

Country Development Strategy Statement

FY 1985



Belize

August 1983

Agency for International Development
Washington, D.C. 20523

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POLICY!

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EMBASSY OF THE
UNITED STATES OF AMERICA
Belize City, Belize

September 2, 1983

Mr. Marshall Brown
Acting Assistant Administrator
Bureau for Latin America and
the Caribbean
Agency for International Development
Washington, D. C. 20523

Dear Buster:

The Belize Country Development Strategy Statement for the FY 1985-90 period builds upon strategic U.S. interests in maintaining Belize as a stable democratic "bridge" between the Caribbean and Central American regions. Its emphasis on economic stability and growth is deliberate. Pressures which could result in a further deterioration of this fragile economy are growing daily. If unchecked, destabilizing forces would become active throughout the country. Such a scenario must not be allowed to happen.

The economy of Belize has always been subject to major fluctuations, given its small size and dependency on a few major activities -- especially sugar production and processing. Nevertheless, the Gross Domestic Product grew at a rapid pace of about five percent per year during the 1970's due to strong growth in sugar production and textiles for export, favorable export prices, and the successful establishment of several import substitution activities.

Since the country's independence in 1981, the economy has been traversing difficult times due to serious export problems. Domestic export revenues fell for the second straight year in 1982, down more than twenty five percent (in current prices) from 1980. Two of the three principal exports, sugar and bananas, are facing critical crises with little prospect for improvement in sight. The once-thriving re-export trade with Mexico has not recovered from the effects of the recent Mexican peso devaluations.

Over the long term, the economy can be redressed substantially and a more rapid growth rate achieved through diversification of agricultural products, increased exports, and additional import substitution. Supplementary improvements will provide the required underpinnings: elimination of subsidies; improved import duty administration; changes in price control and development incentive policies; and increased absorptive capacity for private and public sector investment.

The CDSS analysis of the Belizean socio-economic environment forcefully highlights these constraints. It presents also an innovative strategy which focuses our economic assistance on the directly productive sectors of the economy in close cooperation with the private sector in Belize.

The United States has a vitally important role to play in this country. We must support this politically stable and economically viable nation in this volatile Central American region. The task facing Belize calls for an extraordinary effort and major restructuring if long-term economic development is to be achieved. The people of Belize have the will but need time to effect this change. Our CDSS will provide them with the opportunity to achieve this change.

I strongly endorse the high option of the CDSS strategy and believe these resource levels are modest in terms of our investment in Belize's future.

Sincerely,


Malcolm R. Barnebey
Ambassador

AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A. I. D. MISSION TO BELIZE
EMBASSY OF THE UNITED STATES OF AMERICA
BELIZE CITY, BELIZE, CENTRAL AMERICA

September 6, 1983

Mr. Marshall Brown
Acting Assistant Administrator
Bureau for Latin America and the
Caribbean
Agency for International Development
Washington, D.C. 20523

Dear Buster:

I am very pleased to present USAID/Belize's FY 1985 Country Development Strategy Statement for your consideration. This document was prepared in record time against the backdrop of mounting economic pressures on Belize, as indicated in Ambassador Barnebey's letter. A cogent, focused strategy was badly needed if our assistance were to achieve its desired impact -- short-term economic stabilization support and longer-term economic development assistance to allow the country to achieve sustainable economic growth.

Belize must trade to survive. The small size of the market forces the development of export-oriented production to achieve efficiency through economies of scale. As you are aware, the country is excessively dependent on sugar. Belize can make some limited gains through import substitution. The major element of a solution, however, lies in the development of new or expanded exports of agricultural and industrial products through production sharing, labor intensive products, and other activities where Belize can achieve comparative advantage.

Since independence in 1981, the Government has adhered to a policy which promotes economic development and social progress by means of a mixed economy in which the public sector works in partnership with the private sector for increased production, balanced development and social well-being.

The CDSS strategy has been developed within these important parameters. It is in line with the present economic situation in Belize, current Agency priorities and the recently-approved LAC Regional Strategy Plan. Our four development cornerstones -- policy dialogue, private sector development, institutional development and technology transfer -- play dominant roles. The seven thrusts of this strategy focus on:

1. Achieving economic stability through balance-of-payment support and policy dialogue.
2. Attaining export-led development in both traditional and non-traditional exports.
3. Maximizing import substitution by the private sector.
4. Diversifying the economy away from sugar.
5. Reducing poverty by providing employment and training.
6. Increasing social development/employment support to enhance productivity of existing resources.
7. Improving regional economic integration and cooperation.

This strategy seeks to develop a strong, viable economy which will enable Belize to maintain political stability and provide a better quality of life for the people. While our primary focus will be initially on rural development, certain activities will need to be undertaken in other sectors in order to attain the desired CDSS objectives. The U.S. private sector should be an important contributor to this effort. This partnership would build on recent Government initiatives through the Belize Investment Code and the Prime Minister's official May 1983 visit to the United States to seek U.S. private investment. Additional transfers of U.S. financial resources, appropriate technology, managerial skills and expertise will thus be brought into Belize.

Mr. Marshall Brown

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September 6, 1983

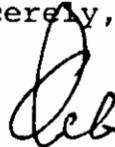
A lot has happened since the Mission became operational in January 1983. We have laid the groundwork for our CDSS strategy through \$10.0 million ESF, \$6.7 million DA and \$2.0 million HIG programs. We now need to continue this momentum and build on these various projects.

The United States has a unique opportunity in Belize to assist at both the policy and institutional development levels. If experience is any guide, the Government and the people of Belize have already demonstrated their eagerness to get on with the task of restructuring their economy and finding new approaches for further development.

To meet this challenge, we require the resources under the high option of the CDSS strategy. Mission staffing is projected at a modest level of five USDHs and two FSNs. The Mission also intends to utilize a wide variety of resources to carry out this program, including PVOs, collaborative action with the Peace Corps, as well as outside contractors.

I look forward to reviewing the CDSS with you.

Sincerely,



Neboysha R. Brashich
A.I.D. Representative

NRB/sat

LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|-----------|---|
| BCB | Banana Control Board |
| BEB | Belize Electricity Board |
| BELCAST | Belize College of Arts, Science and Technology |
| BHES | Belize Household Expenditure Survey |
| BISRA | Belize Institute of Social Research and Action |
| | |
| BMB | Belize Marketing Board |
| BML | Belize Meat Limited |
| BoP/(B/P) | Balance of Payments |
| BSA | Belize School of Agriculture (Central Farm) |
| BTB | Belize Tourist Board |
| | |
| CARDI | Caribbean Agricultural Research and Development Institute |
| CARICOM | Caribbean Community |
| CB | Central Bank |
| CBI | Caribbean Basin Initiative |
| CDB | Caribbean Development Bank |
| | |
| CDC | Commonwealth Development Corporation |
| CDS(S) | Country Development Strategy (Statement) |
| CFC | Caribbean Finance Corporation |
| CFF | Compensatory Financing Facility (of the IMF) |
| CFNI | Caribbean Food and Nutrition Institute |
| | |
| CGA | Citrus Growers Association |
| CIDA | Canadian International Development Agency |
| COC | Chamber of Commerce |
| DA | Development Assistance |
| DFC | Development Finance Corporation (of Belize) |
| | |
| DHS | Direct Hire Staff |
| EDF | Economic Development Fund of the European Economic Community |
| EEC | European Economic Community |
| ESF | Economic Support Fund |
| FY | Fiscal Year |
| | |
| FX | Foreign Exchange |
| GDP | Gross Domestic Product |
| GNP | Gross National Product |
| GOB | Government of Belize |

LIST OF ACRONYMS AND ABBREVIATIONS (cont'd.)

| | |
|----------|---|
| IBRD | International Bank for Reconstruction and Development (World Bank) |
| IMF | International Monetary Fund |
| MFED | Ministry of Finance and Economic Development |
| MNR | Ministry of Natural Resources |
| OAS | Organization of American States |
| ODA | Overseas Development Assistance (U.K.) |
| PC(V) | Peace Corps (Volunteer) |
| PDAP | Private Development Assistance Project (AID-Eastern Caribbean Regional) |
| PID | Project Identification Document |
| PP | Project Paper |
| PQLI | Physical Quality of Life Index |
| PSO | Private Sector Organization (of Belize) |
| PUP | People's United Party |
| PVO | Private Voluntary Organization |
| RECONDEV | Reconstruction and Development Corporation |
| ROCAP | Regional Office for Central American Programs (USAID) |
| SDR | Special Drawing Rights |
| SITC | Standard Industrial Trade Code |
| TRDP | Toledo Research and Development Project (U.K.) |
| UDP | United Democratic Party |
| UNDP | United Nations Development Programme |
| UNICEF | United Nations International Children's Fund |
| USAID | United States Agency for International Development |
| UWI | University of the West Indies (Jamaica) |
| VITA | Volunteers in Technical Assistance |

CURRENCY EQUIVALENT

Exchange Rate

\$US 1 = \$Bz 2

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BELIZE
COUNTRY DEVELOPMENT STRATEGY STATEMENT
EXECUTIVE SUMMARY

A. Introduction

Belize is a small democratic country which is a bridge between the mainland of Central America and the Caribbean. It has friendly relations with most of its mainland neighbors despite long-standing territorial claims by Guatemala against its southern district. Belize relates to the Caribbean basin through a variety of regional institutions which foster economic cooperation, but it must and does look outward to North America, Asia, and Europe as well for markets, economic cooperation and cultural ties.

Socio-economic patterns in Belize reflect the colonial exploitation of the past and the country's resource endowments and limitations. In colonial times timber extraction was the main economic activity. Little infrastructure was developed. Consumer goods were largely imported. Agriculture and other local economic activities were discouraged. Land was held by a few large owners and labor was heavily exploited.

B. Current Situation and Trends

Today the economy reflects some key elements of that past. The infrastructure remains weak and is a major constraint to growth and diversification. Agriculture is now the predominant sector with the value of output concentrated in a few export-oriented commodities: sugar and bananas, which are in acute immediate crisis and face an uncertain future, and citrus, the market for which is "soft". Small farmers produce staple crops for the local market but must compete with imported foodstuffs still heavily preferred by consumers. Fishing and tourism have grown as earners of

foreign exchange and have a good future despite a recent slump in the number of tourists due to the general world recession and disturbances in the region. Industrial growth is hampered by the small size of the local market, the lack of technology and marketing capacity, and the limited number of people with management experience. Government economic development policies, especially as related to the private sector, have at times been ineffectual. Energy is expensive and the electricity system inefficient and unreliable. Institutions lack trained and experienced management and technical personnel to define and direct programs effectively.

