

PD-ARF-~~143~~
80502 143

GRANT PROJECT AGREEMENT

Between the United States of America, acting through
the Agency for International Development (A.I.D.)

AND

the Government of Belize, acting through
the Ministry of Finance
(Grantee)

- 1. Project Title: Fiscal Resource Improvement
- 2. A.I.D. Project Number: 505-0000

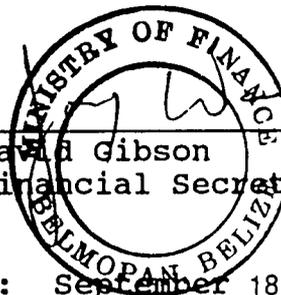
The above-named parties hereby mutually agree to carry out the Project described in this Agreement in accordance with (1) the terms of this Agreement, including the annexes attached hereto, and (2) any general agreement between the two Governments regarding economic or technical cooperation.

- 3. Amount of A.I.D. Grant: US\$130,000
- 4. Grantee Contribution to Project: US\$50,000 (in-kind)
- 5. Project Assistance Effective Date: September 16, 1992
- 6. Project Assistance Completion Date: September 15, 1993
- 7. This Agreement consists of this title page, Annex A - Amplified Project Description and Annex B - Standard Provisions.

8. Government of Belize

8. United States of America

By: 
 David Gibson
 Financial Secretary



By: 
 Paul A. Bisek
 Acting A.I.D. Representative

Date: September 18, 1992

Date: September 18, 1992

Appropriation : 72-1121021
 BPC No. : LDS2-92-25505-KG13
 Control No. : B920384
 Amount Obligated: US\$130,000

PROJECT DESCRIPTION

FISCAL RESOURCE IMPROVEMENT

I. PURPOSE

The purpose of the Fiscal Resources Improvement Project is to improve the quality of information available for Government fiscal decisions.

More specifically, the project will provide technical assistance to the Central Statistical Office (CSO) of the Ministry of Finance (MOF) to:

- improve their capability in the production of a Consumer Price Index (CPI);
- improve the quality and timeliness of the national accounts; and
- establish an Environmental Database, which will allow for the incorporation of Belize's environmental assets into the production of national accounts and also provide other environmental statistics.

If recommended and identified by the environmental database advisor, training for the staff of the CSO in the collection of environmental statistics will also be provided.

Finally, the project will fund a study of the options for funding environmental management and protection, with specific attention to user fees and earmarking of taxes.

II. BACKGROUND

The activities to be undertaken support the program focus described in the USAID/Belize Program Objective Document and Action Plan, which identifies two strategic objectives--improved use of terrestrial natural resources and improved Government of Belize (GOB) fiscal resources. While the activities of this project primarily address the second objective, they also reflect linkages between the two objectives.

Consumer Price Indices serve a twofold purpose--as a general economic indicator of the rate of inflation in a country's economy and as a yardstick for adjusting wages, salaries and other income payment to keep step with rising prices. The indices are useful in formulating economic policy to maintain wage/price stability, to evaluate tax proposals, and to adjust national accounts for

inflation and deflation. The CSO presently produces a CPI but it is generally acknowledged that the index is inadequate and incomplete.

Previous technical assistance, provided by the U.S. Bureau of Labor Statistics for the improvement of the CPI data, recommended further review and improvement of the CPI. This was to be done after the completion of the Household, Employment, Income and Expenditure Survey (HEIES), since the basket of goods used to generate this index could then be updated to reflect current expenditure patterns. Further technical assistance to the CSO was recommended for this exercise. However, after subsequent discussions between the technical advisor, CSO and USAID, it was agreed that formal training to the participating CSO staff members would greatly enhance the accomplishment of this exercise and would increase its sustainability. As a result, an appropriate training course was identified and two CSO employees are now being trained in the design, analysis and construction of the CPI.

The technical assistance to be provided for National Accounts Improvement under this project is based on the recommendations of Dr. Frank Szumillo of the U.S. Bureau of Census. In July 1991, Dr. Szumillo conducted a review of the methodology used in estimating the national accounts in Belize. His report recommended further technical assistance to improve the quality and timeliness of the national accounts. The project will finance some of the recommendations proposed by Dr. Szumillo.

Belize is beginning to experience the natural resource and environmental problems which are at more serious levels in other countries in the region. While there are natural resource and environmental issues of immediate concern, the overall situation gives Belize the opportunity to institute needed policies and reforms before problems become more serious and before the cost of restoring the situation becomes excessive. Many other developing countries face daunting and insurmountable problems of restoring or replacing depleted or destroyed resources. Belize can more fully realize the complementarity between long-term economic and long-term environmental objectives by beginning now to reinforce sustainable use practices for its natural resource base.

