

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 Capacity Improvement

2. A.I.D. Project Number: 505-0000.01

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\$144,000

4. Grantee Contribution to Project: US\$48,000 (in-kind)

5. Project Assistance Effective Date: September 3, 1993

6. Project Assistance Completion Date: September 2, 1994

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: *Keith Arnold*
Keith Arnold
Financial Secretary

By: *Robert T. Dakan*
Robert T. Dakan
Ag. A.I.D. Representative

Date: September 7, 1993

Date: September 7, 1993

Appropriation : 72-1131021
BPC No. : LDVA-93-25505-KG13
Control No. : B930425 \$105,000 00
Amount Obligated: US\$144,000

72-1131021
LDVA-93-25505-EG13
B930426 \$39,000.00

FUNDS AVAILABLE			
ADM. RES.	<input type="checkbox"/>	OBLIGATION	<input checked="" type="checkbox"/>
EARMARK RES.	<input type="checkbox"/>	EARMARK	<input type="checkbox"/>
COMMIT. RES.	<input type="checkbox"/>	COMMITMENT	<input type="checkbox"/>
Signature: <u><i>Robert T. Dakan</i></u>		Date: <u>09/07/93</u>	
Office of the Comptroller			

PROJECT DESCRIPTION

FISCAL CAPACITY IMPROVEMENT

I. PURPOSE

The purpose of the Fiscal Capacity Improvement Project is to strengthen the analytic and decision-making capacity of the Government in fiscal discipline and to improve the quality of information available for these analyses and decisions-makings.

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

- identify the type of poverty measurement most suited to the current situation and availability of data in Belize and to identify the data and manpower requirement necessary to establish a system for measuring the recommended type;

- assist the Central Statistical Office to establish the recommended system of poverty measurement, which will enable them to produce the first estimate on levels of poverty in Belize; and

- review, analyze and compare data from the 1980 and 1990-1991 Belize Household Expenditure Surveys (HES) to produce comparative statistics on household equality in Belize.

- 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.

The project will also provide training assistance to the Central Statistical Office in Social and Economic Statistics.

Finally, project will provide training to the staff of the Ministry of Finance, including the staff of its subsidiary departments and offices, in the area of fiscal and budgetary management, with an emphasis on computerization.

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.

Over the past seven years, the Belizean economy grew by an average of 7.6%, a result of increasing investment and sound macroeconomic management. There are concerns, however as to whether this growth has been equally shared within the Belizean community. This concern is becoming even more important in Belize, because of the perception that the majority of both Belize's relatively large urban youth and rural immigrant population, have been marginalised and live in poverty.

To ensure broad-based economic growth the Government of Belize (GOB) needs to formulate and implement economic and social policies specifically geared to achieve this objective; policies that must be based on timely, reliable and accurate data. Poverty data in Belize is, however, virtually non-existent. Poverty measurement in Belize will therefore serve a twofold purpose--to determine the prevalence of poverty in the country and to provide the GOB with a yardstick for assessing the impact of its policies on the poor.

The GOB has recognized that poverty data is both useful and scarce at the same time and has initiated some remedial action. Recently a team of four senior staff members from the CSO attended a workshop on 'Poverty and its Measurement' which was held in Aguascalientes, Mexico. Since returning, these participants have held two half-day workshops to brief various other relevant GOB Ministries and NGOs on their experience at the Aguascalientes workshop and to solicit inputs to formulating a unified approach to establishing criteria for poverty definition. The GOB now requires technical assistance to guide them as to the most appropriate method for measuring poverty and to establish a system to measure it.

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.

The GOB, knowing the importance of these issues, has also recognized the need for timely, accurate and reliable information to help guide its environmental policy making. 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. A.I.D., along with the Environmental and Natural resources Policy and Training Unit (EPAT), will also be providing technical assistance to the GOB to assess the potential contribution of Natural Resource Accounts (NRA) to the design and implementation of environment and natural resource policy in Belize. This will be the lead activity in the establishment of the environmental database. The GOB has also recognized the need for improvement in managing its fiscal resources. They further realize that training in Fiscal and Budgetary management would greatly contribute to achieving this objective. The MOF has therefore requested that we provide training assistance to member of its staff in this field and that the training be biased toward computerization.

USAID recently provided assistance to the CSO in conducting the 1990-91 Household Expenditure Survey (HES). A similar survey was conducted in 1980 and separate reports analyzing the results of both surveys have been produced. The usefulness of these surveys have been limited, however, because an analysis comparing the results of the two surveys has never been done. This project will initiate such an analysis, directed primarily at poverty measurement.

III. DESCRIPTION OF ACTIVITIES

A. Poverty Measurement Identification. This activity will be an initial two-week consultancy to identify the types of poverty measurement most suited to the current situation and availability of data in Belize. USAID will assist CSO in recruiting a suitable qualified consultant to provide this technical assistance. The consultant would be expected to interview the relevant government departments and non-government institutions and to hold workshops/seminars with participants that would have some input to the definition of poverty in Belize. The consultant would also be expected to identify the data and manpower requirements that would enable CSO to produce the first estimate of the number of poor in Belize. If a poverty measurement system is recommended, the consultant will also be expected to make a preliminary assessment of the

strengths and obstacles to the establishment of that system in the country. If one of the standard poverty measurement method is not considered appropriate, then the consultant will recommend alternative methods of poverty assessment.

B. Establish System for Poverty Measurement. The project will provide a qualified consultant who will provide expert assistance to CSO in establishing the agreed upon system for measuring poverty and will be for an estimated total period of eight (8) weeks. An initial consultancy of six (6) weeks will be provided to set up the system. This consultancy will be conducted two months after the poverty measurement method identification consultancy. This will be followed by one two-week visits during the following six months to monitor the system.