Nearly 50 percent of the population lives in urban centers where unemployment is high for structural as well as cyclical reasons, yet, large areas of land suitable for arable agriculture and livestock production are underutilized and labor is scarce in rural areas. The educational system is being re-oriented. Primary students are receiving more practical knowledge and skills in agriculture and post-secondary education is being strengthened, but there remains a serious gap in the training of technically skilled persons. Health services are accessible to most people but the capacity to deal effectively with malaria, intestinal disease and malnutrition is severely limited. Environmental sanitation is a problem everywhere and nearly half the rural populace lacks access to potable water. Poverty is endemic in Belize but is truly acute for the large urban family where the head of household is unemployed, for the more disadvantaged small farmers in all districts who lack access to inputs and markets, and for urban youth of whom 50 percent are estimated to be unemployed.

Belize must trade to survive. The small size of the market forces the development of export-oriented production to achieve efficiency through economies of scale. At present, however, Belize is excessively dependent on sugar, the source of 60 percent of all exports. The foreign owner of the sugar mills recently threatened closure of one mill with a third of the country's capacity. Even with action taken to

keep it in operation, the need to diversify is very pressing due to poor long run prospects for sugar and the difficulties faced by Belize in its other major export crops, bananas and citrus. Internal production and financial problems confront the banana industry and the world citrus market is virtually saturated. Belize can make some limited gains through import substitution in fresh and processed fruits, vegetables, meats, dairy products, vegetable oil, lumber, wood products, etc., but the major element of a solution lies in the development of new or expanded exports of agricultural (e.g. cocoa, coconut, ornamentals and spices, etc.) and industrial products through production sharing, labor intensive products, and others where Belize can achieve a comparative advantage.

C. A.I.D. Strategy

U.S. interests will be served by the preservation of a democratic, independent government in Belize which is politically stable, economically viable, and is linked through economic and other ties with the U.S. and friendly nations of the Caribbean and other regions. These considerations are heightened by the role Belize plays as a democratic "bridge" between the Caribbean and Central America which is made up of peoples of diverse linguistic and ethnic background. The U.S. seeks to foster greater economic stability and growth in Belize, to promote equity and reduce poverty within, to strengthen the ties Belize has with countries which share democratic values, and to strengthen its commitment to those values.

Consistent with overall U.S. objectives in the Hemisphere and the Caribbean region, A.I.D. will seek in Belize to:

- o Stabilize the economy;
- o Increase the volume and expand the range of exports;
- o Expand production of goods for local consumption which substitute for imports;
- o Diversify the economy for greater stability and increased employment;

- o Reduce poverty by improving productivity, expanding employment opportunities, and improving the capacity of the labor force to respond to job opportunities;
- o Increase social development through greater job access for poor women who are single parents, encouraging family spacing, providing nutrition education, controlling malaria, and strategically locating new housing where jobs are available; and
- o Improving regional economic integration and cooperation.

The attainment of these objectives will rely heavily on AID's priority themes of private sector development, policy dialogue, institutional development and technology transfer.

The overall strategy for the attainment of these objectives requires the following:

1. The provision of ESF assistance simultaneously with the initiation of a policy dialogue. The assistance is critical to avoid instability arising from mounting internal and external financial problems while new policies and lines of action are worked out to strengthen the economy, expand exports and diversify production.

2. Expansion of exports as the principal means of sound long run economic growth. An increase in export earnings from agriculture and industry is needed through better management and technical efficiency of existing production, greater value added, and diversification of the range of goods produced. AID will support expanded livestock production, small farmer programs, rural access roads, private sector industrial expansion and support for better public sector planning and management.

3. Substitution of local production for imports. The expansion of local production to meet local demand wherever feasible is essential to improving the foreign exchange position, expanding employment, and promoting growth and stability. AID will support this through rural and private sector development and improved government policy, planning, management, and personnel training.

4. Diversification of the economy away from primary commodities. This goes hand-in-hand with expanded exports and the greater use of import substitution in agriculture and industry. The reduced dependence on sugar will arise from expanded rural/agricultural activity and increased diversification of industry where AID will support both private sector activity and public sector planning and management.

5. Reduction of poverty by making better use of all the country's productive resources. People now ill-prepared or unable to participate in the economic life of the country will be assisted through training, expanded urban employment, improved efficiency of small entrepreneurs and farmers, etc. AID will assist through the various means mentioned above and by providing housing at strategic locations where employment is expanding.

6. Increasing social development and employment support for the poor. Many people can be made more productive by improvements in social services. Such activities could include child care for small children which would give women who are single parents more opportunities to work, the provision of better health services to improve nutrition and reduce the incidence of malaria, or a program to educate families to accept child spacing for better mother and child well-being. These activities can be effectively carried out through PVO's and with PCV participation at low program and overhead cost.

7. Improving regional integration and cooperation. Belize, with U.S. support and assistance, can achieve substantial benefits by having clear aims, being in regular attendance, and seizing opportunities for useful linkages in the region. AID programs to support the private and public sectors will strengthen these links.

This CDSS presents sectoral strategies for each of ten sectors designed to reduce the constraints operative in each sector limiting or impeding the achievement of CDSS objectives and to be directly supportive of achievement of CDSS goals within the sector. These are outlined in Table 13 (see text). This CDSS has also been developed to be cognizant of such AID special concerns as the use of PVO's,

collaboration with the Peace Corps, the use of Housing Investment Guaranty, and emphasis on participant training (see Table 10 in the text).

D. AID Programs for Belize in 1985-90

This CDSS presents three program levels. The "high" option will fully support the strategies outlined. The others would support only partial achievement of the strategies and goals. In summary, these levels are as follows for the period as a whole (in millions of U.S. dollars):

| | <u>"High" Option</u> | <u>"Medium" Option</u> | <u>"Low" Option</u> |
|------------------------|--------------------------|----------------------------|-------------------------|
| Economic Support Funds | 31.00 | 20.00 | 6.00 |
| Development Assistance | 37.00 | 33.00 | 27.00 |
| PL 480 | <u>7.00</u> | <u>2.00</u> | <u>2.00</u> |
| Total | <u>75.00</u> | <u>55.00</u> | <u>35.00</u> |

I. DESCRIPTION/ANALYSIS

A. Introduction

Belize is in a unique position as a democratic bridge between the Caribbean and Central America at a very critical time in the history of the region. While the country has many positive aspects--it has a democratic, free society, abundant land and water resources, and income and education levels relatively higher than most developing countries -- it still has economic difficulties, social inequities and political tensions that need to be addressed.

The description/analysis section that follows presents some of the political, economic and social realities that must be dealt with if Belize is to maintain its independent, stable political status and develop a strong, viable economic base providing for an improved quality of life for its citizens.

B. Background

1. Historical perspective: Belize before Independence

The Mayan civilization flourished for over 2,000 years in Belize but largely collapsed 500 years ago before contacts with Europeans began early in the sixteenth century. Then, in the mid-seventeenth century, English settlements were established. Though the British recognized Spanish sovereignty over Belize on several occasions during the eighteenth century, Belize became a Crown Colony known as British Honduras in 1862.

During the period of British sovereignty there was much ambivalence about Britain's relationship to Belize. As a result, power rested largely with the local business elite until late in the nineteenth century. Exploitation of the Creole loggers persisted long after the abolition of slavery in 1833. To this day, the legacy of these political relationships and the exploitation of the people and the

natural resources in Belize have had a significant impact on the development, environment, social patterns, international relations, and the government system of Belize.

Belize became an independent nation on September 21, 1981.

2. Current political setting

a. Institutional structure

Belize has a parliamentary system of government. Typical of many former British colonies, the British monarch remains the head of state and is represented in Belize by a Governor-General. Day-to-day policy, however, is made and administered by the Prime Minister, his Cabinet, and the bicameral National Assembly. Cabinet Ministers are members of the majority political party and usually hold seats in the National Assembly concurrently with their Cabinet positions. The National Assembly consists of a House of Representatives whose 18 members are popularly elected every 5 years and a Senate consisting of eight members. Five of the members are appointed by the Prime Minister, two by the leader of the opposition, and one by the Governor-General. The country, for administrative purposes, is divided into six districts.

There are two principal political parties: the People's United Party (PUP) and the United Democratic Party (UDP). The PUP has dominated the political scene for thirty years. Prime Minister George Price has been in power since 1965.

b. Domestic political situation

The current political scene appears to be one of relative stability though there is growing dissatisfaction with what some see as a slower-than-desired pace of development. The PUP exercises strong control over the implementation of Government policies via both public and private programs and projects. Increasingly, many believe that party politics have too great an influence on the focus and pace of development programs.

There may be, however, some changes in the political parties that will affect the balance of power within the country in the next few years. Within the PUP there are some divisions between the "right" and the "left" which are evident, for example, on such issues as the recognition of Nicaragua or the kind of development "model" appropriate for Belize. The "left" within the PUP tends to identify with the goals of the non-aligned nations and has expressed interest in the Cuban model of development. Though efforts to promote these goals at the recent party convention were defeated, the retention of Cabinet members who espouse these goals may indicate some "closet" support for their views. The "right" wing of the PUP has been more openly anti-communist and pro-U.S. than the "left". While there are divisions within the "right" as well, it still manages to survive in elections.

The opposition party, the UDP, is strongly anti-Communist, anti-Cuba, and also has been pro-United States. In recent months, it seems to have gained some strength among certain segments of the population, particularly among young intellectuals who are increasingly concerned with the future directions of their country.

The difference between the two parties is generally expressed in terms of different national priorities. The PUP is more inclined toward emphasizing its capacity to "deliver" when people have specific personal needs and to use this technique to garner support for the party and consolidate and maintain control. The UDP attacks the PUP on the ground of elitism, "machine" politics, and its sometimes liberal stance on issues. In fact, both parties are, to varying degrees, dominated by "family politics" similar to a big-city machine. The political process in Belize is "family business". Connections among families, and especially among prominent families, are the key to political standing in many instances. The limited number of close sociological linkages involved in the politics of Belize enable the control of the political party in power to be very strong. Both parties represent people from all ethnic groups in Belize.

At the moment, the GOB does not appear to have a clear-cut vision or strategy for development in Belize. Lacking a large number of trained Belizean personnel at many levels in the government, the GOB has found it difficult to accomplish the planning necessary for many development programs. Also, because the country lacks needed infrastructure (e.g. roads and communication links) and budgetary resources are limited, the GOB is unable to undertake certain programs such as the control of illegal fishing. Within these constraints, however, certain development priorities such as consolidation and rationalization of post-secondary education at BELCAST and improvement of the facilities for maritime transport of imports and exports have emerged and the GOB is moving as effectively as it can to develop and implement programs in these areas.

c. External relations

With the exception of Guatemala Belize has positive relationships with her regional neighbors as well as with a number of European countries. Belize has economic ties with several individual neighbor nations in the Caribbean Basin. Notable trade ties exist with the large markets of Trinidad and Tobago, Jamaica, and Guyana under CARICOM. Belize enjoys special advantages in entering European markets of EEC countries (including Martinique as a "dependent" of France) and one of the few current markets for live cattle through membership in the Lome Convention. This is important at present in bringing Belize under the EEC sugar quota and for exports of bananas to the U.K. It is also of important potential value for access to the EEC market for products of new export industries which may be established in the future.

