FORCE, TO 24 IN FY 86 AND 25 IN FY 87. BECAUSE IT IS UNLIKELY THAT THE MISSION'S PROPOSED DOLLAR BUDGET LEVEL CAN BE MET, THE DAA ESTABLISHED A WORKING GROUP INCLUDING LAC/DR, LAC/CONT, AND THE MISSION REPRESENTATIVE TO REVIEW THE MISSION'S PROPOSED OFFICE FORCE AND DETERMINE ITS ADEQUACY. THE WORKING GROUP AGREED THAT THE CURRENT ON-BOARD STAFF WAS SUFFICIENT TO IMPLEMENT THE PLANNED

PROGRAM, AND THAT THREE ADDITIONAL POSITIONS WOULD BE NEEDED ONLY IF IT WAS DETERMINED THAT TRANSFER OF THE FULL RANGE OF ACCOUNTING ACTIVITIES FROM HONDURAS TO BELIZE WAS JUSTIFIED. IN THIS REGARD, THE BUREAU RECOMMENDS THAT THE MISSION, IN COORDINATION WITH M/FM, CARRY OUT AN ANALYSIS, INCLUDING OE BUDGET IMPACT, OF THE BENEFITS TO BE DERIVED FROM SUCH A CHANGE. IT WAS ALSO AGREED THAT THE MISSION WOULD MAKE EVERY EFFORT TO PROGRAM FUND ANY ADDITIONAL STAFF (INCLUDING A PROJECT

THE FOLLOWING SPECIAL CONCERNS WERE ADDRESSED:

- A. THE ACTION PLAN CONTAINS A DETAILED PRESENTATION OF GOALS AND BENCHMARKS, BUT IN SOME INSTANCES THE RELATIONSHIPS OF PROGRESS INDICATORS TO BROADER PROGRAM OBJECTIVES AND SECTORAL NEEDS SHOULD BE CLARIFIED. THE MISSION REPRESENTATIVE AGREED THAT DATES AND QUANTIFICATION OF TARGETS WOULD BE REEXAMINED AND THE GOALS AND BENCHMARKS WOULD BE REFINED WHEN THE MISSION PROVIDED ITS INPUT TO THE NBCCA TRACKING SYSTEM.
- B. WOMEN IN DEVELOPMENT - THE ACTION PLAN BRIEFLY SUGGESTS CERTAIN PROJECTS THROUGH WHICH WOMEN BENEFIT. HOWEVER, THE MISSION STRATEGY FOR INCLUDING WOMEN IN DEVELOPMENT IN ITS PROGRAMMING IS NOT CLEAR. THE MISSION REPRESENTATIVE STATED THAT GENDER SPECIFIC DATA IS CURRENTLY BEING COLLECTED FOR SOME PROJECTS. THE MISSION NOW HAS A WID OFFICER AND FUTURE PROJECTS WILL BE BETTER DESIGNED TO ADDRESS THE WOMEN IN DEVELOPMENT CONCERN.
- C. EVALUATIONS - THE MISSION HAS SCHEDULED EIGHT EVALUATIONS OVER THE NEXT TWO YEARS, WHICH IS A SUBSTANTIAL NUMBER FOR BELIZE'S SMALL STAFF. THE ACTION PLAN ALSO PROVIDES VERY DETAILED GOALS AND BENCHMARKS TO BE ACHIEVED. IT IS NOT CLEAR HOW EVALUATIONS PROPOSED RELATE TO MEASURING PROGRESS TOWARD BROADER OBJECTIVES. THE MISSION REPRESENTATIVE AGREED THAT THE EVALUATION PLAN SHOULD BE REEXAMINED AND PERHAPS REVISED TO FOCUS MORE ON MEASUREMENT OF PROGRESS AGAINST THE GOALS AND BENCHMARKS CONTAINED IN THE NBCCA TRACKING SYSTEM.
- D. STRENGTHENING DEMOCRATIC INSTITUTIONS - THE ACTION PLAN PROPOSES NO SPECIFIC BILATERAL ACTIVITIES BUT DOES INDICATE THE INTEREST OF THE MISSION AND THE EMBASSY IN PARTICIPATING IN THE REGIONAL ADMINISTRATION OF JUSTICE PROJECT. THE MISSION IS ALSO PARTICIPATING IN THE REGIONAL CAPS TRAINING PROJECT. IT WAS AGREED IN THE REVIEW THAT WHILE DEMOCRATIC TRADITIONS ARE STRONG IN BELIZE, THE MISSION SHOULD CONSIDER POSSIBLE ADDITIONAL TRAINING OR OTHER ACTIVITIES DIRECTED AT MAINTAINING DEMOCRATIC TRADITIONS (REDUCING CORRUPTION, AND IMPROVING LOCAL GOVERNMENT OPERATIONS WERE MENTIONED AS POSSIBLE AREAS OF ATTENTION).
- E. HOUSING - THE ACTION PLAN NOTES THAT A 25 PERCENT INCREASE IN CONSTRUCTION OF LOW-INCOME HOUSING WAS A TARGET OF THE NBCCA REPORT. HOWEVER, THE PRESENT HG PROGRAM IS IN JEOPARDY BECAUSE OF AN ISSUE ON INTEREST RATES, AND HOUSING IS NOT INCLUDED IN MISSION PLANS FOR FY 86 AND FY 87. THE MISSION REPRESENTATIVE EXPLAINED THAT A COMPROMISE IS SOON LIKELY TO RESOLVE THE INTEREST RATE PROBLEM WITH CREDIT UNIONS. THE MISSION, HOWEVER, IS NOT PROPOSING FURTHER ASSISTANCE TO HOUSING AT THIS

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TIME BECAUSE THERE IS A PROMISING EFFORT UNDERWAY THROUGH
CHF., AND BOTH THE CDB AND THE GOVERNMENT OF VENEZUELA ARE
ABOUT TO EXTEND LOANS TO BELIZE TO HELP FILL THE NEED FOR
HOUSING. THE MISSIONRS POSITION WAS ENDORSED. SHULTZ
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SUBJECT: FY 86-87 ACTION PLAN - NEW PROJECTS
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MISSION IS TO BE COMPLIMENTED ON A WELL PREPARED ACTION PLAN FOR FY 86-87. THE NEW PROJECTS PROPOSED IN THE DOCUMENT WERE REVIEWED BY THE LAC BUREAU ON JUNE 14. THE FOLLOWING SUMMARIZES GUIDANCE FOR PID DEVELOPMENT.

1. EXPORT AND INVESTMENT PROMOTION. ON DATE OF THIS CABLE, THE AAYLAD HAS REDELEGATED TO MISSION AUTHORITY TO REVIEW AND APPROVE THE PID AND PP IN THE FIELD. IN DEVELOPING THIS PROJECT, MISSION IS ENCOURAGED TO LOOK AT OTHER SIMILAR PROJECTS IN LAC REGION (I.E. EL SALVADOR INDUSTRIAL STABILIZATION AND RECOVERY, CARIBBEAN PROJECT DEVELOPMENT ASSISTANCE PROGRAM, AND HONDURAS EXPORT DEVELOPMENT AND SERVICES) AND TO IDENTIFY THE MORE SUCCESSFUL AND APPROPRIATE ELEMENTS OF THESE PROJECTS WHICH MIGHT BE APPLIED TO THE SETTING IN BELIZE. THE PROJECT SHOULD SET GOALS FOR EXPORTS AND INVESTMENTS AND PROPOSE A FLEXIBLE INSTRUMENT FOR CARRYING OUT THESE ACTIVITIES. UPON APPROVAL OF PID DOCUMENT, MISSION SHOULD CABLE ANY PROJECT DEVELOPMENT

... THAT WILL BE REQUESTED OF AID/W WITH ADEQUATE PROJECT DESCRIPTION TO IDENTIFY APPROPRIATE ASSISTANCE. COPY OF THE PID SHOULD BE FORWARDED TO LAC/BR WITHIN TWO WEEKS OF MISSION APPROVAL

2. ... SYSTEMS FOR MILK FARMERS. BEFORE PROCEEDING ANY FURTHER WITH THIS PROJECT, MISSION SHOULD INVESTIGATE AN IFAD PROPOSAL WHICH WOULD PROVIDE APPROXIMATELY ONE TWO MILLION IN ASSISTANCE TO FARMERS IN THE TOLEDO DISTRICT. IT IS CONSIDERABLE THAT THE IFAD PROJECT APPROVED MISSION HAS ALREADY COMPLETED THEIR PROPOSAL WHICH APPARENTLY ENCOMPASSES ACTIVITIES IN CORN AND LIVESTOCK PRODUCTION, CREDIT AND STRENGTHENING OF THE

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AND FORMALIZED NEGOTIATIONS IN BELIZE. IT IS NOW
WAITING BOARD APPROVAL IN ROME BEFORE PROCEEDING. AND
IS NOW SEEKING SOME 1.5 MILLION IN COFINANCING.

IN THE EVENT THAT THE IFAD PROJECT DOES NOT DUPLICATE
PROPOSEE MISSION ACTIVITIES, AND USAID STILL WISHES TO
PROCEED, THE VIABILITY OF THE PROJECT WILL REQUIRE CLOSER
EXAMINATION BEFORE PROCEEDING TO A PID. WE ARE CONCERNED
THAT THE REMOTE LOCATION OF THE MILPEROS, POOR
TRANSPORTATION, PLUS THE ENVIRONMENTAL AND CULTURAL
REPERCUSSIONS OF CHANGING A LIFESTYLE BASED ON
BLASH-AND-BURN AGRICULTURE, MAY MAKE INCREASED INCOME
FROM AGRICULTURE VERY HARD TO ACHIEVE IN BOTH THE SHORT
AND LONG TERM. USAID SHOULD FULLY EXAMINE THE ECONOMIC
AND SOCIO-CULTURAL FEASIBILITY CONCERNS. IF YOU DECIDE
TO PROCEED WITH THIS PROJECT, PLEASE FORWARD PID FOR
AID/W REVIEW.

3. SMALL BUSINESS DEVELOPMENT. AS A RESULT OF THE LAC
REVIEW, AND PER DISCUSSION WITH USAID REP. AT THIS
MEETING, IT WAS DECIDED TO COMBINE THIS PROJECT WITH THE
PROPOSED FY 87 AGRICULTURAL PRODUCTION CREDIT AND
MARKETING PROJECT. THE NEW PROJECT SHOULD BE SUBMITTED
AS A SINGLE PID FOR AID/W REVIEW IN FY 86. GIVEN THE
COMPLEXITY OF THE PROPOSED PROJECT, ESPECIALLY AS IT
STRADDLES ACTIVITIES IN BOTH THE INDUSTRIAL AND
AGRICULTURAL SECTORS, THE PID WILL REQUIRE CAREFUL AND
CREATIVE DESIGN. THE MISSION SHOULD GIVE SPECIAL
ATTENTION TO:

(A) EXPLORING THE ADVANTAGES OF BROADENING THE SCOPE OF
CREDIT ACTIVITIES TO LONG TERM DEVELOPMENT ASSISTANCE FOR
SMALL AND LARGE BUSINESSES AND FARMERS;

(B) THE USE OF LOCAL CURRENCY FOR INITIAL LENDING
CAPITAL. IF AID DOLLARS ARE PROPOSED FOR LENDING CAPITAL

YOU MAY WISH TO LIMIT THEIR USE TO FINANCING FOR IMPORTS
ONLY;

(C) CONSIDERING THE ADVANTAGES OF USING PRODUCER
ASSOCIATIONS OR OTHER EXISTING ORGANIZATIONS AS CHANNELS
FOR AGRICULTURAL PRODUCTIONS LOANS. THIS COULD BE DONE
THROUGH DIRECT LOANS TO THOSE ORGANIZATIONS OR UNDER
LOANS MADE BY A NEW INSTITUTION.