Government policies can encourage these practices. Tax and revenue issues associated with natural resources often discourage resource conservation, while reducing economic productivity, increasing fiscal burdens on government, and reinforcing inequities. On the other hand, economic incentives through, among others, fiscal policies can make those depleting the resource base pay the economic costs of their activities.

The GOB, recognizing the importance of these issues, is currently considering new environmental protection legislation and various means of financing conservation measures. Major projects are underway to improve the country's ability to plan and manage the

use of its natural resources, including the A.I.D.-funded Natural Resources Management and Protection (NRMP) and Tourism Management Projects. The British Overseas Development Agency (ODA) is also assisting in such areas as land capability analysis and land use planning. Complementing these activities, this Agreement will provide assistance in improving environmental statistics and analyzing tax and revenue options with regard both to allocating costs of resource depletion or degradation and to financing resource management.

III. DESCRIPTION OF ACTIVITIES

A. Consumer Price Index Improvement. This activity will provide technical assistance to the CSO for improving the design, analysis and construction of its CPI. This assistance is expected to be provided by the U.S. Bureau of Labor Statistics (BLS) and will be complemented by the training of the two CSO employees which is already underway at the BLS. A total of about eight (8) weeks of technical assistance will be provided, beginning with four weeks of technical assistance in November 1992, almost immediately after the training is completed, and followed by two two-weeks monitoring consultancies in February and May. During each of these three consultancies a new quarterly CPI will be generated and reviewed. After the final review in May, it is expected that the CSO will be able to accurately generate the CPI. This technical assistance is expected to improve the production of the CPI which will contribute to the GOB's ability to analyze fiscal policies and important economic issues such as salaries and wage adjustment.

A detailed scope of work for the technical advisor will be developed by CSO and USAID.

B. National Accounts Improvement. The project will provide a qualified consultant who will provide expert assistance to CSO on national accounts expansion for an estimated period of twelve (12) weeks. There will be an initial consultancy of about eight weeks to establish a system for expanding the coverage of national accounts to include both the income and expenditure approaches to estimating Gross Domestic Product (GDP). This will be followed by two two-week visits during the following six months to monitor the proposed changes.

A detailed scope of work for the technical advisor will be developed between CSO and USAID. This technical assistance is expected to commence in January 1993.

C. Environmental Database Establishment. The establishment of an environmental database will consist of three separate initiatives. The first will provide technical assistance to CSO to determine the procedures necessary to incorporate the use of environmental assets into the production of national accounts.

The second will help establish a system for the measurement of environmental indicators not directly related to national accounts, such as forest size and type, land use, wood production, water resources and coastal activity. The technical advisor for both these assignments will review the work being done by the ODA team on natural resource assets. Finally, training for the staff of CSO as recommended by the technical advisor will also be provided.

D. Environmental Fees and Taxes. User fees and earmarked taxes represent potential yet largely undeveloped sources of revenue for resource management in Belize. User fees are charges on specific services provided, such as trails, camp sites and tours. Earmarked taxes have no necessary connection to the provision of specific services but are designated to support those activities as a matter of Government priorities.

Examination of the potential for an expanded use of user fees and earmarked taxes should address objectives of increasing revenues and designating at least some of that revenue to protection of the resources upon which that economic activity depends. At present there are examples of user fees but those fees go into general revenue. Policy reforms should address the need to preserve the resource base. Revenue issues to be studied will focus on the methods of determining the level of the fees. Additionally, the actual revenue needs for proper resource management will aid in the allocation of revenues from earmarked taxes and user fees. Case studies of existing and potential facilities will provide the substantive information needed to develop these fiscal policy changes.

The project will finance the services of a technical consultant for approximately two weeks to perform this study. In addition, the consultant will provide advice and suggestions to the GOB regarding fiscal options related to pollution and environmental degradation, such as fines or pollution taxes.

IV. PLANNED IMPLEMENTATION SCHEDULE

The activities under this Agreement are scheduled to commence on or about November 2, 1992. The first activity will be the technical assistance for the Consumer Price Index. The first four-weeks tranche of technical assistance will be in November 1992 while the two two-weeks monitoring consultancies will be in February and May of 1993. The technical assistance for the expansion of the national accounts will be initiated in early January 1993 with an initial 8 weeks consultancy, and will be followed in June and August 1993 by the two two-weeks monitoring visits. The technical assistance for incorporating environmental assets into the national accounts and for establishing a system for measuring environmental indicators is scheduled for early January so as to enable coordination of these activities with the technical assistance for the national accounts. The training for the CSO staff in environmental statistics will depend on the

course identified and the time of its availability but will be done as early as possible after it has been identified. Technical assistance to study environmental fees and tax options will also be scheduled during January or February 1993, depending on availability of qualified consultants and Ministry of Finance counterpart staff.