Belize also maintains a strong relationship with the Caribbean Development Bank and some regional technical organizations. As a corollary of the so-called "immigration debate" and membership in the proposed West Indies Federation in the Sixties, Belize remains cautious about too close a relationship with the heavily populated islands (Jamaica and Barbados) and any suggestion of an "open door" for

free movement of peoples within the Caribbean lest it upset the internal political balance between those native to Belize and more recent immigrants. This is also a concern relating to immigration from the mainland Hispanic countries.

Belize continues to enjoy some advantages from its former colonial status. For the present at least British forces provide a shield against Guatemalan territorial claims. Commonwealth institutions such as the Commonwealth Development Fund and the Commonwealth Secretariat provide valuable financial and technical aid. Belize also values its link to the Commonwealth because of its continued British heritage in both political and cultural realms.

Belize also seeks to emphasize its position as a nation in Central America. Belize's relationship with Mexico is generally quite good and is supported by strong economic and social ties. Mexico is a principal source of imports, especially food and other dry goods, for residents all over Belize, though especially those in the North. In addition to Mexico, Belize maintains diplomatic relations with Honduras, Costa Rica, Panama, and El Salvador. Belize does not have a diplomatic relationship with Nicaragua.

Also, it is estimated that several thousand persons from El Salvador and other Central American countries have taken up residence in Belize over the past 2 to 3 years as a result of the political problems and strife in the region. This is gradually having an impact on the overall ethnic population balance within Belize and on the relationships between these countries and Belize.

The one major complication in Belize's relationships with its Central American neighbors is the long-standing dispute between Belize and Guatemala relating to Guatemala's claim of sovereignty over certain areas in southern Belize. This dispute has existed for over 100 years and has caused such friction between the two countries that diplomatic relations do not currently exist. As a result of these difficulties, Belize is not a member of the OAS or the IDB, its participation having been consistently vetoed by Guatemala. Trade ties exist, however, between the two

countries. To date negotiations have been unable to resolve the problem and as a result, British army and RAF forces remain in Belize as a deterrent to hostile action by Guatemala against Belize. The continuing presence of British forces, however, has been called into question by the British government, particularly because of the cost involved in keeping them in Belize. Should the British forces be withdrawn, the Guatemala issue could open up again.

The Government of Belize has been supportive of U.S. concerns with security in Central America but has made clear its desire that greater emphasis be given to the social and economic injustices in the region. It has sought to develop closer relationships with its Spanish-speaking neighbors in order to strengthen its potential for economic and political development. In addition to some trade between these nations and Belize, they are linked by the growing number of migrants seeking political refuge and economic opportunity in Belize.

Relations between the U.S. and Belize have been very positive for 150 years and full diplomatic relations were established at Independence in 1981. The U.S. is Belize's primary trading partner purchasing roughly two-thirds of its exports and supplying over one-third of its imports. Additionally the U.S. has provided Peace Corps' assistance since the early Sixties, investment insurance guarantees via the Overseas Private Investment Corporation and a cultural exchange program. Also through its contributions to the CDB and IBRD, the U.S. over the years has supported numerous development efforts in Belize and has provided direct assistance on a modest scale through AID regional programs since the Sixties. The recent provision of the Economic Support Fund assistance, the inclusion of Belize in the Caribbean Basin Initiative, and the opening of an Aid Mission in Belize early in 1983 are further evidence of the close ties that exist¹.

¹Economic Support Fund (ESF) commitments in FY83 were programmed at \$10 million of which \$9.6 million as loan and \$0.4 million as grant.

In addition to these economic ties, there are strong social or humanitarian ties as well. It is estimated that as many as 40,000 Belizeans live and work in the U.S. on a more-or-less permanent basis. Many of these send large remittances back to Belize. Also a number of Belizeans send their children to the U.S. for education and training.

In addition to its economic and political ties with nations in Caribbean/Central American region and the U.S., Belize has a long history of trade and investment relationships with Canada. Two of the leading Canadian Commercial Banks --The Royal Bank of Canada and the Bank of Nova Scotia--provide full banking services at several locations in Belize. Canada has likewise provided substantial development assistance to Belize. Belize's closest ties outside the North America-Caribbean region are with the U.K. which has been not only a major trading partner but also the prime supplier of development assistance. Belize also has significant trade ties with several other EEC countries. The EEC is also an important source/development assistance through the European Development Fund (EDF).

C. Macro-Economic Analysis

1. The structure and performance of the economy

The most important sectors in the economy of Belize are agriculture (including forestry and fisheries) and services which both contribute about 40 percent to GDP. In agriculture, the most important industries are sugar, citrus, and bananas. In the services sector, trade, tourism, and public administration are predominant. The only perceptible change in the structure of the economy in recent years has been some increase in the contribution of the services sector and a slight decrease in that of the agricultural sector.

Real GDP grew rapidly in the 1960's and early 1970's, but the economy's performance waned substantially in the late 1970's and early 1980's. In the 1960's real GDP grew at about 4.5 percent per year, both because of British assistance in

overcoming the effects of Hurricane Hattie and Tate and Lyle's expansion of the sugar industry¹. Real GDP also grew at the rapid pace of about five percent per year in the 1970's due to growth in sugar production and textiles for export, favorable export prices, and the successful establishment of several import substitution activities including beer brewing, fertilizer mixing, flour milling, and cigarette manufacture.

Although it was able to turn in this first class performance in the 1960's and 1970's, the economy in Belize has always been subject to major fluctuations because it is very small and dependent on a few major economic activities -- especially sugar production and processing. This became apparent during the 1978 to 1982 period when real overall GDP grew at only a one percent annual compound rate per year (see Table 1). During this period, per capita GDP in current prices increased from US\$1,034 in 1980 to US\$1,112 in 1981, then fell to US\$1,025 in 1982. From 1978 to 1982, per capita GDP in real terms decreased at an annual compounded rate of 1.08 percent; it declined at a rate of 2.11 percent between 1981 and 1982. This steep decline in the overall per capita growth of the economy from the earlier 1970's was due to 1) decreases in sugar and forestry output and less favorable prices for these commodities, 2) the impact of the international recession on garment exports and tourism, 3) Mexico's economic problems which decreased re-export and transshipment of goods across Belize, and 4) less construction activity because of short falls in public finance and private sector incomes. Fortunately, increased output of the services sector and some progress in manufacturing helped reduce the impact of these problems in the major productive sectors on the economy as a whole.

¹Tate & Lyle, a major multinational corporation headquartered in England, owns Belize Sugar Industries, Ltd. (BSI). In turn, BSI owns and operates the two sugar factories in Belize and used to own most sugarcane land also. These large scale modern operations were first undertaken by Tate & Lyle in the 1960's and now account for over 25 percent of GDP and 60 percent of exports.

Table 1: Belize - GDP By Industrial Origin at Factor Cost, 1978-82

(In '000 of 1980 US\$)

| | 1978 | Prel. 1982 | Annual Percentage Change 1978-1982 |
|-------------------------------|----------------|----------------|---------------------------------------|
| Agriculture | 58,421 | 59,669 | 0.42 |
| Sugarcane | (32,533) | (31,272) | -0.79 |
| Other Crops and Livestocks | (19,634) | (21,049) | 1.40 |
| Forestry | (2,549) | (2,128) | -3.55 |
| Fishing | (3,705) | (5,220) | 7.10 |
| Mining and Quarrying | 377 | 335 | -2.34 |
| Manufacturing | 10,016 | 10,662 | 1.26 |
| Construction | 6,458 | 6,170 | -0.91 |
| Electricity and Water | 1,739 | 1,979 | 2.62 |
| Trade, Restaurants and Hotels | 13,472 | 12,785 | -1.04 |
| Transport, Storage and Comm. | 4,289 | 5,425 | 4.81 |
| Financing and Insurance | 1,404 | 1,466 | 0.87 |
| Ownership of Dwellings | 6,195 | 7,533 | 3.99 |
| Public Administration | 14,191 | 16,602 | 3.19 |
| All Other Services | <u>2,930</u> | <u>3,201</u> | <u>1.79</u> |
| GDP | <u>119,492</u> | <u>125,827</u> | <u>1.04</u> |

Source: World Bank estimates

The performance of the economy of Belize has not improved in 1983. In addition, financial crises have cropped up in sugar and bananas that may cause output in these two major productive subsectors to fall precipitously. In the case of sugar, BSI announced its intention to close one mill but the GOB and sugar farmers will now take over the industry under the National Sugar Trust scheme. The Banana Control Board is in arrears on its commercial bank loans and cannot meet payroll and other current expenses. If these crises are not resolved, they are likely to cause a further major deterioration in the performance of Belize's economy, especially if their impact is coupled with that of other existing and potential economic problems such as decreases in rice output, softness in world citrus prices and the pending withdrawal of British troops (as a source of foreign exchange). Thus, even the small economic achievements realized by Belize in the last few years are precarious and the economy could quickly turn much worse if the sugar, bananas, citrus, fish and rice subsectors do not perform well. Belize's development progress, then, is heavily dependent upon the performance of these several key economic subsectors.

2. Balance of payments (BOP)

Belize is very dependent upon trade to sustain its domestic income levels and growth. Thus it must export and develop import substitutes to grow. In trading for nearly everything, however, Belize runs consistent current account deficits. Thus its imports amount to about 100 percent of GDP, and its exports to about 80 percent, with the resource gap being closed by outside assistance and borrowing¹ to earn its imports. Belize depends principally on exports of sugar, but also upon citrus, bananas and fish (see Table 2). All other commodities -- garments, wood,

¹Table 4 shows the resource gap of US\$34.7 million for 1982 which reflects this trade imbalance. Total expenditure in the Belizean economy in 1982 was US\$189.4 million, US\$154.7 million GDP at current market prices and US\$34.7 million as the export-import resource gap. Table 4 indicates that the resource gap was filled with remittances and other transfers, official and private capital and changes in Belize's international reserves.

Table 2: Belize - Merchandise Exports by Major Commodities, 1978-82

| | 1978 | 1979 | 1980 | 1981 | 1982 |
|-----------------------------------|---------------|---------------|----------------|----------------|---------------|
| <u>Total Exports</u> ¹ | <u>80,207</u> | <u>90,888</u> | <u>110,847</u> | <u>119,007</u> | <u>90,483</u> |
| Re-exports | 24,887 | 30,160 | 28,787 | 44,271 | 32,705 |
| <u>Total Domestic Exports</u> | <u>55,320</u> | <u>60,728</u> | <u>82,060</u> | <u>74,736</u> | <u>57,778</u> |
| Sugar | 32,950 | 31,457 | 47,702 | 42,639 | 30,972 |
| Citrus Products | 4,151 | 4,456 | 6,369 | 6,502 | 6,952 |
| Fish Products | 1,809 | 4,386 | 4,069 | 7,222 | 6,422 |
| Bananas | 1,728 | 3,374 | 3,494 | 2,156 | 2,290 |
| Sawn Wood | 896 | 1,575 | 1,070 | 1,197 | 1,682 |
| Molasses | 1,066 | 1,956 | 2,189 | 1,210 | 1,242 |
| Others | 12,720 | 13,524 | 17,167 | 13,810 | 8,218 |

(in thousands of US\$)

¹ Excludes non-recorded exports.