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

C. Produce Comparative Poverty Statistics from HES Data. This activity will be a one-time consultancy to review, analyze, compare and prepare a report on some relevant poverty statistics, including income distribution data, from the HES of 1980 and 1990-91. USAID will assist CSO in recruiting a suitable qualified consultant to provide this technical assistance. This consultant will be expected to retrieve and convert the electronically stored 1980 HES data into a form compatible to the 1990-91 HES, perform the necessary statistical techniques to meaningfully compare the data and finally to analyze and make conclusions as to the changes in the poverty situation in Belize over that period. The consultant will prepare a report to document his or her findings.

D. Budgetary and Fiscal Training. This activity will provide training for the staff of the MOF proper and its subsidiary departments in the field of fiscal and budgetary management. These training, wherever possible, will include computer application related training. Training, specifically aimed at computer based system analysis and treasury operations will be procured, where feasible. The GOB, with assistance from USAID, will select appropriate candidates for these training. A total of six (6) person-months of training is anticipated.

E. Economic and Social Statistics Training. This activity will provide training for two Statistical Officers from the CSO in Social and Economic Statistics. The two statistical officers will participate in Module II of an eleven-week program in the generation, analysis and interpretation of statistical data. Training for Module I of this program was provided by USAID under a previous LSGA.

F. 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.

IV. PLANNED IMPLEMENTATION SCHEDULE

The activities under this Agreement are scheduled to commence in early November 1993. The first activity will be the technical assistance for the assessing the most appropriate method for measuring poverty in Belize. This two-weeks of technical assistance will be in November 1993. The technical assistance to establish a system for measuring poverty will be initiated in early January 1994 with an initial 6 weeks consultancy, and will be followed in April or May 1994 by the one two-weeks monitoring visit. The technical assistance for comparing the data from the HES of 1980 and 1990-91 is scheduled for early March 1994 so as to allow for the availability of CSO staff working with the poverty consultants. The training for the CSO staff in Social and Economic statistics will be during the months of June to August 1994. The training for the MOF staff however 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. These courses are expected to occur over the entire life of this LSGA.

The technical assistance for incorporating environmental assets into the national accounts and for establishing a system for measuring environmental indicators is scheduled for early December 1993. 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.

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 and its subsidiary departments and offices, 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 Poverty Measurement consultants and the environmental database advisor and that qualified CSO officials are available to participate in the training programs in budgetary and fiscal management, economic and social statistics as well as environmental statistics, if this becomes available. The Grantee will also be responsible for ensuring the availability of counterpart staff in the Ministry of Finance and other relevant Ministries (e.g., Youth Development and Human Resources, Natural Resources and Economic Development) for consultation.

VI. IMPLEMENTATION RESPONSIBILITIES

USAID/Belize will assist the MOF to obtain technical assistance from qualified technical advisors in the design, analysis and construction of poverty measurement systems and in the analysis of HES to produce poverty statistics. USAID/Belize will also assist the MOF in searching for appropriate courses for the training in fiscal and budgetary management.

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.

VII. FINANCIAL PLAN

Total financing for the Project will be US\$192,000, including US\$144,000 in A.I.D. grant funds and US\$48,000 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.

VIII. AUDIT ARRANGEMENT

Funds are included in the budget for audit of this project by a private audit firm in accordance with USAID Recipient Contracted Audit Program.

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

A. Poverty Measurement Identification		7,800
1. Compensation (2 weeks at \$2,100/wk)	4,200	
2. Travel and Per Diem	2,760	
3. Overhead (20% of 1 & 2)	840	
B. Poverty Measurement System Establishment		28,500
1. Compensation (8 weeks at \$2,100/wk)	16,800	
2. Travel and Per Diem	8,340	
3. Overhead (20% of 1 & 2)	3,360	
C. Produce Comparative Poverty Statistics		7,500
1. Compensation (3 weeks at \$1,000/wk)	3,000	
2. Travel and Per Diem	3,900	
3. Overhead (20% of 1 & 2)	600	
D. Budgetary and Fiscal Training		54,600
1. Tuition and Books (6 person-weeks)	42,000	
2. Travel and Per Diem	11,000	
3. Other Direct Costs	1,600	
E. Economic and Social Statistics Training		6,600
1. Tuition and Books	2,400	
2. Travel and Per Diem	3,400	
3. Other Direct Costs	800	
F. Environmental Database Establishment		[34,000]
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		4,000
G. Audit		5,000
H. TOTAL		144,000

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. Poverty Measurement Identification			
Technical Assistance	7.8		7.8
Counterpart Operations (CSO)		5.0	5.0
B. Poverty Measurement System			
Technical Assistance	28.5		28.5
Counterpart Operations (CSO)		15.0	15.0
C. Comparative Poverty Statistics			
Technical Assistance	7.5		7.5
Counterpart Operations (CSO)		3.0	3.0
D. Budgetary & Fiscal Training			
Training Program	54.6		54.6
Participants Salaries (MOF, etc)		15.0	15.0
E. Economic & Social Statistics Training			
Training Program	6.6		6.6
Participants Salaries (MOF, etc)		2.0	2.0
F. Environmental Database			
Environmental Accounting			
Technical Assistance	15.0		15.0
Counterpart Operations (CSO)		3.5	3.5
Environmental Indicators			
Technical Assistance	15.0		15.0
Counterpart Operations (CSO)		3.5	3.5
Environmental Statistics Training			
Training Program	4.0		4.0
Participant Salaries (CSO)		1.0	1.0
G. Audit	5.0		5.0
TOTALS	144.0	48.0	192.0

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.

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