V. GRANTEE RESPONSIBILITIES

The Grantee's contribution to this project will be in-kind costs, including, but not limited to, payment of salaries for staff of the Ministry of Finance (including the Central Statistical Office). The Grantee is responsible for ensuring that capable counterpart staff, primarily from the CSO, are available to consult with the CPI, National Accounts and Environmental Database technical advisors and that qualified CSO officials are available to participate in possible training programs in environmental statistics which may be recommended as a result of the Environmental Indicators technical assistance. While the technical advisor will have primary responsibility for completing the study of environmental user fee and tax options, the Grantee will also be responsible for ensuring the availability of counterpart staff in the Ministry of Finance and other relevant Ministries (e.g., Tourism and the Environment, Natural Resources) for consultation.

VI. IMPLEMENTATION RESPONSIBILITIES

USAID/Belize will assist the MOF to obtain technical assistance from qualified technical advisors in CPI design, analysis and construction, National Accounting expansion, environmental accounting and statistics, and environmental fees and taxes.

The Project Development Office will have primary responsibility for this project on behalf of USAID/Belize. The Chief Statistician in the Central Statistical Office, or his designated representative, will implement the project on behalf of the Grantee, except for the activities pertaining to the environmental fees and taxes study, which will be implemented by the Deputy Financial Secretary or his representative.

VII. FINANCIAL PLAN

Total financing for the Project will be US\$180,000, including US\$130,000 in A.I.D. grant funds and US\$50,000 in cooperating country contributions. All technical assistance will be financed by the A.I.D. grant. Cooperating country contributions will be in the form of salaries and other costs related to staff from the Ministry of Finance and Central Statistical Office who will be assigned to work on project activities.

Illustrative Budget - A.I.D. Financing
(in U.S. \$)

A.	Consumer Price Index Technical Assistance		31,000
	1. Compensation (8 weeks at \$1,850/wk)	14,800	
	2. Travel and Per Diem	8,000	
	3. Other Direct Costs	200	
	4. Overhead (35% of 1,2 & 3)	8,000	
B.	National Accounts Technical Assistance		50,000
	1. Compensation (12 weeks at \$2,000/wk)	24,000	
	2. Travel and Per Diem	12,000	
	3. Other Direct Costs	1,000	
	4. Overhead (35% of 1,2 & 3)	13,000	
C.	Environmental Database Establishment		[40,000]
	Environmental Accounting Technical Assistance		15,000
	1. Compensation (4 weeks at \$1,850/wk)	7,400	
	2. Travel and Per Diem	3,600	
	3. Other Direct Costs	100	
	4. Overhead (35% of 1,2 & 3)	3,900	
	Environmental Indicators Technical Assistance		15,000
	1. Compensation (4 weeks at \$1,850/wk)	7,400	
	2. Travel and Per Diem	3,600	
	3. Other Direct Costs	100	
	4. Overhead (35% of 1,2 & 3)	3,900	
	Contingent Environmental Statistics Training		10,000
D.	Environmental Fees and Taxes Technical Assistance		\$9,000
	1. Compensation (2 weeks at \$2,000/wk)	4,000	
	2. Travel and Per Diem	2,500	
	3. Other Direct Costs	200	
	4. Overhead (35% of 1,2 & 3)	2,300	

			120,000

Project Financial Plan
(Source and Application of Funding - US\$000)
and
Methods of Implementation and Financing

<u>Activity/Budget Item</u>	<u>USAID</u>	<u>GOB</u>	<u>Total</u>
A. Consumer Price Index			
Technical Assistance	31		31
Counterpart Operations (CSO)		15	15
B. National Accounts			
Technical Assistance	50		50
Counterpart Operations (CSO)		25	25
C. Environmental Database			
<u>Environmental Accounting</u>			
Technical Assistance	15		15
Counterpart Operations (CSO)		3	3
<u>Environmental Indicators</u>			
Technical Assistance	15		15
Counterpart Operations (CSO)		3	3
<u>Environmental Statistics Training</u>			
Training Program	10		10
International Travel		.5	.5
Participant Salaries (CSO)		1.5	1.5
D. Environmental Fees and Taxes			
Technical Assistance	9		9
Counterpart Operations (MOF/MTE)		2	2
TOTALS	130	50	180

All procurement will be handled by USAID directly and will be of U.S. source, origin and nationality. Procurement will be through A.I.D. direct contracts, in the form of Participant Agency Service Agreements (PASA) with the U.S. Bureau of Labor Statistics and the U.S. Bureau of Census. Payments will be made directly by USAID to the contractors. Training activities will be executed under PIO/Ps through the USAID Training Office.

1