Source: Central Planning Unit and World Bank estimates

other manufactures -- account for only about 20 percent of total exports. Any decline in the volume or price of these mostly primary commodity exports results in less imports and growth for the country or in greater borrowing.

Transfer payments in the form of remittances to Belize from Belizeans living abroad and foreign currency spent by the U.K. in support of its troops stationed in Belize help make up its trade imbalance. The U.S. (61 percent) and the U.K. (31 percent) receive most of Belize's exports, whereas CARICOM receives only five percent.

Imports are important for Belize principally because the small size of the economy makes production of many items uneconomical. Consumers often prefer imported to domestic items, and some exporters (e.g., garments) import their raw materials for further manufacture. Also, Belize's energy requirements are based entirely on imported oil. The main types of commodities imported are shown in Table 3. Food items account for 25 percent of imports, miscellaneous manufactured goods for 18 percent, machinery and transport, equipment and parts for 18 percent, and fuel for 16 percent. Very few imports are intermediate goods. The U.S. (35 percent) and the U.K. (14 percent) are Belize's principal import suppliers. CARICOM supplies two percent of Belize's total imports.

As noted above, lapses in Belize's export commodity prices or volumes have major consequences for the economy. In fact, the international prices of primary Belizean export commodities fluctuate substantially, resulting in major swings in the Belize's terms of trade and balance of payments performance. For the fiscal year ending March 31, 1983, for example, Belize's export shortfall has been estimated by the IMF at SDR 6.0 million (US\$6.4 million), or about four percent of GDP at factor cost. The terms of trade index was 96.9 percent of the 1980 values and it is likely the terms of trade have declined still further in 1983.

Table 3: Belize - Value of Imports by Product Category (SITC), 1978 - 1981

(In Thousands of US\$)

| | 1978 | 1979 | 1980 | 1981 |
|-------------------------------------|----------------|----------------|----------------|----------------|
| <u>Total Imports, c.i.f.</u> | <u>106,496</u> | <u>131,877</u> | <u>149,755</u> | <u>161,967</u> |
| SITC Sections | | | | |
| 0. Food | 25,758 | 32,282 | 32,830 | 39,904 |
| 1. Beverages and Tobacco | 2,911 | 3,316 | 3,224 | 3,557 |
| 2. Crude Materials | 561 | 1,020 | 1,183 | 2,458 |
| 3. Fuels | 11,020 | 16,570 | 27,238 | 25,667 |
| 4. Oils and Fats | 239 | 349 | 683 | 511 |
| 5. Chemicals | 7,594 | 10,350 | 9,740 | 11,436 |
| 6. Manufactured Goods | 18,999 | 19,419 | 20,808 | 19,733 |
| 7. Machinery and Transport | 22,917 | 28,393 | 28,954 | 28,766 |
| 8. Miscellaneous Manufactured Goods | 15,945 | 19,618 | 23,984 | 29,139 |
| 9. Miscellaneous | 550 | 560 | 1,111 | 796 |

Source: Central Planning Unit and World Bank

Apart from balance of payments fluctuations, deficits in the current account are a chronic part of Belize's economic situation, ranging from 5 to 20 percent of GDP at factor cost per year between 1975 and 1982. In 1982, the deficit was US\$25 million, the net result of a drop in export earnings of 22 percent and in imports of 18 percent (see Table 4). During the 1975 to 1982 period, the current account deficit has been made up principally by capital inflows to the public sector (US\$15.0 to 20.0 million) which have included major grants and soft loans from the UK, EDF, CDB, CIDA, IBRD, and other bilateral and multilateral donors. Private sector inflows have been relatively small (US\$2.0 to 6.0 million), as have increases and decreases in official international reserves (US\$2.0 to 4.0 million).

Thus, to date, Belize has been able to finance its resource gap mostly via public capital inflows and, to some extent, via private sector capital inflows and decreases in its international reserves. However, in 1982 and 1983, the balance of payments deteriorated to the point where the GOB was in arrears on some financial obligations to foreign commercial suppliers. It also began borrowing heavily at home to sustain its domestic programs, despite the imposition in 1981 of an austere national budget.

Mission projections indicate that Belize's average resource gap will remain large in future years and that low sugar prices in 1984 and 1985 will widen it to US\$35 million and US\$48 million respectively (Table 5) unless imports are cut back substantially.

Current account balances would show deficits of about US\$26 Million in 1984 and US\$38 million in 1985. Based on World Bank projections, these deficits would require decreases in Belize's international reserve level of US\$3.8 million in 1984 and US\$ 11.4 million in 1985. Alternatively, ESF and similar funds from other sources could be used to close the gap. In addition to the likelihood of balance of payments problems under "normal" conditions, major decreases in sugar and banana output may result from the crises in both industries mentioned earlier and if the British were

Table 4: Belize - Balance of Payments, 1978-1982

(In Millions of US\$)

| | 1978 | 1979 | 1980 | 1981 | <u>Prelim.</u> 1982 |
|--|--------|--------|--------|--------|------------------------|
| Domestic exports of goods, f.o.b. | 55.3 | 60.7 | 82.1 | 74.7 | 57.8 |
| Re-exports of goods, f.o.b. | 24.9 | 30.2 | 28.8 | 44.3 | 32.7 |
| Total exports of goods, f.o.b. | 80.2 | 90.9 | 110.9 | 119.0 | 90.5 |
| Non-recorded exports | 5.0 | 6.3 | 20.2 | 16.4 | 13.3 |
| Non-factor service earnings | 10.8 | 9.9 | 10.3 | 10.5 | 10.5 |
| Exports of Goods and n.f.s. | 96.0 | 107.1 | 141.4 | 145.9 | 114.4 |
| Imports of Goods for domestic consumption, c.i.f. | -81.6 | -101.7 | -121.0 | -118.0 | -106.0 |
| Imports of Goods for re-exports, f.o.b. | -24.9 | -30.2 | -28.8 | -44.0 | -32.7 |
| Total Imports of Goods | -106.5 | -131.9 | -149.8 | -162.0 | -138.7 |
| Imports of n.f.s. | -12.5 | -13.1 | -15.0 | -14.0 | -10.4 |
| Imports of Goods and n.f.s. | -119.0 | -145.0 | -164.8 | -176.0 | -149.1 |
| Resource Balance | -23.0 | -37.9 | -23.4 | -30.1 | -34.7 |
| Net Factor Income | -3.4 | -2.3 | -3.6 | -3.9 | -3.7 |
| Transfers, net | 15.3 | 15.7 | 14.8 | 11.8 | 13.2 |
| Current Account Balance | -11.1 | -24.5 | -12.2 | -22.2 | -25.2 |
| Official Capital | 14.3 | 13.9 | 10.1 | 12.7 | 21.4 |
| Grants | (3.8) | (5.5) | (2.9) | (5.7) | (7.5) |
| Loan Disbursements | (9.5) | (8.5) | (7.7) | (7.9) | (14.4) |
| Amortization | (-0.5) | (-1.0) | (-1.9) | (-1.5) | (-1.7) |
| Public Financial Institutions | (1.5) | (0.9) | (1.4) | (0.6) | (1.2) |
| Commercial Banks | -4.1 | 2.2 | -2.3 | 2.1 | -1.4 |
| Private Capital and Errors and Omissions | 5.0 | 6.3 | 6.7 | 5.3 | 4.6 |
| Capital Account Balance | 15.2 | 22.4 | 14.5 | 20.1 | 24.6 |
| Change in Official International Reserves (-increase) | -4.1 | 2.1 | -2.3 | 2.1 | 0.6 |

Source: Central Planning Unit, Central Bank and World Bank estimates.

Table 5: Projected Resource Gap for Belize, 1984 and 1985

| | 1 9 8 4 | | | 1 9 8 5 | | |
|--------------------|------------------------|------------------------|-------------------------|------------------------|------------------------|-------------------------|
| | Volume ('000 Tons) | Unit Price (US \$) | Value (US\$ million) | Volume ('000 Tons) | Unit Price (US \$) | Value (US\$ million) |
| <u>Exports</u> | | | | | | |
| Sugar | 41 | 425 | 17.43 | 41 | 425 | 17.43 |
| EEC | 30 | 621 | 18.63 | 32 | 621 | 19.87 |
| World | <u>39</u> | <u>240^a</u> | <u>9.36</u> | <u>37</u> | <u>240^a</u> | <u>8.88</u> |
| Subtotal | - | - | 45.42 | - | - | 46.18 |
| Citrus | | | 8.50 | | | 9.61 |
| Fish | | | 8.12 | | | 9.29 |
| Bananas | | | 3.16 | | | 4.25 |
| Other | | | 14.20 | | | 16.72 |
| NFS | | | 13.32 | | | 15.67 |
| Re-Export | | | 21.50 | | | 22.96 |
| Non-Recorded | | | <u>10.00</u> | | | <u>4.30</u> |
| Total, Goods & NFS | | | 124.22 | | | 128.98 |
| <u>Imports</u> | | | <u>159.30</u> | | | <u>176.50</u> |
| Resource Gap | | | <u>35.08</u> | | | <u>47.52</u> |

^a Based on 12¢ per pound for No. 11 contract, fob, Caribbean ports
Source: Mission estimates and World Bank

to withdraw their troops in 1983. The result could be a loss of as much as US\$13.0 million in export earnings per year even with the current low world sugar prices. In that Belize has very limited net international assets, export shortfalls of such a magnitude (even with help from the Compensatory Financing Facility of the IMF) could not be covered without major external financial assistance.

3. External assistance and debt

Annual external assistance to Belize has increased from US\$8.5 million in 1976 to US\$23.1 million in 1982. A substantial portion of this has been grant assistance from donors such as the UK, the CDB, UNDP, and the EDF, although the grant portion of total external assistance has declined from over 48 percent in 1976 to about 33 percent in 1982.

At the end of 1982, total public and publicly guaranteed external debt was about US\$70 million, or 56 percent of GDP at factor cost. The loan terms of this assistance have been very favorable, the average interest rate on all loans being 5.8 percent. Belize's debt service has risen from US\$1.8 million in 1976 to US\$3.0 million in 1982. In 1982, the debt service to export ratio was 4.4 percent. The projected debt service ratio, however, jumps to 12.4 percent in 1983 and is projected to remain high through 1995. This sharp increase is due to commercial borrowing undertaken by the GOB in 1982 and to beginning payments on other longer term loans. The current financial crises from low sugar and banana earnings may require additional unplanned borrowing which could result in a ratio above 12.4 percent in the mid 1980's. These crises also jeopardize future export earnings of sugar and bananas because they would result in less sugar and bananas being available for export. Thus, if they are not resolved favorably, Belize's debt service ratio will be well above 12 percent in future years, due to export declines and additional borrowing likely to be required as a result of such shortfalls.