(D) AN ASSESSMENT OF THE EXISTING FINANCIAL MARKETS TO
DETERMINE THE CONSTRAINTS TO MOBILIZATION OF SAVINGS,
REDUCING TRANSACTION COSTS, SERVING A LARGER NUMBER OF
PEOPLE, AND IMPROVEMENT OF LOAN-REPAYMENT. THIS ANALYSIS
SHOULD EXAMINE CURRENT GOB POLICIES REGARDING INTEREST
RATES, BANK ACCESS TO REDISCOUNT PINES AND THE RATES AND
OTHER COLLATERAL REQUIREMENTS ETC.

PLEASE SUBMIT THE PID TO AID/W FOR REVIEW WHEN READY

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4. ENERGY SECTOR STRUCTURAL ADJUSTMENT. IN VIEW OF THE AGENCY DECISION TO REDUCE OUR ENERGY PROJECT PORTFOLIO IN FAVOR OF THE MORE DOMINANT ROLE TO BE PLAYED BY THE WORLD BANK IN THIS SECTOR, A MORE MODEST LEVEL OF USAID ASSISTANCE IN THIS AREA IS APPROPRIATE. MISSION SHOULD PROCEED WITH ITS PROPOSAL TO FINANCE A SMALLER NATIONAL ENERGY POLICY/PLANNING PROJECT WITH APPROPRIATE TECHNICAL ASSISTANCE, TRAINING AND LIMITED FEASIBILITY STUDIES. A MAXIMUM OF DOLS 2 MILLION WAS SEEN AS NECESSARY FOR THIS PURPOSE, AND A SMALLER AMOUNT IS POSSIBLE. MISSION MAY WANT TO INVESTIGATE THE CENTRALLY FUNDED CONVENTIONAL ENERGY TRAINING PROGRAM MANAGED BY S AND T TO HELP WITH TRAINING ASSISTANCE. GIVEN THE LOWER PRIORITY MISSION HAS ASSIGNED TO THIS PROJECT, AND THE HEAVY PROJECT DEVELOPMENT LOAD FOR FY 86, MISSION SHOULD CONSIDER RESCHEDULING THIS ACTIVITY TO FOLLOW OTHER PRIORITY FY 86 PROJECTS OR AS AN FY 87 ACTIVITY.

ON THE DATE OF THIS CABLE, THE AA/LAC REDELEGATES TO THE MISSION AUTHORITY TO REVIEW AND APPROVE THIS PID IN THE FIELD SUBJECT TO THE FOLLOWING:

- (A) PROJECT TOTAL DOES NOT EXCEED DOLS 2.5 MILLION; AND
- (B) MISSION REVIEW COMMITTEE INCLUDES THE PARTICIPTION OF AN AID ENGINEERING OFFICER. YOU MAY WISH TO SEEK TDY ASSISTANCE FROM ANOTHER NEARBY MISSION. IF NOT AVAILABLE LAC/DR WILL PROVIDE TDY ENGINEER. IT WAS ALSO SUGGESTED THAT THE REGIONAL ENERGY OFFICER PARTICIPATE IN THE PROJECT DESIGN. MISSION MAY WISH TO CONTACT ROCAP FOR POSSIBLE TDY ASSISTANCE.

H

A COPY OF THE PID SHOULD BE SENT TO LAC/DR WITHIN TWO WEEKS OF MISSION APPROVAL.

5. IT WAS DETERMINED DURING THE ACTION PLAN REVIEW THAT THE DOLS. 8 MILLION ESF IN THE FY 86/87 BUDGETS SHOULD BE USED FOR BALANCE OF PAYMENTS AS PER REFTEL B. THE REVISED TABLES LEFT BY MISSION REP LAPERA REFLECT THIS

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CHANGE. HOWEVER, TABLE VIII SHOWS MINIMAL FUNDING FOR DEVELOPMENT CREDIT, WHICH IS A HIGH USAID PRIORITY AND NEARLY FULL FUNDING FOR MILPA FARMERS, ABOUT WHICH DOUBTS HAVE BEEN EXPRESSED (SEE 2 ABOVE) AND WHICH IS A LOWER PRIORITY. IT IS SUGGESTED, THEREFORE, THAT THE FUNDING NOW PLANNED FOR MILPA FARMERS (0016) BE SLUGGED FOR DEVELOPMENT CREDIT (0019) AND THAT MILPA FARMERS BE CONSIDERED A SHELF PROJECT FOR NOW.

6.)BASED ON THE ABOVE, WE SUGGEST THE FOLLOWING REVISED PROJECT DEVELOPMENT SCHEDULE:

PROJECT	APPROVAL	DATE
A EXPORT PROMOTION		
- -PID . . .)	MISSION	9/15/85
- -PP	MISSION	12/15/85
B. MILPA FARMERS (SHELF)		
- - PID	AID/W	12/15/85
- - PP	TO BE DETERMINED	4/15/86
C SMALL BUSINESS DEVELOPMENT		
PID R . . . R . R .	AID/WLR . . . ; . . .	2/15/86
PP R	AID/W	5/15/86
D. ENERGY PLANNING		
PID	MISSION	6/15/86
PP . . . R . R .	MISSION R R 0 . . .	11/15/86

PLEASE CONFIRM CONCURRENCE WITH SCHEDULE, THE RECOMMENDATIONS ON PROPOSED FUNDING FOR PROJECTS 0016 AND 019 IN PARA 5 ABOVE, AND ADVISE NEW LIFE-OF-PROJECT TOTALS FOR SMALL BUSINESS DEVELOPMENT AND ENERGY PLANNING. ARMACOST

BT
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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title and Number: Export and Investment Promotion 505-0027

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Goal:</u> To generate employment, income and foreign exchange in the Belizean economy</p>	<p>--Increased exports of both non-traditional agricultural and industrial goods. --Increased tourism to Belize --Increased employment in the agricultural, industrial and tourism sectors.</p>	<p>--GOB data and statistics --BCCI data and statistics --Project reports and evaluations</p>	<p>--GOB policy environment continues to be very supportive of export and tourism development. --GOB/BCCI relationship continues to be good.</p>
<p><u>Purpose:</u> To develop the capacity of the private and public sectors to promote, provide technical assistance for, and facilitate export and tourism projects undertaken in Belize.</p>	<p>--BEIPU fully established within the BCCI and working efficiently with the GOB. --Belizean and expatriate businesses utilizing services provided by BEIPU and BCCI.</p>	<p>--Mission, BCCI, contractor and other records. Project reports and evaluations.</p>	<p>--The private sector and key Government officials accept BEIPU as the preferred entity for promoting export development. --BCCI organization and membership become broader based and extend beyond Belize City to other areas of the country. --Efforts to change the "trader" mentality succeed --Businesses have access to credit and foreign exchange required for expansion or development of new ventures --GOB continues their intention of expanding the tourism industry.</p>

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<u>Outputs</u>			
A. Private Sector Component			
1. BEIPU fully established within BCCI	1. Four-person professional staff set up in BCCI		1. BCCI able to recruit Belizeans for the professional positions.
2. Marketing plan for Belize	2. A detailed strategy for increasing investments, exports and tourism is completed within six months after the project is initiated.	2. Written report containing strategy	2. Plan will be accepted by private and public sectors.
3. BCCI establishes export and tourism promotion and information services	3a. Major investments from at least 3 different countries are made in Belize, preferably on a joint venture basis.	3. Reports, records, evaluations, site inspections	3. Belizean, U.S. and other businessmen view BCCI as the prime resource for facilitating their projects.
	3b. The BCCI establishes a "twinning" relationship with two state business organizations in the U.S.		
	3c. Investors' search services accessed.		
	3d. Data Base, including investor, market and resource lists, established at BCCI.		
	3e. At least 10 trade missions completed to promote investments in and exports from Belize.		
	3f. Belizean and expatriate businessmen utilizing BEIPU promotional and informational services on a regular basis.		

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
4. Project analysis, selection, and facilitation capabilities established within BEIPU.	4a. BEIPU professional staff includes one expert in each: agriculture, industry and tourism.	Reports, records, evaluations, site inspections	
	4b. 20 projects per year selected for development and facilitation by the BEIPU staff.		
	4c. 20 projects per year receive BEIPU assistance in project packaging, investor matching, GOB documentation, and/or arrangement of financing.	Reports, records, evaluations, site inspections	Commercial banks become more amenable to development banking or new appropriate credit institutions are established.
5. Product improvement and marketing	5a. 8-10 projects per year receive short-term technical assistance from IESC, Project Sustain or other sources in production technology improvement.	Reports, records, evaluations, site inspections	5a. IESC and others able to provide appropriate, effective TA.
	5b. 3-5 projects per year receive short-term TA in specialized marketing areas.		5b. Effective specialized TA available.
6. BCCI establishes a monitoring and follow-up procedure	6a. BCCI contacting many potential investors and markets on a frequent and regular basis through telephone calls, letters, bulletins, etc.	Records, reports, evaluations and on-site inspections	
	6b. BCCI providing reliable information on project successes, foreign exchange and employment generated by BCCI-assisted projects.		

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
B. Public Sector Component			
1. Belize Tourist Board (BTB) Strengthened	1a. A tourism marketing plan developed to promote Belize as a travel destination	Written report containing plan	Plan will be accepted by private and public sectors
	1b. Increased tourism to Belize	Records	BTB will be able to track the results of efforts by monitoring the increased amount of tourism traffic coming into Belize.
2. Office of Economic Development (OED) Strengthened	1a. Micro-computer system installed with trained OED personnel		Training available to OED
	1b. Continued uncomplicated investment incentive programs	Records	OED will be able to handle the increased volume of inquiries generated by this project.
Life of Project (\$000)			
<u>Inputs</u>			
1. A.I.D. Grant	2,500	1. A.I.D. records	Sufficient funds available in the OYB.
2. Belize BCCI membership contributions and fees for services	1,500	2. BCCI records Project audits	BCCI membership expanded and willing to contribute.

3M(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481(h)(1); FY 1985 Continuing Resolution Sec. 528. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

NO

2. FAA Sec. 481(h)(4). Has the President determined that the recipient country has not taken adequate steps to prevent (a) the processing, in whole or in part, in such country of narcotic and psychotropic drugs or other controlled substances, (b) the transportation through such country of narcotic and psychotropic drugs or other controlled substances, and (c) the use of such country as a refuge for illegal drug traffickers?

NO

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3. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? NO

4. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? NO

5. FAA Sec. 620(a), 620(f), 620(D); FY 1985 Continuing Resolution Sec. 512 and 513. Is recipient country a Communist country? If so, has the President determined that assistance to the country is important to the national interests of the United States? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Syria, Vietnam, Libya, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver? NO

6. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property? NO

7. FAA Sec. 620(1). Has the country failed to enter into an agreement with OPIC? NO
8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? NO
- (b) If so, has any deduction required by the Fishermen's Protective Act been made?
9. FAA Sec. 620(q); FY 1985 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill (or continuing resolution) appropriates funds? NO
10. FAA SEC. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) N/A

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11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? NO
12. FAA Sec. 620(u) What is the payment status of the country's U.N. obligations? If the country is in arrears were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.) CURRENT
13. FAA Sec. 620A; FY 1985 Continuing Resolution Sec. 521. Has the President determined that the country (a) grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise supports international terrorism? Has the government of the recipient country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed or is being sought by any other government for prosecution for any war crime or act of international terrorism? NO
14. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? NO

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15. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? . NO
16. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) NO
17. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported illegally (or attempted to export illegally) from the United States any material, equipment, or technology which would contribute significantly to the ability of such country to manufacture a nuclear explosive device? NO

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18. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 26th General Assembly of the U.N. of Sept. 25 and 26, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

NO

FY 1985 Continuing Resolution. If assistance is from the population functional account, does the country (or organization) include as part of its population planning programs, involuntary abortion?

NO

FY 1985 Continuing Resolution Sec. 530. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?

NO

8. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

Development Assistance Act Criteria?

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violation of...
...inherent...
...human rights...
...be demonstrated that contemplated assistance will directly benefit the needy?

N/A

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2. Economic Support Fund
Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

NO

3M (2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only:
B.1. applies to all projects funded with Development Assistance loans, and
B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT1. FY 1985 Continuing Resolution Sec. 525; FAA Sec. 634A.

Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.

CONGRESSIONAL NOTIFICATION
(EXPIRED IN APRIL, 1986)

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

N/A

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

N/A

4. FAA Sec. 611(b); FY 1985 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.)

N/A

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

N/A

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

N/A

7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to:
 (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

(a) This project is directly involved in the fostering of international trade.

(b) The project is directly involved with private sector institution building. Through is institution building, private initiative and competition will be fostered. (c) N/A (d) N/A (e) Through the technical assistance provided the project should increase efficiency. (f) N/A

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
- The project will encourage joint ventures between U.S. and Belizean businessmen. It will also encourage imports of capital goods from the U.S.
9. FAA Sec. 612(b), 636(h); FY 1985 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
- N/A
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
- N/A
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
- YES
12. FY 1985 Continuing Resolution Sec 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?
- THE PROJECT IS NOT DESIGNED FOR ANY SPECIFIC COMMODITY. ANY COMMODITY PRODUCED UNDER THIS PROJECT IS NOT ANTICIPATED TO CAUSE INJURY TO U.S. PRODUCERS.

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13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program take into consideration the problem of the destruction of tropical forests?

YES

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

N/A

15. FA 1985 Continuing Resolution Sec. 536. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?

NO

16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

IN CONTRACTING
TECHNICAL
ASSISTANCE FOR THE PROJECT
THE GROUPS NAMED IN THIS
QUESTION WILL BE TAKEN
INTO CONSIDERATION.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance
Project Criteria

- a. FAA Sec. 102(a), 111, 113, 281(a). Extent to which activity will effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status, (e) utilize and encourage regional cooperation by developing countries?
- (A) THE AGRICULTURAL EMPHASIS OF THIS PROJECT WILL SPREAD INVESTMENT TO THE RURAL AREAS OF BELIZE. (B) N/A (C) THE PROJECT IS DESIGNED TO ENCOURAGE SELF-HELP IN THE BELIZE-PRIVATE SECTOR. (D) N/A (E) YES

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- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?
YES
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?
YES
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country")?
N/A BELIZEAN PRIVATE SECTOR WILL PROVIDE AT LEAST 25% OF THE COSTS OF THE PROJECT.
- e. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?
YES

f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

YES

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

THE PROJECT TAKES ADVANTAGE OF BELIZEAN INITIATIVE AND IS FOUNDED UPON PARTICIPATION IN THE BELIZEAN PRIVATE SECTOR.

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2. Development Assistance Project
Criteria (Loans Only)

- a. FAA Sec. 122(b).
Information an conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. N/A
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? N/A

3. Economic Support Fund Project
Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of part I of the FAA? N/A
- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? N/A
- c. ISDCA of 1985 Sec. 207.
Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified N/A

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that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States? N/A

- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A

3M(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? YES
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?? YES
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries? N/A
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? YES
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? YES
-

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? YES
9. FY 1985 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? YES

Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U S. engineering and professional services be used? N/A
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CI)? N/A

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C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? YES
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? NO
4. Will arrangements preclude use of financing:
 - a. FAA Sec. 104(f); FY 1985 Continuing Resolution Sec. 527. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo

- sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion? YES
- b. FAA Sec. 488. To reimburse persons, in the form of cash payments, whose illicit drug crops are eradicated? YES
- c. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? YES
- d. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? YES
- e. FAA Sec. 662. For CIA activities? YES
- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? YES

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- g. FY 1985 Continuing Resolution, Sec. 503.
To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? YES
- h. FY 1985 Continuing Resolution, Sec. 505.
To pay U.N. assessments, arrearages or dues? YES
- i. FY 1985 Continuing Resolution, Sec. 506.
To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? YES
- j. FY 1985 Continuing Resolution, Sec. 510.
To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? YES
- k. FY 1985 Continuing Resolution, Sec. 511.
Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? YES
- l. FY 1985 Continuing Resolution, Sec. 516.
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? YES



BELIZE CHAMBER OF COMMERCE AND INDUSTRY

for commerce, industry, tourism, agriculture and trades

Secretariat: 168 North Front St.
P.O. Box 291, Belize City

Cable:
BZ CHAMBER

Telex:
121 CHAMBER BZ

Telephone:
02-3142

Ref: 200/856

June 25, 1986

Mr. Neboysha Brashich,
AID Representative,
USAID Mission to Belize,
Gabourel Lane,
Belize City,
BELIZE, C.A.

Mr. Brashich,

The purpose of this letter is to request an USAID co-operative agreement in the amount of \$1.9 million to assist the Belize Chamber of Commerce and Industry (BCCI) in continuing and expanding the capabilities of the Belizean Export and Investment Promotion Unit (BEIPU).

The BCCI will be directly involved in the strengthening of its export and investment promotion unit. This strengthening will consist of additional staff members (accountant and account executives) as well as both long and short term technical assistance. Once this is accomplished, we feel that BEIPU will become a viable entity which will assist potential exporters and investors in Belize.

According to conversations with A.I.D. staff and our review of documentation provided to us, we understand that the goal of the project is to generate employment, income and foreign exchange in the Belizean economy. The purpose of the project is to develop the capacity of the private and public sectors to promote, provide technical assistance for, and facilitate export and tourism projects undertaken in Belize.

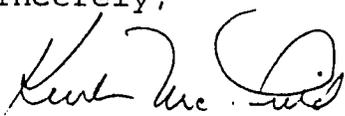
June 25, 1986

Mr. Neboysa Brashich

The BCCI is committed to work closely with the Government of Belize and other institutions involved in the project, as well as with its own members in terms of identifying potential exporters, investors and tourism contacts etc.

The Chamber believes that the project will make an important contribution to providing the necessary impetus to assist Belize in realizing its full export and investment potential.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kent McField".

Kent McField
President, BCCI

KM/maj



Hds

[Handwritten mark]

Office of Economic Development
Ministry of Foreign Affairs and Economic Development

Telex: 101 MF INVEST

Tel: 08-2526

08-2527

P.O. Box 42,

Unity Boulevard

Belmopan

Belize, Central America

Reference 2006/3/86(2)

29th June, 1986

Mr. Neboysha Brashich
A.I.D. Representative
USAID Mission to Belize
Gabourel Lane at Queen St.
Belize City, Belize

Dear Mr. Brashich:

The purpose of this letter is to request an USAID grant in the amount of \$500,000 to assist the Government of Belize in improving its capabilities in tourism promotion and export development.

According to conversations with AID staff and our review of documentation provided to us, we understand that the goal of the project is to generate employment, income and foreign exchange in Belizean economy. The purpose of the project is to develop the capacity of the private and public sectors to promote, provide technical assistance, for and facilitate export and tourism projects undertaken in Belize. The project consists of two components which are designed to strengthen the Ministry of Foreign Affairs and Economic Development.

- (1) the strengthening of the Belize Tourist Board
- (2) the strengthening of the Office of Economic Development.

We believe this project will make a very important contribution to the economic development of Belize.

Sincerely,

[Handwritten signature: Y. S. Hyde]

Y. S. HYDE (Mrs)
Director,
Office of Economic Development

[Handwritten mark]

ECONOMIC ANALYSIS

1. Background and Methodology

The proposed project is to assist BEIPU over a period of five years to promote exports, investments and tourism in Belize. BEIPU's activities will result in several long-term benefits for the Belizean economy. These include an institution building component, human resource development, increased employment and generation of foreign exchange. The extent of these and other benefits will depend upon the number of productive investments and tourists that BEIPU's activities attract. In addition, the size and sectoral location of these investments will play a large part in determining the extent of the benefits to the economy. Although increases in potential productive enterprises and tourists were identified (See Chapter III), quantification of the benefits to the economy was not possible for the reasons mentioned earlier. In addition, the contribution of several of the benefits to the economy (human resources development, for example) is extremely difficult to quantify even though the costs of undertaking the proposed project, on the other hand, are easily quantified (see Chapter VI). Hence, the benefits are discussed here in qualitative terms.

2. Benefits To The Economy

a. Employment Effect

One of the major benefits to the economy of increased investment and tourism activities will be a corresponding increase in employment. As new ventures and more facilities to cater to tourists begin operating, several hundred jobs will be created each year. This increase will be supplemented by additional jobs in ancilliary industries. Jobs will be created at all levels of the economy--skilled, semi-skilled and non-skilled--workers will be hired as construction of new infrastructure begins and as these ventures begin operations. While Belize does not suffer from population and unemployment pressures to the same degree as do other developing countries, this increase in productive employment will nonetheless be a significant benefit to the economy.

The cost of generating these jobs is not very high as is illustrated in a preliminary analysis prepared by BEIPU. The analysis encompasses new and proposed investments in Belize and estimated that between 1985-86, 25 productive ventures were projected to begin operations. Total investment costs were projected at U.S.\$15 million and projected job creation at 2,500 for an average cost per job of U.S.\$6,000, which is not very high.

b. Human Capital Development

As modern productive enterprises and institutions catering to the tourism sector establish themselves and begin operations, the Belizean labor force will benefit from training and hands-on experience in several sectors, which might not otherwise have been available to it. As a result, management skills will become more widespread which will, in turn, stimulate additional economic activity by developing a new generation of Belizean entrepreneurs, and by enhancing the skills of existing entrepreneurs.

c. Foreign Exchange Effect

An increase in the number of tourist arrivals in Belize and, as facilities develop, in the length of stay, coupled with the establishment of new export-oriented enterprises, will have a large and direct beneficial effect on Belize's balance of payments (BOP). While foreign exchange costs for imported capital goods might increase in the short run, the resultant earnings from exports and tourism will exceed them in the medium term.

This point is underscored by the example from the tourism sector. Currently, an estimated 15-20,000 tourists enter Belize each year. The average length of stay is 4-5 nights and each tourist is estimated to spend approximately U.S.\$80 per day on average. Direct revenues could thus be estimated at between U.S.\$5-8 million annually. If, with the help of an active tourism promotion project, tourism arrivals increase to 75,000 per year, revenues from tourism would expand dramatically. In addition, the successful initiation of more package tours should increase average length of stay to 7-8 days. Thus, tourism revenue has a peak potential to increase to almost U.S.\$40-50 million per year.

d. Technology Transfer and Infrastructure Development

Many of the new enterprises that will be established in Belize, particularly in the agricultural sector, will be located in

areas that are not currently well-developed, nor well-served by infrastructure. They will need to build access roads, link themselves to power and water connections and eventually to provide housing and education for workers and their families. This will be viewed by investors as part of the cost of doing business in Belize and hence an acceptable expense. Furthermore, investors will introduce sophisticated new technology which might not otherwise have been available to the country.

e. Multiplier Effect

As the economy begins to develop and gain more depth, ancilliary industries such as airlines, other transport services, banking, food and lodging, among others, will expand the range of services available. This in turn will translate into greater prosperity for a growing number of the Belizean workforce. Some of these benefits will begin to accrue immediately, while others will take longer to prove fruitful. The net effect will be an immediate boost in the level of economic activity and BOP which should greatly stimulate long-term growth in the economy.

The multiplier effect of tourist dollars needs to be considered as well. Tourist industry statistics for the region indicate that each dollar spent by tourists generated \$3.50 in additional expenditure. Assuming that this multiplier is representative of Belize's situation, and assuming that the projected increases in tourist arrivals and length of stay materialize, the indirect expenditures generated could exceed U.S.\$100 million, as against their current level of approximately U.S.\$20 million.

3. Economic Valuation Of Costs And Benefits

The economic costs of support to BEIPU will be substantially the same as the financial costs. Since BEIPU will presumably be exempted from duties and taxes that would apply to imports of equipment or to earnings, no adjustments need be made on account of these items. While an adjustment to the cost of electric power to bring it in line with international prices could be made, it is our understanding that the proportion of utility costs to total costs is small enough to make this adjustment unnecessary. The major adjustment to be made to the financial costs is to remove the provision for inflation in order to value costs in constant 1986 prices. This adjustment would lower the cost of the proposed project to U.S.\$2.65 million in economic terms.