4. Public finance

The GOB is comprised of the National Government and nine statutory entities -- Water & Sewage Authority, Belize Electricity Board (BEB), Telecommunications Authority, Belize Marketing Board (BMB), Belize Meats Industries, Banana Control Board (BCB), Port Authority, Social Security, and Reconstruction and Development Corporation and Housing (RECONDEV). The National Government also owns the Development Finance Corporation (DFC) and the Central Bank (CB). In general, the finances of the National Government have been well managed. However, some statutory bodies such as the BEB, BMR and BCB have recently suffered major financial losses.

GOB current expenditures include wages (45 percent), goods and services such as electricity, communications, airport operations, etc. (30 percent), and other costs. Capital expenditures include mainly infrastructure projects -- highways, ports, electricity, water, and sewage.

Current resources are derived from customs receipts (46 percent) taxation (33 percent), GOB revenues for services (7 percent) and miscellaneous other sources. External capital has been an increasingly important factor in financing GOB capital expenditures, funding 27 percent of public investment in 1975 and more than 70 percent in 1982/83. Table 6 shows an abstract of GOB budgets for the FYs 1982/83 and 1983/84.

The overall trends in government finance have been unfavorable in recent years. Total revenues have risen by a compounded annual rate of 10.5 percent per year and total expenditures have increased by 12.1 percent per year during the 1975-1982/83 period. As a result, GOB's total deficits have increased substantially, requiring growing amounts of financing from external and domestic sources. For the fiscal year ending March 1983, for example, the total GOB deficit was US\$17.5 million, or 14 percent of GDP at factor cost. Central Bank financing has been used to cover a portion of these shortfalls, but the CB has nearly reached its statutory limit governing the degree to which it can finance the public sector. Outstanding credit from the Central Bank and commercial banks to the public sector increased by 519

Table 6: Abstract of Recurrent and Capital Budgets for the year 1983/1984
('000 U.S. \$)

| Revenue and Loan Receipts | Approved Estimates 1982/83 | Approved Estimates 1983/84 | Expenditure | Approved Estimates 1982/83 | Approved Estimates 1983/84 |
|---|----------------------------|----------------------------|--|----------------------------|----------------------------|
| Revenue | 48,254,878 | 49,325,228 | Personal Emoluments | 21,777,154 | 21,648,100 |
| | | | Other Charges | 18,912,538 | 21,499,429 |
| | | | | 40,689,692 | 43,147,529 |
| | | | Transferred to Capital Budget | 7,565,186 | 6,192,699 |
| | <u>48,254,878</u> | <u>49,325,228</u> | | <u>48,254,878</u> | <u>49,340,228</u> |
| | | | | | |
| National Revenue | 1,450,000 | 1,450,000 | Public Works Non- Recurrent | 2,965,300 | 2,587,500 |
| Economic Cooperation Programme | 11,428,085 | 12,668,523 | Other | 6,049,886 | 5,055,199 |
| Loan Receipts | 32,211,250 | 33,815,000 | | 9,015,186 | 7,642,699 |
| Transferred from Recurrent Budget | 7,565,186 | 6,192,699 | Economic Cooperation Programme | 11,428,085 | 12,668,523 |
| | | | Loans | 32,211,250 | 33,815,000 |
| | <u>\$52,654,521</u> | <u>\$54,126,222</u> | | <u>\$52,654,521</u> | <u>\$54,126,222</u> |

Source: GOB, Estimates of Revenue and Expenditures for the Year 1983/84 (GOB: Belmopan, 1983), p. 7.

percent between 1976 and 1982, or by an annual compounded rate of 30 percent. During this period, the public sector has increased its share of outstanding domestic credit from 12 to 33 percent, causing a decline in the share of the private sector from 88 to 67 percent.

5. Public investment

Public investment plays a major role in Belize, accounting for 60 to 70 percent of total domestic investment. The financing of this investment has come from current savings in the public sector, and external and domestic financing in the forms of suppliers' credits, domestic borrowings and GOB capital revenues. However, in recent years public sector savings have been declining and adequate domestic credit has not always been available. Increased external financing has made up some of these declines. Table 7 illustrates public investment by sector for FYs 1981/82 and 1982/83. While substantial shifts have occurred between sectors, overall investment levels in current terms have remained at US\$25.0 million, about 20 percent of GDP at factor cost. As noted earlier, external financing covered the majority of the costs of these investments in 1982/83. This financing is often accompanied by technical assistance as well.

In carrying out its public sector investment efforts, the GOB has faced difficulties in obtaining adequate funds to meet local costs, has not always been adept at administering project execution, and has sometimes lacked local personnel to assist in project implementation.

6. Credit and prices

Belize has a Central Bank, four commercial banks (all branches of foreign banks), the Development Finance Corporation (DFC) and about 25 small credit unions. The Central Bank's charter restricts its operations in several ways, especially in requiring 1) a reserve of external assets of not less than 40 percent of the aggregate amount of currency in circulation and its liabilities for sight and time

Table 7: Public Investment by Sector

| | FY 1981/82 ¹ | | Preliminary FY 1982/83 | |
|--------------------|-------------------------|--------------|---------------------------|--------------|
| | US\$M | % | US\$M | % |
| Agriculture | 5.2 | 20.5 | 5.6 | 22.7 |
| Industry | 0.8 | 3.2 | 0.6 | 2.4 |
| Tourism | - | - | 0.45 | 1.8 |
| Transportation | 6.7 | 26.5 | 2.95 | 12.0 |
| Power | 4.25 | 16.8 | 6.8 | 27.6 |
| Water and Sewerage | 0.2 | 0.8 | 1.7 | 6.9 |
| Education | 1.25 | 4.9 | 1.95 | 7.9 |
| Health | 0.85 | 3.4 | 0.95 | 3.9 |
| Communications | 3.85 | 15.2 | 1.9 | 7.7 |
| Others | <u>2.2</u> | <u>8.7</u> | <u>1.75</u> | <u>7.1</u> |
| Total | 25.3 | 100.0 | 24.65 | 100.0 |
| | <u>=====</u> | <u>=====</u> | <u>=====</u> | <u>=====</u> |

Source: World Bank estimates.

¹Fiscal year from April to March.

deposits, and 2) that outstanding loans to the GOB not exceed 15 percent of the estimated current revenue of the GOB for each fiscal year. Other charter limitations apply to the CB's holdings of GOB treasury bills and other securities.

As noted earlier, credit to the public sector has grown at an annual compounded rate of 30 percent during the 1976 to 1982 period, but during the same time private sector credit has only grown at a compounded annual rate of about seven percent. Agriculture and trade use the most credit in the private sector. Interest rates on commercial bank loans and deposits reflect international financial market conditions. In June 1982, they were 19.3 and 10.2 percent, respectively.

Until recently no official price indexes existed in Belize, but inflation is reported to have been around 20 percent per year during the 1978-82 period. Many commodities, both imported and domestically produced, are subject to price controls. These include bread, corn, beans, other groceries, drugs and hardware. Imported items are allowed fixed wholesale and retail markups on their landed costs. GOB approval is required before the prices of domestic goods can be increased, often a very lengthy process.

7. Employment

In 1980, the labor force included over 46,500 economically active adults, about 32 percent of Belize's population. It has grown by about 5,000 persons in the past three years, a 10 percent increase, primarily a result of new entrants who have left school. About one-third of the labor force lives in Belize City, 22 percent live in district towns and 46 percent in rural areas. Over three-quarters of the labor force is male; of this group, over half live in rural areas and about a quarter live in Belize City. Half of the female work force live in Belize City. Agriculture, forestry, and fisheries employ the largest share (44 percent) of men. Government and manufacturing provide jobs for 12 and 10 percent of male workers respectively. Commerce and community services are the largest employers of women (36 percent) followed by manufacturing and government (14 and 9 percent, respectively).

Unemployment is a growing problem in Belize, particularly among young people in urban areas. In 1980, unemployment was calculated at 14.3 percent but informed estimates in 1983 run as high as 20 percent. Two-thirds of the unemployed are male, but the female unemployment rate tends to be almost double that for males. While youth under the age of 19 made up about one-fourth of the labor force in 1980, they constituted over two-thirds of the unemployed. An additional 12 percent between 20 and 24 years of age were also unemployed; thus, nearly 80 percent of the unemployed were under 24 years old, crucial years for acquiring skills and work habits which could last a lifetime.

About half of the unemployed live in Belize City where the unemployment rate is 22 percent. Although only 7.5 percent of the rural work force was unemployed in 1980, seasonal fluctuations can lead to widely varying labor shortages and surpluses throughout the year. Many of the rural workers travel to other areas, including district towns and Belize City, in response to these seasonal changes. Also many workers who lose their jobs in the city do find "odd jobs", but most lack the training required to move easily into other full-time positions. This is becoming an increasingly serious problem as perhaps 1,500 or more youth enter the labor market annually.

The constraints to increasing employment are several. They include a sluggish economy, lack of investment capital, lack of obvious investment opportunities in export oriented industries, inadequate raw material supplies for import substitution projects, and the lack of technically trained personnel.

8. GOB economic planning

The GOB does not prepare economic planning documents, although it has a small economic planning unit. An Investment Center is also operational with some technical assistance offered by UNDP. The role of the Center is to assist domestic and

expatriate investors and to develop indicative estimates of future public and private investment needs.

9. Economic potential and actions needed to attain it

Belize's underlying economic potential is good. However, its economy now rests on a very narrow base from which it could easily begin a downward tailspin (if sugar output is drastically reduced by shutting down one of the existing sugar factories and if banana exports wane). This over dependence upon sugar and a few other primary commodities places Belize's economic growth at constant risk because price or volume changes in these commodities undermine its ability to continue planned development efforts.

In the short run, there is little that Belize can do to alter its dependency upon agriculture (sugar). Thus its economic prospects in the near term depend principally upon the performance of the productive agricultural sector--sugar, citrus, bananas, fisheries. It also depends on the international economy which influences demand for these products as well as activity in tourism, garments, and other manufactures too. In the longer run, it should be possible for Belize to expand these industries and to add others to better diversify the economy in agriculture, manufacturing, and services.

Numerous actions will be necessary to help achieve greater output in these sectors as well as diversification of the economy. These are enumerated as part of the strategy set out in Chapter II.

Belize should seek to reduce its balance of payments deficits to avoid financing a very large resource gap whenever there is a decline in the prices or volumes of its export commodities. In the short run, improvements in its balance of payments will mainly depend upon 1) the international market for sugar, citrus, bananas and fish, as well as increased demand for its style of tourism, and 2) Belize's management of the principal productive sectors of its economy. In the longer run its

balance of payments can be improved by expanding traditional exports -- (especially citrus, bananas, and fish) -- developing new exports such as beef, other fruits and vegetables, and manufactured goods by attracting more tourists and by producing substitutes for imports, especially in the area of food products. The potential in all of these areas is good, especially if 1) specific plans are developed and implemented to achieve them by both the public and private sectors, 2) GOB policies strongly support the development of exports and import substitutes, 3) major programs are implemented to strengthen the capacity of the private sector, 4) the public and private sectors develop effective international marketing efforts for Belize's export products, 5) economic growth, especially in the developed countries, creates strong demand for Belize's available export commodities, and 6) ample financing is available to facilitate the development of viable opportunities to increase the output of desired goods & services. The strategy in Chapter II deals with these and other actions to improve Belize's balance of payments.