No economic adjustments have been made to BEIPU's revenue stream. Although no revenue stream has been projected for the economy as a whole as a result of the implementation of this project (increased value of exports and tourism), the point needs to be made that the value of the economic revenue stream will exceed that in certain cases of the financial stream. This is especially true with regard to tourism. For example, the five percent tax on room revenue, collected by the Government, will not be included in the income statements of hotel owners. However, it is included as a source of economic revenue since it is levied on non-nationals and is not merely a transfer from one segment of the population to the government. Rather, it is an inflow to the economy which would not have accrued in the absence of the project.

4. Economic Analysis

The economic analysis indicates a strong basis for support of the proposed project. Exhibit VIII-1 shows the economic flows of the project deflated to constant 1986 U.S. dollar values. In constant terms, the values of the investment, revenue, and expenditure streams result in a negative cash flow of \$4.2 million over the five year period. This, however, is prior to any accounting for benefits to the economy.

In Case 1, we assume that earnings from just one sector that BEIPU is promoting--tourism--increase by \$900,000 over their current level, equivalent to an incremental inflow of \$4.5 million over the five year period. Adding this flow to project revenues results in an economic rate of return (ERR) of 14.6 percent per annum. Case 2 illustrates the enormous sensitivity of the ERR to a further increase in revenue. An increase of another \$100,000, (equivalent to a total incremental increase of \$1 million over current levels) would raise the ERR to almost 43 percent per annum.

It should be noted that the models described above assume that the increase in tourism revenues occurs at no incremental cost above and beyond that of funding BEIPU's capital and operating expenditures. While this will not be the case in actuality, the additional costs incurred (e.g. building better tourist facilities), will be exceeded by incremental economic benefits. It should be kept in mind that the model is based only on a \$1 million net increase in total economic revenue, an amount which will be exceeded by projected increases in tourism revenues alone. As discussed earlier, revenues from tourism have the potential to increase fivefold or more over the five year period, while the model assumes only a 12 percent increase. Seen another way, an additional 4200 tourists,

? → EXHIBIT VIII-1

BELIZE:BEIPU
ECONOMIC ANALYSIS
(CONSTANT 1986 U.S.\$'000)

Year	1	2	3	4	5	Total
Deflator 1/	1,000	1,050	1,103	1,158	1,216	
Investment Cost (AID Grant) 2/	(750)	(714)	(481)	(117)	(111)	(2,173)
Revenue 2/	65	105	145	173	177	665
Expenditure 2/	(567)	(604)	(556)	(462)	(466)	(2,654)
Net Cash Flow	(1,252)	(1,213)	(891)	(406)	(401)	(4,162)
Case 1:	With Hypothetical Increase in Tourism Revenues of \$0.9 Million per year					
Tourism Income	900	900	900	900	900	4,500
Total Revenue	965	1,005	1,045	1,073	1,077	5,165
Net Cash Flow	(352)	(313)	9	494	499	338
Economic Rate of Return =	14.6%					
Case 2:	With Hypothetical Increase in Tourism Revenue of \$1.0 Million per year					
Tourism Income	1,000	1,000	1,000	1,000	1,000	5,000
Total Revenue	1,065	1,105	1,145	1,173	1,177	5,665
Net Cash Flow	(252)	(213)	109	594	599	838
Economic Rate of Return =	42.9%					

1/ Inflation assumes at 5% p.a. as per financial plan

2/ Financial figures deflated to obtain constant 1986 values

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staying three nights on average at \$80 a night would alone generate more than the \$1.0 million increase projected. Incremental export revenues will add further to the total economic flows generated by this project.

Thus it is clear that the project economic benefits will outweigh the costs of undertaking the project and that implementing this project will clearly promote development in Belize.

5. Alternative Models

Alternatives to the proposed project were considered and dismissed for various financial, economic, or other reasons. It is also clear that in the absence of the proposed project, BEIPU would be unable to sustain its present level of activity. While it is possible that other donors may be approached to fund a similar project, this has not yet been done and would involve a substantial delay and discontinuity in BEIPU's activities. There is also no other significant public or private sector initiative to promote exports, investments and tourism in Belize that could replace the proposed project at this time. In all probability, although there would be growth in these sectors as a function of general economic development, it would be random and neither sustained nor significant.

Among the alternative models considered were the following:

- a. Strengthening the governmental agencies responsible for promoting and supporting industry, tourism and agri-business.

It is our understanding that this approach would not be effective given the philosophical approach of the GOB, USAID objectives, and the difficulty of coordination. Furthermore, this approach appears to rule out any possibility of long-term self-sufficiency.

- b. Long-term technical assistance to manage the start-up of the Project.

This approach appears to be deficient in that it ignores the institution building component of the BEIPU project. Furthermore, the long-term PDAP advisor will be fully utilized in assisting on the BEIPU project.

c. Establishment of foreign-based promotional offices.

At this time, foreign-based promotional offices are viewed as being of marginal benefit and too expensive, especially when viewed as a long-term, recurring cost for the GOB. They may prove to be viable at some time in the future, however.

d. A mixed public/private agency.

A mixed promotional entity poses an institutional problem in terms of reporting requirements and bureaucracy. It was felt that in the interests of simplicity and efficiency, a private sector orientation would be more likely to be successful.

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INSTITUTIONAL ANALYSIS

The Belize Chamber of Commerce and Industry (BCCI), under the Export Promotion OPG Project 505-0025, established the Belize Export and Promotion Unit (BEIPU) in June of 1984 with a \$200,000 grant to begin addressing the objectives of promoting increased exports of Belizean products and the internal and external investments required for that objective. Under the OPG, BEIPU set up exhibits and a program at the Worlds Fair in New Orleans, made trade missions to the U.S., Caribbean, Far East and Europe, developed resource lists for export development, and hired its Executive Director and accountant.

A. Organization

BEIPU is currently organized under the Belize Chamber of Commerce and Industry (BCCI), and the intent is for BEIPU to continue to operate as an entity incorporating representation from a variety of private sector interests and trade associations in Belize. BEIPU is a division of the Chamber, but is an entity responsive to its own Board of Directors.

BEIPU will be governed initially by a Board of Directors composed of five representatives from the private sector. The size of the Board could be modified later by the Board if deemed useful. These Board members should represent the broad interests of the private sector in Belize. In addition to the private sector Board members, three non-voting Board members will serve on the Board; two selected by the Government of Belize, one representing the USAID mission in Belize. The long-term advisor, the BEIPU Executive Director, and the Chamber Manager are to be given a standing invitation to all Board meetings. The two current Government members of the Board, namely the Deputy Minister that is responsible for tourism and the Director of the Office of Economic Development, will continue to be the representatives of the Government on the Board. The President of the BCCI will appoint the Chairman of BEIPU with the advice, consent, and concurrence of the Minister of Economic Development. The Chairman, in turn will select six prospective members for the Board, of which four will be selected by the BCCI Executive Council. All Board members will have one year terms.

B. Structure and Staffing

BEIPU will have a very small staff of highly qualified professionals and operate primarily through intermediaries, i.e., other private and public sector organizations. The staff will consist initially of seven people (see below), of whom five will be professionals, and the other two support staff.

Executive Director	1
Administrative Assistant	1
Secretary to Executive Director	1
Secretary	1
Account Executives*	2
Accountant	<u>1</u>
Total full-time personnel	7

* One each for agribusiness, manufacturing/tourism.

It is expected that the accountant hired by BCCI/BEIPU/BIM will report to the treasurer of BCCI, although BIM and BEIPU will use the majority of the accountant's time. Thus, the salary cost of the accountant will be shared "pro rata" by the three parties.

The Directors of BIM, BEIPU, and BCCI will meet together once each week to informally discuss possible collaboration, increased co-ordination, and any problems which may have arisen. This informal link between the Directors would probably be of equal importance as the formal link between the respective Boards of Directors.

The Account Executives should each have had at least five years practical experience in agricultural, manufacturing and/or tourism promotion respectively. Academic experience is probably less important for these three positions as compared to practical experience, but the minimum academic requirement for the three positions should be a bachelors degree or equivalent in business, law, engineering or economics.

C. Position Descriptions

Executive Director

a. Mission and Responsibilities

The Executive Director reports to the Board. He/She is responsible, inter alia, for:

- carrying out the Board's policies and instructions;
- preparing reports, policy, position and options papers, and other written communications for the Board and other relevant bodies;
- representing the organization as a speaker
- managing and periodically evaluating the organization's human resources;
- administering and being accountable for the organization's funds and financial viability;
- developing/suggesting/reviewing the organization's short- and long-term plans and projects;
- maintaining positive and constructive relationships with public and private sector organizations in Belize and abroad;
- directing the work of such consulting and advisory resources as may be required; and
- preparing periodic reports on the organization's progress and/or problems.
- performing lead duties concerned with export and investment promotion

b. Contacts

The Executive Director will initiate/maintain close and continuing contact with public and private sector agencies, trade associations, organizations such as the BCCI, BIM, firms, etc., in Belize and abroad.

c. Experience

The Executive Director will be an experienced administrator and manager, preferably with experience in both public and private sectors, both in Belize and abroad; will have a demonstrated track record in financial, administrative and program management, and will be fluent in written and spoken English.

The Executive Director should ideally be a person with at least five to ten years experience working in the private sector in areas related to investment or export promotion. He or she

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should ideally possess the equivalent of a master's degree in business, economics, law or engineering, though someone with only a bachelor's degree but considerable practical hands-on experience should also be considered. He or she should have demonstrated good management skills in their previous work experience. Most importantly, it is highly desirable that this person be Belizean.

Account Executives (2)

a. Mission and Responsibilities

Each Account Executive will report to the Executive Director. His/her mission includes (a) working with the Executive Director, developing "networks" and corporate contacts among prospective investors/exporters in Belize and abroad in his/her field of specialization, i.e. agribusiness, manufacturing and tourism; (b) providing support services, personally or through other appropriate organizations, to prospective investors/exporters who express interest in doing business in/with Belize; (c) assisting such investors/exporters to obtain required government authorizations to begin and continue operations; and (d) participating along with the staff as a whole in developing/monitoring new or existing programs and projects, particularly in his/her specialized field.

b. Contacts

Each Executive will be capable of initiating and maintaining extensive contacts with institutions, organizations and individuals in his/her area of specialization and in the investment/export area in general, in Belize and abroad.

c. Experience

The successful candidate(s) will be fluent in both written and spoken English; have several years of direct relevant experience in his/her field of specialization, particularly as it relates to investment and export development and implementation; have worked successfully with public and private sector individuals and organizations; and have a degree (or work equivalent) in his/her area of specialization, or international trade, finance, industrial engineering or management sciences. Each Executive should be a Belizean. Recruitment may have to be of emigrant Belizeans residing in the U.S.

The Account Executives should each have had at least five years practical experience in agricultural, manufacturing and/or

tourism promotion respectively. Academic experience is probably less important for these three positions as compared to practical experience, but the minimum academic requirement for the three positions should be a bachelors degree or equivalent in business, law, engineering or economics.

D. Role of BEIPU regarding the GOB

The primary role of BEIPU will be to channel technical assistance to the private sector to promote exports, tourism and new investments.

Regarding BEIPU's role related to the concession granting process, the power to grant concessions will continue to be solely vested in the Government. The concession granting authority (Currently the Cabinet Subcommittee) should be expanded to include one or two non-voting, ex-officio, private sector representatives. This will require some redefining of the Cabinet Sub-Committee structure since the current structure will not permit private sector representatives to be part of that entity. Government has however expressed its willingness to consider redefining this entity to permit private sector participation. The recommendation to permit non-voting, private sector members on the concession granting authority is consistent with the Government having two non-voting members on the Board of BEIPU. BEIPU's additional role regarding the concession process will be to provide advice and technical assistance to concession applicants who have approached them directly or who have been referred to them by the Government. Care should be taken, however, not to posture itself as a broker in this process, but rather as an advisor. As recommended earlier, BEIPU should involve itself closely in policy dialogue with GOB regarding the much needed standardization of the incentive and concession granting process. In this vein, BEIPU should also be willing to provide assistance to the Committee granting concessions on policy related studies when requested to do so by the Government.

4. BEIPU's Role in Tourism

The area of tourism contains many different, interrelated components. One of the major components is promotion of a country for tourism and implementation of policies regarding tourism; the other is the promotion of tourism investments, expansion, enterprises and support facilities. The former function is traditionally one of Government, the latter a private function.

In this project, BEIPU's role is facilitation in the areas of export and investment promotion. Regarding tourism, BEIPU's role should be one of support to private investors.

The overall promotion for tourism to Belize, and the formulation of policies, laws, regulations and taxes concerning this industry is the ultimate responsibility of Government. In Belize's case, it is the Tourism Board in the Ministry which has responsibility for tourism. This particular Board will require institutional support in order to enable it to carry out these functions.

The following details the role that these and other entities will play in an integrated program of development of tourism for Belize.

The Role Of BEIPU In Tourism Investment And Export

- Investor assistance (Foreign) (Local)
- Expansion/upgrading present facilities
- Training and information for the local industry
- Strategic planning
- Financial Analysis
- Marketing, promotion and advertising assistance.

The Role Of The GOB In Tourism Promotion And Policy

- Action plan/implementation for tourism in Belize
- Promotional literature for Belize; entire country; by location; by interest area
- Policy formulation
- Interface with other pertinent GOB ministries and offices (i.e. Customs, Immigration, Archaeology, Lands, Environment, Transportation, etc.)
- Room taxes, industry regulations.

The Role Of The BTIA In Tourism Industry Advocacy And Representation

- Representation of the interests of the industry
- Seminars/workshops
- Joint advertising/promotional efforts
- Liaison with foreign tour companies/operators
- Liaison with passenger transportation industry
- Tour package development
- Industry standards

2. Position Descriptions

Executive Director

a. Mission and Responsibilities

The Executive Director reports to the Board. He/She is responsible, inter alia, for:

- carrying out the Board's policies and instructions;
- preparing reports, policy, position and options papers, and other written communications for the Board and other relevant bodies;
- representing the organization as a speaker
- managing and periodically evaluating the organization's human resources;
- administering and being accountable for the organization's funds and financial viability;
- developing/suggesting/reviewing the organization's short- and long-term plans and projects;
- maintaining positive and constructive relationships with public and private sector organizations in Belize and abroad;
- directing the work of such consulting and advisory resources as may be required; and
- preparing periodic reports on the organization's progress and/or problems.
- performing lead duties concerned with export and investment promotion

b. Contacts

The Executive Director will initiate/maintain close and continuing contact with public and private sector agencies, trade associations, organizations such as the BCCI, BIM, firms, etc., in Belize and abroad.

c. Experience

The Executive Director will be an experienced administrator and manager, preferably with experience in both public and private sectors, both in Belize and abroad; will have a demonstrated track record in financial, administrative and program management, and will be fluent in written and spoken English.

The Executive Director should ideally be a person with at least five to ten years experience working in the private sector in areas related to investment or export promotion. He or she should ideally possess the equivalent of a master's degree in business, economics, law or engineering, though someone with only a bachelor's degree but considerable practical hands-on experience should also be considered. He or she should have demonstrated good management skills in their previous work experience. Most importantly, it is highly desirable that this person be Belizean.

Account Executives (2)

a. Mission and Responsibilities

Each Account Executive will report to the Executive Director. His/her mission includes (a) working with the Executive Director, developing "networks" and corporate contacts among prospective investors/exporters in Belize and abroad in his/her field of specialization, i.e. agribusiness, manufacturing and tourism; (b) providing support services, personally or through other appropriate organizations, to prospective investors/exporters who express interest in doing business in/with Belize; (c) assisting such investors/exporters to obtain required government authorizations to begin and continue operations; and (d) participating along with the staff as a whole in developing/monitoring new or existing programs and projects, particularly in his/her specialized field.

b. Contacts

Each Executive will be capable of initiating and maintaining extensive contacts with institutions, organizations and

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individuals in his/her area of specialization and in the investment/export area in general, in Belize and abroad.

c. Experience

The successful candidate(s) will be fluent in both written and spoken English; have several years of direct relevant experience in his/her field of specialization, particularly as it relates to investment and export development and implementation; have worked successfully with public and private sector individuals and organizations; and have a degree (or work equivalent) in his/her area of specialization, or international trade, finance, industrial engineering or management sciences. Each Executive should be a Belizean. Recruitment may have to be of emigrant Belizeans residing in the U.S.

The Account Executives should each have had at least five years practical experience in agricultural, manufacturing and/or tourism promotion respectively. Academic experience is probably less important for these three positions as compared to practical experience, but the minimum academic requirement for the three positions should be a bachelors degree or equivalent in business, law, engineering or economics.

SOCIAL ANALYSIS

Because the project will not concentrate strictly on one geographic area or sector, a good urban/rural distribution of benefits should be achieved. This takes into account the shift away from Belize City implied by increased and diversified agricultural production and investment, export and tourism promotion.

1. Socio-Economic Context

The population of Belize is estimated to be 160,000, of which the total available labor comprises 51,500. The country's annual population growth rate is 2.3 percent, however the labor pool's annual growth rate will increase at a much higher rate, as the largest proportion of the population is below the age of 19 (over 58 percent).

The majority of the labor force (30 percent finds employment in the agricultural sector, with 16 percent in services, 15.4 percent in government, 11.2 percent in commerce and 10.3 percent in manufacturing. There is a shortage of skilled labor and all types of technical personnel. Over 14 percent are unemployed.

2. Impact and Benefits

This project is directed at attracting/stimulating investment, earning foreign exchange by developing exports and generating jobs. These direct jobs will produce benefits in the form of wages paid to the employees of agricultural, tourism and industrial enterprises, which are the target areas under this project. The wages paid, in turn, will have secondary effects and produce jobs indirectly in the industries which service the new investments or through the firms located in communities where the new wage earners are living.

There are an estimated 60,000 Belizeans in the U.S., many of whom are highly trained. By stimulating private sector development in Belize, the project will help provide high quality jobs to lure some emigrants back, and in addition, less loss though emigration should occur.

In terms of employment, this project is expected to help create an average of about 150 new jobs per year and facilitate an

average of \$4 million in new investments in the productive sector (Figures based on 505-0025 project outputs). These jobs will be geographically dispersed. In agriculture the jobs will be located throughout the entire country; in industry, jobs created will start slowly and increase over time.

3. Impact on Women

The impact on women of this project will be positive, as women will benefit from the increased employment opportunities generated through promotion of exports and investments. Women also can benefit directly from the services provided by BEIPU in ventures aimed at import substitution and exporting.

4. Transfer of Technology and Skills

This project will bring about a transfer of skills, particularly where larger foreign corporations are involved. Training in modern production methods as well as local participation in production via joint ventures will result in the transfer of technology. Transfer of skills in the tourism industry will come about through workshops sponsored by the industry through investments and participation of major commercial travel companies, hoteliers and airlines.

5. Conclusions and Implications for Project Management

For Agriculture/Agribusiness--Increasing agribusiness activity will be socially beneficial. There are likely to be a number of areas of social impact that deserve attention during implementation of the project. These include:

- Effects on food availability and nutrition in communities producing export crops rather than subsistence or domestic food crops;
- Effects on the participation of women in agribusiness, as laborers, administrators, or managers;
- Effects on school attendance of increasing family income in agribusiness communities;

For Tourism: In terms of social benefits, any negative impact should be minimal. The tourism product of Belize appeals primarily to the segments of the population that can be expected to respect the cultural and social mores of the host country. At the same time there appears to be need for the indigenous population to be made more aware of the needs and aspirations of tourists. The Government's stated policy of

developing tourism needs to be supported by a program of education at all levels of the community in order to ensure that there is mutual understanding between the local population and tourists.

For Industry: There are no major negative social issues with regard to development of manufacturing and industry for Belize. The arrival of foreign companies and multinationals is likely to positively contribute to standards of living in most cases for its employees. Wage rates, benefits and working conditions will have to be periodically evaluated.

TECHNICAL ANALYSISSectoral Strategies1. Agribusinessa) Target Products

- Oil Seeds
- Oranges
- Pineapples
- Animal Feeds
- Fresh and Processed Fruits and Vegetables
- Flowers
- Aquaculture
- Bananas

b) Basis

Circumstances of trade and investment change constantly. Hence, the list above should constantly be revised. The point of departure for this effort, however, is the following:

Oilseeds. The importation of some 500 metric tons in 1984 of crude vegetable oils per annum is a significant component of the \$35 million gap in the Belize balance of payments. Essentially no oilseeds were produced domestically in 1984. It also means that an investor can count on a ready market (Belize per capita consumption of edible oils and fats is 29 pounds per annum).

Orange and Pineapples. In the Caribbean tourist industry, Belize has a well heeled market for frozen concentrated orange juice. It is in a good position to fill the gap which has been created by the decline of Florida's orange industry. BEIPU should begin by working with Coca Cola which recently announced an investment in orange production and processing, but has some way to go toward its goal of planting orange groves.

Fresh and Processed Fruit and Vegetables. Belize has an excellent opportunity to export fruit and vegetables. In the winter vegetable market Belize's ability to penetrate has been demonstrated by melon and cucumber exports. Certain processed vegetables also can find market niches. There are also many other opportunities in the U.S. market for frozen vegetables, and processed jams, jellies, pickled vegetables, etc.

Flowers. The potential gross earnings of \$80,000 per acre/year in flower production are very attractive. Some 300 acres would yield gross export earnings of \$24 million -- a feasible share of the \$150 million U.S. flower import market (mainly carnations, roses and chrysanthemums). The need is for investment and transport improvement. Available roads, refrigerated overland transport, refrigerated storage facilities, and air cargo service are not adequate for a major expansion of flower exports (the useful life of a cut flower is about eight days under refrigeration).

Aquaculture. Belize's coastal conditions may be comparable with the success stories of shrimp culture for Ecuador and Panama. The Smithsonian research on King crab is currently being adopted to Belize's situation.

c) Traditional Exports

While priority should be given to non-traditional exports and to attracting foreign investment to them, BEIPU should not lose sight of the fact that the bulk of Belizean export earnings still derive from traditional exports.

However, BEIPU should not involve itself with sugar. BEIPU should play a role in the formulation of the policies affecting traditional exports. It should bring to the attention of policy makers the implications of various courses of action for exports and foreign investment.

d) Promotional Strategy

BEIPU should look for potential investors, first, among the integrated agribusiness companies. Several companies have already located here. Others such as International Multifoods of Minneapolis or Conagra might be interested in similar ventures.

While shipping fresh produce on consignment is a risky enterprise, there are some brokers (e.g., Sun World Corp. of Tampa, Florida, or Basic Foods International of Fort Lauderdale, Florida) who are willing to participate actively and co-invest. Investment packages also might be put together with some of the technology service companies such as FoodPro of San Jose, California (which operates in conjunction with Security Pacific Trading in terms of offset trade agreements).

e) Target Markets: Year I

- * The United States.