The GOB's financial situation can be improved substantially if the economy can be put on a more rapid growth track, a function of increased exports and more import substitutes as already noted. Improvements also can be made by 1) eliminating the losses incurred by the BMB, BEB and BCB, 2) improving import duty administration, 3) changing some GOB policies such as price controls (to enable more rapid and flexible economic responses to market forces) and development incentives (to more strongly encourage export oriented activities), and 4) improving absorptive capacity for private and public sector investment and other assistance via plans and activities aimed directly at removing constraints in this area.

The prospects for creating additional employment in Belize are good if the above-mentioned potential for economic growth, exports and import substitution are realized. However, since the unemployment in Belize is urban and there is a lack of labor in rural areas, special targeting efforts will be necessary to alleviate

unemployment. Thus, the establishment of urban assembly, further processing or service type industries producing for both export and import substitution are necessary for these prospects to be attained. For such an effort to be successful, direct assistance to the private sector, policy change and more indicative planning by the public sector, and a more extensive program to attract off-shore investment will be needed as outlined in Chapter II.

D. Social Analysis - The Poor in Belize¹

Poverty in Belize cannot be easily or neatly ascribed to one area of the country or to any particular ethnic group. Standard measures such as per capita GNP or the Physical Quality of Life Index (PQLI) do not capture the diversity or real magnitude of poverty. Yet poverty is widespread and the poor are not invisible. Because of the diverse situations of the poor, however, and their varying abilities to respond to interventions, "the poor" need to be discreetly identified and described and potential beneficiaries of development assistance carefully targeted.

There are four major ethnic groups in Belize that comprise 90 percent of the population. These include the Creoles (40 percent), Mestizos(33 percent), Mayas (10 percent) and Garifuna (8 percent). Each has a different history which impacts on their status and role in Belizean society today. Different districts may be characterized by the predominance of one ethnic group or another though members of all ethnic groups live in all districts. There is also a small "white" population, (half of whom are Mennonites and live in Orange Walk and Cayo) as well as small numbers of East Indians and Chinese.

¹Annex 1 provides a detailed description of the poor in Belize including a description of the historical and cultural context, a demographic profile, some indices of the extent of poverty and descriptions of the target beneficiaries.

The population of Belize is currently estimated at over 150,000 and growing relatively slowly, owing to heavy out-migration. Belize district has the largest population; Toledo, the smallest. The population is divided fairly evenly between urban and rural and is very young with 58 percent under the age of 20. Households are large especially in rural areas.

Various socio-economic indices of poverty provide a partial profile of the poor in Belize. The average per capita income in 1981 was approximately \$1,000 though it has likely dropped since that time. While somewhat higher than the per capita income of many other developing countries, it is inadequate for many Belizeans, especially those residing in urban areas where housing and food costs are high. Moreover incomes vary greatly among professions and between districts.

The distribution of land in Belize is very uneven. A small number of farmers own a large percent of the total farmland. The majority of smallholders lease their land from the government with rent payments applied to the eventual purchase of the land. Unemployment and underemployment rates are high and rising and increasingly the rural unemployed are moving to the urban areas (primarily Belize City) or to the U.S. in search of work. The Physical Quality of Life Index (PQLI) for Belize is 67. While quite low compared to that of the United States (96), and many other Latin American countries, it is significantly higher than many other developing countries. Belize has a relatively high literacy rate (91 percent), but many have reached only a minimum level of literacy. There is an established public school system throughout the country. However, few students go beyond primary school because of the costs, the distance to secondary school (mainly available in Belize City) and the need to help out at home. Less than one percent complete college. Vocational training is limited and thus many young people enter the job market unskilled and ill-prepared for what few jobs are available.

The health and nutrition situation varies around the country. While life expectancy is relatively high (60 years) and infant mortality surprisingly low (27 per thousand) there are indications of malnutrition among young children in all districts. Moreover, Belize has a high birth rate which means there are many pregnant and lactating mothers also in need of good diet. Many of these lack the financial resources, however, to provide for good nutrition. Finally, health facilities in Belize are barely adequate and the patient-physician ratio is very high.

In targeting the beneficiaries of development assistance in Belize, it is important to identify the urban and rural poor in the different geographic areas that have unique situations and needs. Incomes, household expenditures, employment opportunities and access to resources vary greatly around Belize. Thus, programs to assist the poor will need to take cognizance of these circumstances. Annex 1 describes these aspects of each district in more detail.

E. Sectoral Analysis: Description and Constraints

1. The private sector and its role in the economy

The private sector in Belize consists mostly of small- to medium-size enterprises in a wide range of activities in agriculture, commerce and industry. A large number are family businesses. A few large-scale enterprises exist such as sugar (Belize Sugar Industries owned by Tate and Lyle Ltd. of the U.K.) and citrus processing, but these are mostly the result of, or controlled by, foreign enterprises. Foreign investment is also important in banking, insurance, and manufacturing. Historically, the private sector emerged from farmers and traders (especially importers) and the activities and viewpoints of these two groups still deeply influence private sector activities. Increasingly, however, business in Belize includes long-term productive activities in agro-industry and manufacturing. Services have also grown to be of substantial importance.

The private sector has developed two principal membership organizations, the Belize Chamber of Commerce (BCC) and the Private Sector Organization (PSO). However, both are very thinly staffed, short of funds and other resources, and neither can offer effective assistance to the entrepreneur or manager in solving his/her management, or technical problems. Business leaders also have incorporated the National Development Foundation to support and strengthen micro-enterprises. These organizations seek to assist members in solving specific problems. They also are very political organizations, although they seek to influence GOB actions in a cooperative way.

The role of the private sector in the economy is a major one. Overall, ownership of the productive assets in the economy are mostly in its hands such that it provides about 70 percent of GDP via agriculture, services, manufacturing, mining and construction. Given this relative importance, the private sector must plan a central role in achieving CDSS objectives. For example, it is the major source of expanded traditional and non-traditional exports, of import substitute products and of employment. It must provide self-sustaining income sources that will help eliminate poverty (and malnutrition) and the growth of private sector activity is the primary means for diversifying the economy. Thus, if the potential of the private sector in Belize is not realized, the entire economy is affected and CDSS objectives will be difficult to achieve.

At present, numerous constraints diminish the contribution that can be made by the private sector in achieving CDSS objectives. The small size of most Belizean enterprises makes it difficult for them to access credit and results in most of them being undercapitalized. Despite their need and desire for foreign capital, technology, management and markets, most Belizean firms are not well prepared to identify, attract, negotiate, and jointly develop business projects with foreign partners. Moreover, most firms lack the management depth and resource base to effectively obtain needed new technologies and markets abroad without such partners.

Thus, much of the non-traditional activity that has arisen in Belize's economy has been at the instigation of outside firms and entrepreneurs. Indigenous entrepreneurship, while not lacking, is not widespread nor backed up by the resources needed to enable entrepreneurs to take the risk of bringing new business ideas into reality.

Another constraint diminishing the contribution of the private sector is the small size of Belize's domestic market. For some productive activities this small market requires a firm to begin export immediately in order to realize available economies of scale in plant operations. However, the export market is very competitive in terms of quality and price, making it difficult for a new firm or product line to succeed by launching directly into exports with first-run production.

The poor roads, limited port facilities, unreliable and high cost electricity, poor availability of water and waste disposal capacity and other limitations of the national infrastructure also confront the existing or prospective Belizean entrepreneur/investor with serious problems, some of which cannot be overcome and others which can be dealt with only at increased cost (e.g. installing a standby generator).

At times, government policies, procedures and pricing decisions are constraints. The GOB has imposed price ceilings, provided price supports, imposed or waived import duties, licensing requirements, etc., in ways which were counterproductive for the entrepreneur and sometimes for the consumer and economy as well. GOB decisions regarding private sector activities are usually slow and cumbersome, making it difficult, time-consuming and costly to do business in Belize. Some regulations concerning the private sector at times appear to be applied somewhat arbitrarily, leading to one business being favored over another, sometimes for political reasons. The limited availability of trained personnel even for entry-level positions also is a serious problem for the private sector. Young people completing their education

seldom have the technical skills or work ethic that business and industry need, whether in the trades or at the technician level. This adds greatly to the cost of doing business. Management skills are equally under-developed by the current education-and training programs. There are some culturally-based values in the society (such as an unwillingness on the part of some to work in agriculture) that reduce realization of private sector potential. Workers also suffer from the problems of poor housing, services, and transport and inadequate or non-existent childcare mechanisms which together result in high rates of absenteeism.

2. The public sector and its role in the economy

As noted earlier, the public sector consists of the National Government, nine parastatal bodies, the Central Bank and the Development Finance Corporation. The National Government includes eleven (11) Ministries and employs about 4,000 people. GOB activities include the provision of traditional government services such as social security, electricity, water, ports, roads, and communications. Investment by the GOB in providing these services is substantial. The GOB also serves other public functions in policy development and in the regulation and direct support of private sector and individual citizen activities.

The GOB has carried out only limited directly productive activities to date--bananas and beef processing. This lack of participation in the productive sectors of the economy reflects the GOB'S prevailing attitude that business operations are better left to the private sector. However, in order to avoid the loss of a substantial number of jobs through closure of one sugar processing plant under the Tate and Lyle proposal, the Government of Belize and the sugar farmers will jointly take over the processing industry under the National Sugar Trust Scheme. The GOB's operational involvement in the banana industry is likely to deepen also if the present financial crises can be overcome. Only in the case of beef processing is there a likelihood that GOB operational involvement will diminish via sale of the existing abattoir to a private party.

The economic activities of the GOB contribute about 30 percent to GDP. Public investment has accounted for 60 to 70 percent of total domestic investment and has deeply influenced the type, location and employment and other impacts of infrastructure, productive and social investment. The GOB also has increasingly absorbed more of the total domestic credit available, thereby curbing access to credit for the private sector.

Even more important than its overall GDP contribution is the impact of the typical GOB "public functions" of policy development, regulation and control of incentives and support for private sector and individual activities.

In the policy arena, the GOB has established price controls on many items, created import duties and a variety of import duty exemptions, promulgated import licenses for some products, and created a range of development incentives for specific industries--flour, fertilizer, garments, etc. Some of these policies are contradictory, but each standing alone has a substantial impact on private sector decision-making and performance. As pointed out above, some of the regulations and controls of the GOB impose substantial burdens on the private sector.

In contrast to some of the problems created for the private sector by GOB activities, the Government also underwrites numerous support activities that benefit the private sector. For example, it recently committed itself to fostering domestic and foreign private investment through its formal approval and publication of an Investment Code for Belize. The Government has also assisted the tourist industry through publicity and promotion campaigns. Private business people with a major stake in various industries have confidently expressed the view that the Government of Belize is determined to maintain an open door to and a friendly posture toward domestic and foreign investors and the business community at large. The Government recently visited the U.S. at the highest level to impress its intent in this regard upon the USG and the U.S. private sector.