2. Manufacturing

a) Target Products

- * Apparel and Textile Products
- * Furniture
- * Wood Products

b) Basis

While there are many other potential sectors and subsectors -- and BEIPU and its intermediaries should be flexible enough to recognize and pursue these on an opportunistic basis - initial concentration should be on the above. Allowing for differences from sector to sector, and also on regional requirements, these target sectors share many of the following common attributes:

- * Many companies in these sectors already have offshore operations.
- * The production processes they employ are often characterized by separable assembly operations, e.g., production-sharing possibilities.
- * Most are labor intensive: many can utilize unskilled or semi-skilled labor.
- * In many of these sectors, companies are facing significant wage-cost pressure in the U.S. or in NIC offshore operations.
- * In some sectors, special problems exist (quotas on apparel and textile products); impending protection for footwear; ergo; special opportunities (CBI benefits)
- * Most can utilize factory space of a size ordinarily found in Free Zones.
- * High technology is not a significant factor in most of these sectors.

c) Promotional Strategy

BEIPU should make contact with the U.S., networks serving these target sectors, and with companies which:

- * Already have offshore operations.
- * Are mid-sized companies, or subsidiaries of large multinationals.
- * Face wage-cost squeeze in parent company locations or offshore operations in NICs.
- * Manufacture OEM products characterized by large numbers of separable assembly operations.
- * Face special problems, e.g., quotas on textiles and apparel products; impending protection for footwear, etc., regardless of country of parent companies (many in these two categories will be Far Eastern companies).

d) Target Markets, Year I

- * The U.S.
 - * Proximity
 - * CBI entry
 - * 807 Possibilities
 - * Size of Market; Number of Target Sector Firms
 - * Highly Developed Networks (see later)

B. Reaching the Market - Networking

As a matter of policy as well as practical reality, BEIPU's small specialist staff will use its limited time to create relationships with trade associations and other service-provider organizations in its target sectors in Belize and abroad (principally the U.S.). These relationships will (a) help to extend BEIPU's modest human resources; (b) provide valuable intelligence on target sectors, markets and requirements, and (c) serve as door-openers to companies which may be prospective investors/importers. This process is known as networking.

In every country in the world, but especially in the United States, there are networks -- often interconnected -- covering every conceivable industry and sphere of activity. BEIPU should regard these networks as key helpers. BEIPU staff should devote a substantial amount of time and effort to (a) identifying the networks it needs to be in on -- corresponding to the selected investment targets -- and (b) painstakingly cultivating network executives and member companies.

In both Manufacturing and Agribusiness, BEIPU will develop lists of:

- * Trade and Industry Associations in target sectors;
- * International banks;
- * Legal and accountancy firms with clients in target industries;
- * Manufacturers of machinery, equipment, raw materials in target industrial and agricultural sectors.
- * Appropriate persons in the bilateral and multilateral lending agencies;
- * Management consulting companies, and
- * Trading companies.

It should then develop modest financial relationships with a few of these key networks. Paying a network organization a fee for, say, collaborating on a booklet dealing with industry-specific opportunities in Belize would be valuable primarily because it would result in exposure of Belize's "case" to a key audience and yield on-going feedback about which companies are looking for what.

In cooperation with consultants the Account Executives should approach target trade associations and other service-provider groups. This should be in person, not by mail. The entre might be to propose small collaborative projects such as circulating jointly prepared brochures or newsletters to the membership, or holding luncheon meetings for members to hear Belizean speakers. The basic objective is to develop sustained relationships with these associations in order to obtain their cooperation in identifying corporate targets for investment promotion.

At the same time, the sector specialists should make contact with the corresponding Belizean sectoral organizations. The objective here is eventually to create sector-specific "matches" of U.S. and Belizean organizations.

In addition, BEIPU staff should start compiling lists of service-provider businesses, and enter into a dialogue with them as well. These should include Belizean and U.S. companies engaged in banking, transport, storage, insurance, manufacture of packing materials, provision of inputs (seed, fertilizer, pesticides), manufacture and distribution of machinery, etc.

C. Servicing the Investor/Exporter

From BEIPU's standpoint, it is critical that (a) prospective investors/exporters be carefully targeted and effectively approached -- both directly and through industry associations and other service-provider networks -- and then (b) followed up relentlessly.

1. Investor Reception

The original conception was that BEIPU would act as central point of contact for prospective investors, and for investors seeking their required licences, permits, certificates, etc. That conception, we believe, remains valid. Implementing it will be one of the primary tasks of the Account Executives.

However, with respect both to the introductory and "walkthrough" functions, BEIPU will maintain professional working relationships with a variety of organizations including the BCCI, BTB, BTIA, BIM, Industry trade associations and others. The choice of which organization to call on at any particular time should depend on the nature of the work which needs to be done.

2. Facilitation of Investor Visits

BEIPU will become a central stopping point for (a) prospective investors who are seriously investigating business opportunities in Belize; (b) business people who have already made a commitment to invest, but who may need assistance in finding a dependable local partner, identifying consultants, or working through the bureaucracy to obtain the necessary permits, authorizations, licenses, exonerations, etc.; and (c) importers and buyers who have come, or are planning to come, to Belize in search of particular kinds of products.

3. Investor Follow-Up

Careful follow-up can yield a wealth of valuable information about why some companies invest, why some don't, what turns people off and on. Over time, this can provide a useful guide to what is good and less good about "the product" -- and therefore, what needs to be strengthened, changed, scrapped, modified, and so forth. In principle, the same Account Executive should follow the progress of a prospective investor from the beginning of his process until the end of it -- and beyond.

The follow-up process must, of course, be as personal as possible. The prospective investor's questions must be fully and truthfully answered. If this involves additional information-gathering, it should be done thoroughly and expeditiously. Other organizations such as those mentioned above should be kept informed.

4. Investor Data Base

It is clear that because there are many points of entry for the prospective investors, and little coordination among these resources, no one really knows how many prospects have inquired, come personally, invested or did not.

The process of "logging in" prospects and then systematically tracking them should be institutionalized. This should be achieved by connecting the principal "points of entry", such as AID, BCCI, GOB and others. BEIPU has already started this, and it has proven highly useful up to now.

5. Improving Trade and Investment Missions

The Caribbean is drowning under the weight of "missions" of all shapes, sizes and degrees of seriousness. These guidelines should be followed for missions:

- * Multi-sectoral missions rarely achieve much -- in either direction.
- * Mission participants -- in or out -- should be (a) pre-qualified, (b) thoroughly briefed, and (c) this information shared with whoever is hosting the mission.
- * There should be a formal de-briefing for every mission -- in or out.
- * There should be provision for systematic follow-up of every participant.
- * Participants -- especially incoming -- should be thoroughly researched.

6. Publications Program

The quality of most of the investment and export related publications now issued by or on behalf of Belize is poor -- in terms of language, content, design, flexibility and relevance to business people with varying interests.

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A marketing and publications program will be undertaken by BEIPU as the central source and clearinghouse for all investment and export promotion information. The approach to this publications program will be sectoral (not general) and it should address those sectors in industry and agriculture which have been identified as priorities.

It is entirely feasible to produce certain "core" materials on Belize and its export and investment potential, while creating a format that allows addition to this core of sector-specific materials. The same kind of treatment is possible not only in printed materials, but in audio visual materials as well -- slide films, videocassettes, films, etc.

As important as the production of the communications materials themselves are their marketing and distribution. No publication or visual should ever be commenced before a rational distribution plan has been developed -- there are far too many instances of expensive materials being developed and getting stacked in supply rooms until they are no longer relevant. Both the need for, and the distribution of, communications materials are outgrowths of the overall marketing strategy.

7. Trade Shows and Exhibitions

Trade shows and exhibitions are expensive and time-consuming. BEIPU should develop a rational strategy for participations and systematic follow-up. If a Belizean presence at a particular event is desirable, BEIPU should first consider "walking the show" rather than becoming an exhibitor.

8. Office of Economic Development (OED)

At this time, OED is the only entity at sub-cabinet level which makes an attempt to coordinate public sector activities in the investment/export area. BEIPU should attempt to build on this modest beginning, by:

- * Developing collaborative programs among public sector agencies and arranging for private sector in-put. As a private corporation, BEIPU can be a member ex officio.
- * Using OED as a means of staying aware of public sector programs and projects, and helping to foster better coordination in the public sector.

9. Changing the Import Mentality

Only one thing will change the inward-looking attitudes that have grown up over years and years of importing: export success. Success will change attitudes. BEIPU will play a leadership role in hastening the process by participating in an imaginative program of training, orientation, and well-publicized rewards for the successful exporter -- domestic or foreign.

Not surprisingly, there is no evidence of an export method in Belize that is remotely comparable with the export environment created by South Korea or Taiwan. If there is to be a vigorous growth of non-traditional exports, and if foreign and domestic investment is to be attracted to it on a significant scale, a more export-minded setting must be created.

Toward that end, BEIPU will work with BIM in developing a series of orientation activities to train personnel in export skills, analyze market/product potentials and opportunities, and establish psychic and material rewards.

Replacing Belize's inward-looking mentality with an outward-looking and more optimistic export mentality is a long-term proposition. But it is perhaps the most important single action BEIPU can take.

A long-term, consistent and imaginative public relations program capable of receiving enthusiastic support from the Prime Minister of Belize is recommended.

ANNEX I

FINANCIAL ANALYSIS

1. Financial Viability

It is the intention of the project to "capitalize" a business, and thus, to establish a semi-independent, financially viable business in BEIPU within BCCI rather than fund a project requiring ongoing support.

The financial plan encompasses three thrusts. They are: the development of capacity to provide effective, useable services; the establishment of saleable services and an income stream; and the development of a secure financial base for the future security of BEIPU.

2. Capacity

During the first year of operation BEIPU will hire and train staff, collect information, prepare the marketing plan, develop a fee structure, prepare promotional material, distribute promotional material, receive requests, design contracting and business instruments, provide services and make needed adjustments.** By the end of year one, income will only have begun to develop. Thus, year one will be the most expensive year of the project and BEIPU will experience a substantial operating deficit.

3. Financial Plan Objectives

The financial plan for BEIPU is designed to achieve several key objectives:

- Having a financially self-sustaining Export and Investment Promotion Center by 1990;
- Maximizing the use of project funds for program development during the 5-year project period and;
- Offering a balanced mix of promotion services in order to meet country priorities and anticipated demand.

4. Sustainability

As a non-profit organization, BEIPU's objective is to match income with expenses while maintaining its ability to provide

services to the country. The project provides a cushion to cover any shortfall in BEIPU cashflow.

The cashflow analysis in Table I-2 assumes a demand for BEIPU's services well below what our demand study identifies as the potential demand. In addition, the cost of BEIPU's services is well within the parameters of normal charges for similar services performed elsewhere. For these reasons, it is felt that BEIPU has a reasonably strong chance of becoming a long-standing, financially-viable, and stable institution.

Nevertheless, the financial future of BEIPU after the PACD is still somewhat "up in the air." Although its financial basis looks strong - its financial support from the private sector may not turn out to be as strong as anticipated. Thus, GOB funding must still be considered as a potential option in the future. For example, the GOB could place a small tax on export revenues to direct the revenues to BEIPU.

5. Cost Structure

As BEIPU gains increased expertise and experience, it will raise its income generated from services, as potential investors realize that BEIPU can and does provide a useful service. Initially, the fees will come in slower than one would expect, since it will be necessary to demonstrate, first that its services are valuable to Belize's businesses, second, that the potential increased revenues warrant paying the costs of the services that BEIPU will provide, and third, that BEIPU can provide the services on a timely and effective basis.

Fees for BEIPU are expected to be:

- | | | |
|--------------------------------|---|------------------------|
| (1) Brokerage service | - | 3 points |
| (2) Export marketing | - | 2-8% of export revenue |
| (3) Consulting fee | - | \$100 Bz\$/hour |
| (4) Feasability studies | - | Case by case basis |
| (5) Concession form assistance | - | \$2,000.00 Bz. |
| (6) General Information | - | Free |

The fees will be subject to market conditions, and will be reviewed periodically.

6. Self-Sufficiency

Providing traditionally public goods and services through the private sector has long been a difficult process, even in the developed, industrialized countries. The Project Identification Document somewhat optimistically forecasted complete self-sufficiency for BEIPU by the end of the project. There are some reasons to believe that this may not be the case, and for the sake of realism, barriers and other alternatives must be reviewed.

Companies experienced in investing abroad expect that most of the services to be offered by BEIPU will be performed at no cost by a government sponsored agency. Such is the case in the Caribbean countries with which Belize will compete for some projects. The range of investor services offered at no cost by many investment promotion agencies includes feasibility studies, identification of local partners and assistance in arranging financing. Experience has shown that prospective investors are only charged for services when outside consultants are used to prepare feasibility studies or review business plans as part of a financing by a governmental development finance agency, and then the cost is usually rolled into the financing package. Many companies, including the large ones, engage outside consultants to review project proposals. However they generally insist on hiring their own consultants to ensure that they get an independent viewpoint.