The Government of Belize also has extended credit to the private sector on favorable terms through the Development Finance Corporation from funds made available directly and indirectly through the Caribbean Development Bank, that were supplied mainly by AID, and by the EEC. Likewise, it has given consent to the AID program to extend medium-term credit to the private sector through the commercial banks in Belize under the Private Sector Rediscount Fund.

The GOB also provides many incentives and programs in support of individual development and well being. These include scholarships, student loans, health centers, vocational training, radio transmission, and housing assistance, to mention only a few.

The public sector's role in contributing to CDSS objectives is vital. It alone has the capacity to achieve economic stabilization and to frame policies more conducive to economic growth. The public sector's emphasis on economic diversification and establishment of an incentive system to attain it is critical to reducing the country's dependence on sugar. Its activities contribute directly and indirectly to the contribution of the private sector to export expansion, the growth of import substitutes and increased employment. The Government of Belize also must play the central role in improving regional economic integration and in supporting direct efforts to reduce poverty.

The public sector is hampered in contributing to CDSS objectives by several constraints:

- o Limited planning capability to enable the GOB to develop and implement the overall plans and programs necessary to realize the full economic and social potential in Belize.
- o Thin management and technical capacity in most ministries and other public agencies because of lack of experience or training and lack of an adequate number of personnel.
- o Contradictory policies and policy matrixes are sometimes inconsistent with the objectives being sought. The GOB lacks the research and analytical resources to quickly and decisively analyze and correct such situations.

- o Inadequate resources and skill to obtain needed foreign investment, management, technology and markets.
 - o Insufficient skilled personnel to further develop and improve Belize's regional relationships and to shape regional policies and activities to better serve Belizean interests.
3. Agriculture

Agriculture is the most significant sector in the economy. In recent years, it has been the source of nearly 40 percent of GDP on the average, supplying more than 80 percent of Belize's total exports by value and providing employment for about 35 percent of the total labor force. A large proportion of the output of the sector is for export (notably sugar, citrus and bananas), and thus the sector as a whole is heavily dependent on the state of the international market. Sugar, for example, generates 60 percent of the gross value of all products in the sector. However, low world market prices are causing the industry major losses and could mean a serious dislocation in the economy not only of the sugar districts, but in the national economy as well at least in the short term. Likewise, another major export industry, bananas, faces a serious internal financial crisis which threatens the collapse of the industry.

Rice is a crop which has been produced on large commercial estates and by small farmers for subsistence and for the local market. By 1980-81 Belize had become largely self-sufficient in rice. The other major crops (corn, beans, sorghum, and more recently peanuts) are produced almost entirely by small- and medium-size farm operators. Pigs are raised almost entirely by small producers while poultry, eggs and dairy products are overwhelmingly produced by medium-size farms and beef from large scale operators. Table 8 gives the production of principal agricultural commodities during the 1977 to 1981 period. Many root and vegetable crops are interplanted with or grown on the edges of fields with the main crops. Production is highly seasonal with periods of glut but generally vegetable production is inadequate

Table 8: Belize - Production of Main Agricultural Commodities, 1977-1981

| | 1977 | 1978 | 1979 | 1980 | 1981 |
|--------------------------------|---------|---------|---------|---------|---------|
| Rice paddy ('000 lbs.) | 18,935 | 14,000 | 14,700 | 19,000 | 23,900 |
| Corn ('000 lbs.) | 37,600 | 43,000 | 34,000 | 41,500 | 47,000 |
| Beans ('000 lbs.) | 2,210 | 2,160 | 2,240 | 3,073 | 3,800 |
| Bananas ('000 42 lb. boxes) | 547,812 | 519,812 | 842,419 | 784,885 | 549,000 |
| Oranges ('000 90 lb. boxes) | 633 | 686 | 568 | 1,109 | 1,063 |
| Grapefruit ('000 80 lb. boxes) | 238 | 301 | 188 | 408 | 586 |
| Honey ('000 lbs.) | 368 | 416 | 493 | 496 | 478 |
| Cattle slaughtered (no.) | 6,300 | 7,276 | 7,100 | 6,600 | 6,400 |
| Dressed weight ('000 lbs.) | 2,472 | 2,577 | 2,562 | 2,310 | 2,216 |
| Pigs slaughtered (no.)* | 5,693 | 7,104 | 6,864 | 6,490 | 5,212 |
| Dressed weight ('000 lbs.) | 546 | 764 | 659 | 487 | 365 |
| Sugar cane ('000 long tons) | 936 | 1,123 | 989 | 1,014 | 970 |
| Molasses ('000 long tons) | 30 | 40 | 32 | 32 | 32 |
| Sugar ('000 long tons) | 91.9 | 113.5 | 98.6 | 103.3 | 97.7 |
| Sugar per acre (tons) | 1.7 | 1.9 | 1.6 | 1.7 | 1.6 |
| Tons cane/Tons sugar | 10.2 | 9.9 | 10.0 | 9.8 | 9.9 |
| Timber ('000 bd. ft.) | 6,283 | 8,180 | 9,333 | 9,500 | |

* Slaughterhouse figures represent about 30-40% of the total.

Source: Central Planning Unit and World Bank

to meet the country's needs. Honey is a source of income for many small producers and bees are important in the pollination of many crops.

The public sector in Belize provides inadequate and sometimes inappropriate support to the agricultural sector. Allocations of financial, physical, and personnel resources are often inadequately planned and sometimes misdirected. Belize has not formulated a coherent agricultural development strategy with well-focused and clearly defined priorities. The marketing infrastructure and systems--including roads, marketing facilities, and entrepreneurs with available storage and transport--are underdeveloped. Domestic and export market analysis and information are inadequate to guide planners or producers in targeting agricultural production to exploit commodities or seasons of maximum demand.

GOB agricultural policies sometimes conflict with each other or have unintended effects that act as constraints on agricultural growth. Corn prices, for example, were set too high by the BMB and were responded to by greatly increased production and by diversion of surplus and spoiled corn from its traditional household use as pig or chicken feed to government storage facilities. The BMB could not buy all the corn, peanuts, and other crops due to lack of cash. Also, pest infestation and high moisture content (generally contained at the household level) spread through the entire corn stockpile held by BMB. The intended objectives of the BMB were not achieved and its credibility with farmers suffered greatly.

4. Forestry

Forests were the resource of principal interest to the British in Belize until the 1930's and have been heavily exploited in the more accessible areas. Forestry at present, however, provides slightly less than 2 percent of the GDP. Exports of sawn wood have varied considerably over the past five years from 1.6 million board feet (MBF) in 1978, to 3.2 MBF in 1979, to 2.4 MBF in 1982. Valuable hardwood resources of mahogany and cedar and of lesser-known "secondary" species still remain. With proper drying these could possibly support high-value manufactures though such

an effort would require a small cadre of skilled craftsmen and the development of a tourist and export market for Belize's unique wood carvings and sculptures by small craftsmen.

At present, planned forest regeneration is limited and concentrated mainly on fast-growing species. Few resources have been directed at improved regeneration of more valuable hardwoods.

Belize's forest resources are probably of greater importance in the long- rather than the short-term, but nonetheless can contribute significantly to the CDSS objectives. With added investment, increased access to forest resources can generate jobs, both directly in the cutting, milling, and drying of lumber, and indirectly through manufacture of value-added goods, e.g. furniture. In the long-term, Belize must take care that valuable hardwoods are not over-exploited as they have been in the past. Attention needs to be given, in particular, to the effective husbandry of second-growth forests that were at one time over-exploited. As virgin tropical forests throughout the world diminish increasingly in the coming decades, hardwoods are likely to become ever more precious. Belize's low population density has thus far helped allow large tracts to remain as a resource for future generations.

There are constraints, however, to expanding forest-related industries. First, access to the seasonally or presently inaccessible areas with the highest potential for exploitation would demand considerable investment in access roads and sufficient management capability to assure sustained yields in the long-term. Second, many sawmills are quite inefficient and rely on out-dated equipment. And third, kiln-drying facilities are almost non-existent, denying Belize at present the opportunity to export a higher quality lumber which would command a better price on the international market.

5. Fisheries

The fisheries resources of Belize are an important element in exports, the provision of employment, the generation of income and the local food supply. The fishing industry is estimated to provide about 5 percent of Belize's GDP. It is the source of 8 percent of Belize's exports, the main products being lobster, conch, shrimp, and various scale fish. At present, these are derived solely from waters inside the reef where production is at its maximum and in danger of being over-exploited. Ninety percent of these products are sold in the U.S. market. Five cooperatives, comprised of about 700 members, dominate the industry though there are a large number of independent, part-time fishermen. Some co-op members' gross income may average over US\$20,000 annually.

The GOB regulates the industry both in terms of seasonal quotas and in terms of the amount and price of fish sold in the local market. There are laws and regulations against illegal exports and overfishing though these are regularly broken by those seeking to circumvent the quota and price controls. Stronger enforcement is needed to prevent illegal fishing by Belizeans and non-Belizeans alike.

Opportunities for expansion lie primarily (1) in exploiting the deep sea fisheries beyond the barrier reef where, on the basis of preliminary studies, there are believed to be large supplies of unexploited fish; and (2) in developing a mariculture industry (shrimp) in the coastal waters. The latter has already been initiated on a small scale in southern Belize and is believed to be feasible in the coastal waters in other areas. The market demand in the U.S. and elsewhere is strong so the opportunities are substantial. Both of these opportunities would require substantial investments including the application of technologies not now available in Belize and modern, experienced management.

The expansion of the fishing industry is constrained, however, by several factors. First, there is insufficient capital available to undertake a definitive study of deep sea resources, initiate new fishing ventures, or extend credit to

fishermen to improve their equipment or adapt it to deep sea fishing. Second, the absence of the technology needed to make mariculture productive and profitable makes it difficult to develop that potentially lucrative industry. Third, there is a serious shortage of management capacity in both public and private sectors to oversee and plan for expansion in the fishing industry. Finally, the delicate ecological balance in Belize's coastal waters must be maintained and thus expansion of the industry must proceed at a carefully circulated rate.

6. Manufacturing

Manufacturing, which contributes about seven percent to GDP in Belize, is comprised of numerous enterprises -- sugar processing, citrus concentrate production, sawmilling, baking, animal slaughter, flour milling, brewing, fish processing, rice milling, fertilizer mixing, cigarette manufacture, garment making, nail manufacture, battery production, roofing manufacture, tile production, furniture making, etc. Most of these deal with agro-industrial operations, but several involve other industries. Only a few, such as saw milling, nail manufacture, tile making, and battery production involve intermediate goods. Output in most of these industries has been stagnant in recent years because of the small size and growth of the domestic economy and the lack of bouyant export markets.