The question of whether BEIPU can generate enough income in fees and from other sources to become financially viable over the long-term remains relevant. While this may ultimately be possible, it is likely to require other funding sources than those projected and is likely to require a longer time period.

In the cases of "privatizing the public sector," where traditionally government-provided goods and services were provided by the private sector, the mechanism has often been through management contract. In most documented cases, utilities, maintenance services, construction, social welfare and other services have been provided much more efficiently, cheaply and with greater expertise when the private sector has taken over. There has been criticism that this transfer often creates monopolies; however it can be asked, what is better, a public or private monopoly? [E.S. Savas, Privatizing the Public Sector, 1982]

In many cases, while a private entity provides the service for the common good of the people (trash collection, road

maintenance, traffic fine collections), it is often times financed in part or whole by government revenues (taxes), depending on the proportion of the citizen demand. When demand is particularly inelastic for all consumers, (low elasticity of demand), the cost of a service can generally be collected directly from private individuals without much difficulty (ie. trash collection, water, electricity), because the perceived need is high by the majority of citizens. However, elasticity of demand is high for services that are not as easily perceived as individually beneficial, such as road maintenance, traffic fine collection or assistance to business. While citizens may view such services as beneficial to the common good of society/economy, they nevertheless feels it is the responsibility of government and hence these are generally financed through taxes.

It is therefore, not unreasonable to expect that when the government of Belize realizes an increase in tax revenues as a direct result of increased investment and export earnings, that they should share this revenue with the entity responsible for creating the increased revenues, in this case, BEIPU. Care must be taken to regard any such payment as just that, and not a "subsidy", which would tend to affect the private nature and autonomy of BEIPU. This would necessarily require a reasonable tracking and reporting system of new investments to which both BEIPU and GOB can agree. In business terms, BEIPU would be an exclusive licensee, earning royalties from the licensor, the GOB.

It will therefore be necessary for BEIPU and USAID to source various additional means of income earnings to help BEIPU achieve self-sufficiency within the life of the project. These include, but are not limited to tax revenue sharing (above), and other means of defraying costs such as in-kind technical assistance, volunteer staff, tapping into other USAID project assistance, and donations from Belizeans abroad.

TABLE I-1

METHODS OF IMPLEMENTATION AND FINANCING
(U.S.\$000)

<u>Inputs</u>	<u>Implementation</u>	<u>Financing</u>	<u>Approx Amount</u>
I. <u>AID Grant</u>			
A. <u>BEIPU</u>			
Long-Term T.A.	Profit Making Contractor	Direct Pay	345
Short-Term T.A./Studies	Profit Making Contractor	Direct Pay	400
Equipment/Supplies	Contract for Comm.	Direct L/Comm. Direct Reimbursement	67 20
Investor Search	Profit Making Contractor	Direct Pay	75
Promotion	Contract	Direct Pay	420
Evaluation/Audit	Contract	Direct Pay	85
Personnel & Logistical Support	Non-profit Contract	Direct Reimbursement	354
Inflation	N/A	N/A	83
Contingency	N/A	N/A	65
Total AID Grant-BCCI			<u>\$2,000</u>
B. <u>GOB</u>			
Long-term T.A.	Contract	Direct Pay	180
Short-term T.A.	Contract	Direct Pay	20
Equipment/Supplies	Contract for Comm. Profit or Non-profit	Direct L/Comm. Direct Reimbursement	20 20
Promotion	Contract	Direct Pay	220
Inflation	N/A	N/A	13
Contingency	N/A	N/A	27
Total AID Grant-GOB			<u>500</u>
II. <u>Host Country Counterpart</u>			
Counterpart			
BCCI Private Sector/GOB			\$1,500
Total Project			<u>\$4,000</u>

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Table I-2

BEIPU CASHFLOW
(U.S.\$000)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Income:						
Loan Points	10	15	20	25	30	100
Commissions	30	50	80	100	110	370
Consulting Fees	20	35	50	65	80	250
Other Income	7	8	20	30	45	110
Total Earned Income	67	108	170	220	265	830
AID Grant	609	555	442	257	136	2000
Total Revenue	<u>676</u>	<u>663</u>	<u>612</u>	<u>477</u>	<u>401</u>	<u>2830</u>
Salaries:						
Executive Director	30	30	30	30	30	150
Ind/Tour Executive	11	21	21	21	21	95
Agr. Executive	21	21	21	21	21	105
Adm. Assistant	10	10	10	10	10	50
Accountant	7	7	7	7	7	35
Secretary (2)	12	12	12	12	12	60
Sub-Total	<u>90</u>	<u>101</u>	<u>101</u>	<u>101</u>	<u>101</u>	<u>495</u>
Other Expenses:						
Logistical Support*	119	119	119	118	118	593
Equipment/Supplies	60	7	7	7	6	87
Long-Term TA	115	115	115	0	0	345
TA/Studies	100	100	80	60	60	400
Promotional Costs	100	100	100	100	20	420
Investor Search	15	15	15	15	15	75
Evaluation/Audit	0	30	5	20	30	85
Sub-Total	<u>509</u>	<u>486</u>	<u>441</u>	<u>320</u>	<u>259</u>	<u>2,005</u>
SUB-TOTAL EXPENSES	599	587	542	421	350	2,500
Contingency	50	50	46	35	31	212
Inflation	27	26	24	21	20	118
TOTAL COSTS	<u>676</u>	<u>663</u>	<u>612</u>	<u>477</u>	<u>401</u>	<u>2,830</u>

* includes rent, maintenance, travel, per diem and miscellaneous items

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Table I-3

Public Sector Expenditures By Year
(U.S.\$000)

Activity	Year 1		Year 2		Year 3		Year 4		Year 5		Total	
	AID	GOB	AID	GOB	AID	GOB	AID	GOB	AID	GOB	AID	GOB
Long-Term TA	140	0	60	0	0	0	0	0	0	0	200	0
Equipment Supplies	40	2	0	2	0	3	0	3	0	3	40	13
Logistic Supp	0	50	0	50	0	50	0	50	0	50	0	250
Promotion	100	0	70	20	50	40	0	120	0	140	220	320
Sub-Total	<u>280</u>	<u>52</u>	<u>130</u>	<u>72</u>	<u>50</u>	<u>93</u>	<u>0</u>	<u>173</u>	<u>0</u>	<u>193</u>	<u>460</u>	<u>583</u>
Inflation	7	3	4	4	2	5	0	9	0	10	13	29
Contingency	15	5	8	7	4	9	0	17	0	19	27	58
Total	<u>302</u>	<u>60</u>	<u>142</u>	<u>83</u>	<u>56</u>	<u>107</u>	<u>0</u>	<u>199</u>	<u>0</u>	<u>222</u>	<u>500</u>	<u>670</u>

ANALYSIS OF POLICIES, LAWS AND REGULATIONS

The most recent overview of an Investor's Guide to Belize was printed in September of 1984. What follows are pertinent excerpts regarding policies, laws and regulations relating to investment in Belize.

SOME RELEVANT POLICIES FOR THE INVESTOR

1. Investment Policy

Within the context of a mixed economy, it is envisaged that more rapid rates of economic development could be achieved through increased private investment in the industrial sector. As such, Belize welcomes investment which results in:

- an increase in production
- an increase in domestic income
- an increase in employment
- an increase in foreign exchange earnings or savings
- a diversification of the economic base
- the transfer of technology and skills.

The Government views its role as facilitator of private investment by providing the basic infrastructural needs of roads, water, sewerage, electricity and communications. The public sector will participate in direct productive and other economic activities only where necessary, and do so in partnership with private enterprise where possible. Foreign investment, at best, should involve transfers of financial resources, appropriate technology, and managerial skills and expertise into Belize. Foreign investment is especially welcomed if it:

- utilizes indigenous raw material resources
- produces for the export market, and
- contributes to the employment and upgrading of skills of Belizean nationals.

While 100 percent foreign ownership of an enterprise is permitted, preference is given to joint ventures in which local entrepreneurs participate.

Belize abounds in agricultural and forest lands, but, as yet, possesses no known mineral deposits of commercial significance

or cheap source of energy. As a result, Government has accorded top priority in its development strategy to agriculture and agro-industries. The priorities for development in order of importance are:

- Agriculture and Livestock production
- Agro-industries
- Forestry (especially secondary processing)
- Tourism (specialized attractions)
- Light Manufacturing Industries
- Aquaculture
- Mining and Oil Exploration
- Handicrafts
- Deep-Sea fishing and processing
- Off-shore Assembly Plants (export oriented).

To ensure adherence to national development plans The Aliens Landholding Ordinance (1973) was designed to discourage land speculation and encourage land development by foreign investors and foreign-controlled enterprises. The main provision of this Ordinance requires that non-nationals of Belize must obtain a licence from the Minister of Natural Resources before acquiring land exceeding one half acre in area within city or town limits or ten acres outside city or town limits. The applicant for a licence must submit to the Minister a plan of development in respect of the specific parcel of land sought for purchase. While no regulations have been made by the Minister governing the issuance of licences, in the case of agricultural land the general requirement is that the licensee must agree to develop at least 10 percent of the arable land annually until such land is developed.

Land for lease is available at an average rate of approximately Bz\$37.50 per acre per year. The price of land, depending on location and accessibility, varies between Bz\$20 and Bz\$50 per acre uncleared. The cost of land clearing is about Bz\$500 per acre using tractors according to size and type of terrain. Clearing land using the slash and burn method is approximately Bz\$70 per acre.

The following areas are not normally open to participation by foreign private investors:

- (i) Public Utilities
- (ii) Merchandising (distributive trades)
- (iii) Fishing (inside Barrier Reef)
- (iv) Bee-Keeping
- (v) Sugar Cane Cultivation
- (vi) Internal Transportation
- (vii) Restaurants and Bars.

2. Foreign Exchange Controls

Belize's exchange control system is relatively liberal because the exchange control regulations have been administered flexibly and pragmatically. Only the Central Bank and authorized dealers can legally buy and sell foreign currency. Authorized dealers include commercial banks, which can retain some foreign currency. Transactions in foreign currency are subject to the following rules:

- (a) importers obtain foreign currency by presenting the invoice and, if the import requires a licence, the authorization granted by the Ministries of Trade and Finance. Over-or-under invoicing are considered fiscal offences rather than breaking of foreign exchange regulations;
- (b) business travellers can obtain foreign currency up to Bz\$6,000 per year; non-business travellers up to Bz\$1,500 per year. Requirements in excess of these amounts need the Central Bank's authorization;
- (c) foreign investors have no limit on the amount of profits that they can send abroad. When a foreign investment has not been registered and the owner wants to repatriate profits, the origin of the profits and the realization of the investment must be outlined to the Central Bank;
- (d) residents are not normally allowed to own accounts denominated in foreign currency. However, exceptions are made when a need for such an account can be demonstrated;
- (e) emigrants are authorized to take their capital with them (large quantities are authorized in annual installments);
- (f) borrowing abroad is subject to permission if the borrower wants to repay interest and principal with foreign currency supplied by the Central Bank;
- (g) exports require permits by customs and
- (h) re-exporters must demonstrate that in a reasonable time - up to six months - the foreign currency will be sold to the Central Bank.

3. Taxationa. Income Tax - Personali. Rates

The following scale of rates applies to individuals including foreign personnel in Belize:

<u>Chargeable Income</u> U.S.\$	<u>Tax</u> U.S. \$
\$ 500	\$ 25 + 6% on next \$500
\$ 1,000	\$ 55 + 8% on next \$500
\$ 1,500	\$ 95 + 10% on next \$500
\$ 2,000	\$ 145 + 15% on next \$1,000
\$ 3,000	\$ 295 + 20% on next \$1,000
\$ 4,000	\$ 495 + 25% on next \$1,000
\$ 5,000	\$ 745 + 30% on next \$2,000
\$ 7,000	\$ 1,345 + 35% on next \$2,500
\$ 9,500	\$ 2,220 + 40% on next \$5,000
\$14,500	\$ 4,220 + 45% on next \$15,500
\$30,000	\$11,195 + 50% on remainder

ii. Basic Deductions (All Figures in U.S.\$)

Earned Income Relief	U.S.\$400
Married Person Allowance	450
Child Allowance	300-700
Personal Allowance	700
Dependent Allowance	300
Life Assurance Relief	600
Secondary School	300
Tertiary Institution	600

In arriving at chargeable income, only expenses incurred wholly and exclusively in earning income are deductible.

b. Income Tax - Corporate

Companies are taxed at a flat rate of 45% on profits, adjusted in accordance with the Income Tax Ordinance. There is no income tax on dividends.

c. Import Tax

The Import Licence System was established in 1974, and at present import licences are required for 75 commodities of

which 42 are food products. Imports under licence amounted to approximately 18% of total imports in 1981. Import duty exemptions are granted for the full amount of the duty or for part of it in the case of investment and consumption products; and to promote development of industries. The following table outlines the nominal and actually paid duties on some selected imports:

<u>Imports</u>	<u>Nominal</u> <u>%</u>	<u>Actually Paid</u> <u>%</u>
Furniture made of wood, metal or any other material	45	14
Cement	25	18
Pimentos	30	21
Wood articles	45	10 to 29
Sugar Confectionary	42	26
Barbed wire	25	13
Nails	15	9
Staples	15	9
Mattresses	45	23
Bread and Bakery Products	30	11
Jeans	45	11
Shirts	45	25 to 41

In 1976 Belize adopted the CARICOM External Tariff based on BTN classifications.

d. Land Tax

All privately owned land outside of town limits is valued on the "Unimproved Value" principle. Valuations are based on "Market Value", that is, the price one would expect to receive if one were selling land with no improvements on it. Valuations take into account the following:

- Location
- Land prices in the area
- Development potential
- Type of land
- Size of land and other relevant factors.

e. Custom Surcharges and Indirect Taxes

A stamp duty is levied on all imports at the rate of six percent ad valorem. An excise tax is levied on rum, cigars, and cigarettes, and certain types of methylated and denatured alcohol.

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LESSONS FROM SIMILAR PROGRAMS IN CENTRAL AMERICA

In developing a project design for the Belize export and investment promotion project, the design used for similar projects working directly with the private sector that have been implemented by USAID's in other parts of Central America and the Caribbean was taken into account. In particular, the experiences of USAID programs in Jamaica, El Salvador, Honduras, Costa Rica, Panama, and the Dominican Republic were reviewed. Also taken into consideration was the experience of Government-based investment promotion activities over the past decade in the region, looking particularly at the experiences of Jamaica and Barbados. Review of the above experiences has led to the following conclusions regarding some of the factors that affect the implementation of successful investment promotion programs.

- Successful Government sponsored investment promotion programs have existed in the region for a number of years

Within the Caribbean area, successful investment promotion programs have been carried out by Governments, especially in the case of Barbados. In this example, a Government statutory corporation was set up specifically to promote investment in the island and to manage an industrial park operation to house some of the attracted investments. The investment promotion agency is governed by a Board of Directors made up of representatives from the private sector who are appointed by the Government. The entity receives its primary funding from the Government plus additional assistance from the major international lending agencies. Prior to its focus on basic human needs over the past 15 years, USAID did provide support to programs of this type in the developing world.

- The recent major thrust of USAID's investment and export promotion programs in Central America has been directly with the private sector and not through Government institutions

USAID is currently funding major investment and export promotion programs in Costa Rica, El Salvador and Honduras, working directly with the private sector. These programs channel technical and financing assistance to the private sector through an appropriate sector association. The types of

assistance provided include, among others, market intelligence, joint venture brokering, technical assistance to improve quality standards, assistance to participate in trade fairs and missions, and financing assistance for new investment projects or exports.

Where numerous private sector associations exist in a given country, it is usually necessary to create a single new institution focused on export and investment promotion for the specific purpose of channelling the USAID program of assistance

Due to the fact that numerous private sector institutions usually exist in a given country, each with a slightly different focus and agenda, probably the only way to work with a large number of associations is to create a new umbrella organization under which they will all agree to cooperate.

To avoid these problems, USAID chose to work in Jamaica through the Private Sector Organization of Jamaica, an umbrella organization including the various chambers of commerce, the manufacturers association, the bankers association and other private sector groups. This program was in addition to the program of assistance to the Government sponsored investment promotion agency. USAID also assisted in the formation of umbrella type private sector associations such as FUSADES in El Salvador, FIDE in Honduras, and CINDE in Costa Rica through which to channel their program of assistance to the private sector.

The choice of the Board of Directors and staff of the private sector association through which the USAID program will be channelled is crucial to the success of the program

The success of USAID programs to promote new investment and exports from Central American countries appears to depend heavily on the key people selected to serve on the Board of the private sector association and the staff hired to execute the programs. It is important that the Board be made up of respected businessmen from the community, without any strong political affiliations, in order to attract the broadest possible support from the local private sector. It is also important that staff experienced in investment and export promotion be hired to execute the various programs.

A close working relationship between the private sector association and the Government is helpful in the implementation of the program

The experience of other countries seems to confirm that a close working relationship between the private sector association and the government is helpful in implementing the program. Even though the private sector might be able to do a better job of convincing prospective investors of the merits of a particular project, an investor will generally not come to a particular country until they have a good understanding of the Government's position regarding investments. Trade and investment promotion missions have clearly been demonstrated to be more successful if representatives of both the private and public sector are involved in these activities.

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Belize

Project Title and Number: Export and Investment Promotion
(505-0027)

Estimated Funding - LOP (\$000) A.I.D. USD 3,000 (Grant)
G.O.B. USD 2,197

Life of Project: Five Years (FY 86-90)

Project Assistance Completion Date: May 15, 1991

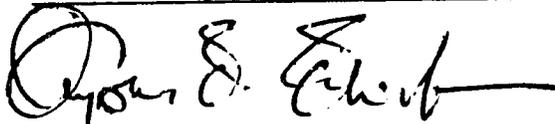
IEE Prepared:

Date Prepared: May 5, 1986

Threshold Decision: Pursuant to the authority delegated to the A.I.D. Representative and based on the Initial Environmental Examination for the proposed use of A.I.D. project funds to support a program of management, public administration, and technical and skills training as described herein, I recommend the following negative determination:

"The proposed action is not an action which will have a significant effect on the human environment over and above that described below and is, therefore, not an action for which a more detailed Environmental Impact Statement or Assessment will be required under this project."

A.I.D. Representative's Concurrence



Neboysa R. Brashich
A.I.D. Representative
USAID/Belize
Date 6/29/86

c. Land clearing	L
d. Changing soil character	L+
2. Altering natural defenses	N
3. Foreclosing important uses	N
4. Jeopardizing man or his works	M+
5. Other factors:	
Forest/watershed vegetable cover	N

1/ The following symbols were used:

N = No environmental Impact	U = Unknown environmental Impact
L = Little environmental Impact	
M = Moderate environmental Impact	+ = Beneficial Impact
H = High environmental Impact	- = Negative Impact

B. WATER QUALITY

1. Physical state of water	N
2. Chemical and biological states	N
3. Ecological balance	L+
4. Other factors	
Water Regime	N

C. ATMOSPHERIC

1. Air additives	N
2. Air pollution	N

3. Noise pollution	N
4. Other factors	N
D. NATURAL RESOURCES	
1. Diversion, altered use of water	L+
2. Irreversible, inefficient commitments	N
3. Other factors	N
E. CULTURAL	
1. Altering physical symbols	L+
2. Dilution of cultural traditions	N
3. Other factors	N
F. SOCIOECONOMIC	
1. Changes in economic/employment patterns	L+
2. Changes in population	N
3. Changes in cultural patterns	N
4. Other factors	N
G. HEALTH	
1. Changing a natural environment	N
2. Eliminating an ecosystem element	N
3. Other factors	
Quality of Water Supply	L+
H. GENERAL	
1. International impacts (cooperation in resource management/protection)	M+

- | | |
|---------------------------|---|
| 2. Controversial impacts | N |
| 3. Larger program impacts | N |
| 4. Other factors | N |

I. OTHER POSSIBLE IMPACTS (not listed above)

- | | |
|--------------------------------------|-----|
| 1. Introduction of new plant species | L+ |
| 2. Agricultural chemicals | L/U |
| 3. Other factors | N |

III. Impact Identification and Evaluation

The project is essentially an institution building effort, which has as its principal objective the promotion of export, investment and tourism projects undertaken in Belize. The activities have little or no direct effect on the physical and natural environment; a categorical exclusion is justified.

IV. Recommendation

In the light of the nature of this project as well as the programs and actions which could follow it, a negative threshold determination is recommended.

ENVIRONMENTAL THRESHOLD DECISION

Project Location: Belize

Project Title & Number Belize Export and
Investment Promotion Unit
505-0027

Funding: \$2,500,000 grant

Life of Project: Five years

IEE Prepared by: Mary Beth Allen
Private Sector Officer
AID/LAC/DR/PS

Recommended Treshold Decision: Negative Determination

Bureau Threshold Decision:

Action: Copy to AID Representative
USAID/Belize
Copy to James S. Hester,
EO, LAC/DR
Copy to IEE file


Neboysha R. Brashich
A. I. D. Representative
USAID/Belize
Date 6/29/86

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PROCUREMENT PLAN

1. Assessment of Grantees Procurement Experience

Because of the limited commodity sources in Belize, BEIPU has very little experience in local procurement. Previously, most procurement was done from a single source. Most of the imported commodities were done via competitive bidding.

2. Describe manner and type of procurement contracts proposed

This project was designed to be institution-building in nature. The grantee will have full procurement responsibility. Given this responsibility, the grantees will be able to continue to carry out their commodity procurement after the LOP.

There will be no special purchasing arrangements (contracting with a procurement services agent or using a U.S. Government agency) necessary under this project.

All procurement undertaken in Project 505-0027 will be through competitive bidding or competitive negotiation.

3. Descriptive List of Commodities

Other than the local procurement of office supplies, the following commodities are estimated to be purchased under this contract:

- (1) One Ford Bronco II;
- (2) One Ford Areostar;
- (3) One IBM micro-computer and support equipment;
- (4) One Portable building

The proposed U.S. source of these commodities is unknown due to the above procurement method. All of the above commodities purchased under this contract will originate in the U.S. and use the A.I.D. Geographic Code 000.

Because of the nature of this project, the nationality of short- and long-term assistance contracting under this project should be broadened to include A.I.D. Geographic Code 935. The primary reason in using this code is for the tourism component of this project. U.S. tourism advisors may not have the

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necessary Caribbean experience to justify limiting the geographic scope to the U.S.. Caribbean countries which have tourism experience are the most logical place to find regional tourism experts.

There is one primary reason Ford is specifically mentioned as the make of vehicle to be procured under contract 505-0027. Ford is the only U.S. manufacturer of motor vehicles in Belize. Therefore, Ford is the only U.S.-manufactured automobile for which warranty, after sales service, and spare parts are available.

There is one primary reason to justify IBM as the source of project computer equipment. The computer is to be used by the Belizean Ministry of Foreign Affairs. Presently, the Belizean Ministry of Finance and the Central Bank of Belize operate on IBM systems. In order for these Ministries to network their systems, IBM would be the most logical choice for the Ministry of Foreign Affairs.

The necessary waivers for items 1 and 2 above have been validated via an Action Memorandum to the A.I.D. Representative in Belize.

All other commodity eligibility considerations for necessary waivers (reasonable price, restricted and ineligible commodities, eligibility of suppliers and marking requirements) will be taken into consideration.

4. The above procurement plan is meant to be general. The specifics of the project's procurement schedule will be forthcoming in the grantees' procurement implementation plan. These implementation plans are part of the conditions precedent to disbursement. As soon as these conditions are met, the project's procurement plan will be amended accordingly.