Some manufacturing enterprises are small, especially in such industries as sawmilling, baking, furniture making, animal slaughter, and rice milling. In other industries, such as sugar and citrus processing, flour milling, brewing, cigarette manufacture, and garment making, the enterprises are large (with respect to Belizean demand) or singular.

Nearly all manufacturing industries are located in urban areas (the largest number in the Belize City area) and create jobs for urban workers. Total employment in manufacturing in 1980 was just over 4,000 or about 10 percent of the total labor force.

Most manufactured products are for domestic consumption. However, sugar and molasses, citrus concentrate, oil and squash, shrimp and lobster, sawn wood and some garments and other miscellaneous manufactures are produced principally for export. Manufacturers are well represented in the Chamber of Commerce and the Private Sector Organization, but there is no separate institutional support for them. Since these two organizations are dominated by commercial interests, they do not always give manufacturers' problems sufficient priority internally or in their dealings with the GOB. Little in the way of direct support and assistance is available to manufacturers from these private sector organizations or the GOB.

The contribution made by the manufacturing sector to CDSS objectives is however diminished by several constraints. These include:

- o Lack of sufficient and reliable raw material supplies;
- o Inadequate supply of skilled labor and low labor productivity;
- o Lack of adequate local managerial and entrepreneurial capacity in the manufacturing sector;
- o Inability to assess potential projects and to prepare them adequately enough to obtain commercial financing;
- o The necessity of importing many inputs for the manufacturing process with the attendant uncertainty of supply and additional costs;
- o Lack of information about the most appropriate available technologies to use in manufacturing;
- o Inadequate accessibility to appropriate foreign investment, management and technology on reasonable terms;
- o The higher costs of production and marketing attributable to infrastructure problems such as unreliable electricity supply, poor port facilities, difficult communications, etc.;
- o Lack of sufficient output to enable commercial export marketing, e.g. processed beef;
- o Inability to produce products to the high quality standards demanded in the export market;
- o Lack of knowledge about and access to export markets.

- o Lack of capable institutional support for manufacturing project development in the private and public sectors;.
- o Inadequate data about manufacturing activities and costs within the country, a symptom of deficient planning and policy making in the manufacturing sector.

7. Human resources

a. Education

The level of education in Belize is relatively high. An adult literacy rate estimated at 91 percent can be attributed to the fact that a universal primary school education is available to all Belizeans and most have acquired at least some basic minimum of literacy. At the time of the 1980 census, almost 85 percent of Belize's children between the ages of 5 and 14 were enrolled in school. In 1982, there were 36,000 primary students and the student/teacher ratio was 26/1. In the same year, there were 6,300 secondary students, and about 600 additional students at the Belize Technical College. A student/teacher ratio at the post primary level of 16/1 includes part-time teachers. About one in six non-student adults (both male and female) in Belize have attained a secondary education or higher. About two and one-half times as many males as females have received university training. A lingering problem is that secondary and technical education is available mainly in Belize City. This attracts youth to the city to go to school, and believe this adds to the growing problem of increasing youth unemployment in Belize City.

The recurrent education budget for the fiscal year 1983/84 totals US\$9.0 million, about US\$200 per student. This was augmented, however, by church and student participation. Of 205 primary schools, 183 are run through a partnership of church and state, with the GOB paying salaries and all other costs shared equally by the church and GOB. In 16 secondary schools, the GOB contributes approximately 60 percent of salaries and recurrent expenditures. Students in these schools pay as much as US\$15 per month for tuition.

Education is a particularly crucial sector to the attainment of CDSS objectives. Most directly it plays a key role in increasing people's incomes, but it also can provide the broad base of diverse technical, craft, and managerial expertise necessary for a self-sustaining and self-reliant Belizean economy. Fuller development of Belize's human resource potential is important to the future management of Belize's rich natural resource base. An important constraint in this regard is the emphasis in the curriculum at the primary and secondary school levels on academic rather than vocational subjects. There is little emphasis given to ways of applying the basic academic skills in practical economic pursuits likely to hold opportunity for the majority of the population. Rural agricultural and urban vocational trade skills are not given much attention.

One exception to this is the Rural Education and Agriculture Program (REAP), which has now spread to 23 primary schools and aims at the early development of favorable attitudes towards, and relevant skills in, agriculture. The government is hoping to develop non-formal vocational education as well.

b. Health and nutrition

The public health network in Belize provides direct access to all of the urban and three-quarters of the rural population through 7 district hospitals, 29 rural health centers, and mobile clinics. The mobile clinics, however, provide regular once-a-month service to 33 percent and only sporadic service to an additional 34 percent of the rural population. Private health care spending may be about one-fourth to one-third of that spent by the public sector. The recurrent health budget for FY 1983-84 totals US\$4.2 million or about US\$28.00 per person.

The average calorie intake has been estimated at 125 percent of requirements and per capita protein intake at 69.3 grams per day. However, 30 percent and 22 percent of young children (1-3 year olds) seen by health workers in 1975-76 and 1981, respectively, were suffering from some degree of malnutrition. Intestinal diseases are a major factor in child health, particularly in Belize City.

An estimated 40 percent of children under five years old are anemic and 50 percent have intestinal parasites. Potable water is available most of the year to 90 percent of urban and 48 percent of rural households, but sewage disposal is completely inadequate (over-water or bucket latrines) in over half of Belize City households. Pit latrines are used by most rural and town households.

Malaria has increased greatly during the past decade, from 33 cases in 1970 and 1971 to over 2,000 cases in 1981. The number of reported cases doubled in 1982 to 4,000 and it is projected that the number will double again by the end of 1983 to 8,000. In 1978 and 1982, there were outbreaks of dengue fever, unknown since the 1950's. Outbreaks of vaccine-preventable diseases, chiefly measles, have occurred in some areas. Pesticide poisonings and/or water pollution from industrial wastes have also been reported in Corozal, Belize City, and Stann Creek.

Ensuring adequate health and nutrition is vital to the well-being of Belize's people. One of the harshest consequences, as well as a contributing cause, of poverty is malnutrition and poor health. Yet preventive health and good nutrition practices can be made accessible to the poor quite economically and fairly rapidly.

The constraints to improved health and nutrition are several. Medical personnel are in short supply with one doctor for every 2,202 persons. Low pay is a major factor. Government-salaried positions remain unfilled and only 12 of the 35 government doctors are Belizean. The problem is particularly acute with nurses who, unlike doctors, are not permitted to supplement their salaries with outside private practice. One result is the emigration of over half of the nurses trained in Belize to other countries, particularly the U.S.

Sewage and potable water infrastructure are lacking. Over the last decade the Canadian water and sewer project in Belize City has contributed much to remedying the problems in some areas though there are still many sections of the city lacking sewer facilities. The availability of potable water in rural areas remains a severe

problem. Basic preventative health and nutrition education, however, is lacking and would be a necessary complement to further infrastructure investments. Likewise, information about weaning and early childhood diets is also lacking.

The maintenance of drug inventories and vehicles has been difficult in government hospitals and clinics. Less problem exists with vaccines which demand and have received more controlled care.

8. Energy

Belize depends primarily on imported oil to meet its energy requirements of close to one million barrels annually. At a cost of over US\$30 million, this is a severe drain on Belize's foreign exchange reserves. Expectations are that the demands for energy will continue to increase at a high rate as the electrical grid is expanded, industrial potential is developed and individual incomes are increased. In 1981, 55 percent of the oil was consumed by the transportation sector; 23 percent utilized for electricity generation and, another 20 percent consumed for industry and domestic purposes. While geological evidence indicates that Belize may have significant oil deposits, explorations and drilling efforts to date have failed to come up with commercially viable wells.

The question of electricity (and the problems related to it) are of critical importance to Belize's future development. Currently, public service electrical power in Belize (about 7.5 MW) is supplied to about 60 percent of the population by diesel generators which are managed by the BEB. These generators are not efficient energy converters and are not interconnected except for one 13-mile line between Ladyville and Belize City. They depend entirely on imported fuel which also subjects consumers to high energy costs. The supply from the BEB system is highly unreliable, causing many individuals and businesses to install their own standby generators. For example, breakdowns in recent months have been as long as eight hours a day, due in large measure to poor maintenance of the system. This has had a severe impact on a number of the industries in the Ladyville area.

The BEB has also suffered major financial losses in recent years, but its rates are already high and its service so poor that there is some resistance to even higher rates being imposed. Major improvements in the system would require substantial investment -- to develop a national or regional transmission grid (and link it up with Mexico), to construct a wood burning thermal power facility to be linked to a major transmission grid, or to construct a major hydro facility in the Maya mountains.

An adequate national electrical system is of paramount importance to the achievement of CDSS objectives. For example, manufactured products for export usually depend upon electrical power and must be cost competitive to be successfully exported. If public sector electrical costs are high, if costs are high due to the need to use standby generators, or if unit production costs are high because of power failures, Belize's export development strategy will not be effective. Likewise, import substitution, employment generation and diversification of the economy all depend heavily on a reliable and inexpensive electrical supply.

While energy independence and the development of an adequate electrical system is very important to Belize's future, numerous constraints are inhibiting this development. Regarding energy independence, Belize has yet to find the oil needed to decrease its dependence on foreign supplies. Moreover, it has not exploited other potential energy sources such as hydro-electric power. Second, Belize has few trained, local technicians or managers to handle energy related concerns. Third, while technical advisors have been provided to the Ministry of Natural Resources, the GOB has not developed a definitive energy strategy that will guide its use and conservation of expensive energy resources in the future. This may be due, in part, to the fact that two Ministries -- Natural Resources and Energy and Communications -- have responsibility for energy concerns and have not coordinated their efforts.

Regarding electricity, the principal constraint is the large investment necessary to construct a truly adequate electrical network. External financial assistance would be essential to develop the needed system. The World Bank has expressed some interest in financing a system. However, a specific solution has not been selected by Belize to which other donors can be asked to lend their support. This constraint could be removed via technical assistance to help choose the most appropriate electrical generation system and network options for Belize.

In the shorter run, the inefficiencies of the existing diesel generators, the high cost of petrol, the unreliability of the public system, and the excessive transmission losses incurred in the system all serve as constraints to any interim solution. Moreover, because the BEB is not covering its costs, there is not a sound financial basis for carrying out the needed investment or rehabilitation.

9. Environment

The low population density of Belize has been a blessing in some ways although it has acted as a constraint to development in others. Belize does not suffer greatly from many of the environmental problems which face other developing countries. Even in areas over-exploited by logging during the past three centuries, secondary forest cover was allowed to return without soils being depleted by short-fallow agricultural practices now common in more heavily populated areas of neighboring countries.

As development increases in Belize, care must be taken to ensure that the environmental consequences of each program are carefully considered. Procedures and techniques of long-term resource management, not merely short-term resource exploitation are inadequately supported and practiced.

Improved access to resource areas must be accompanied by good management practices, which have been generally neglected in the past. For example, although logging did not result in subsequent destruction of soil resources, as in some neighboring countries, valuable hardwoods were not well-managed and large harvestable

trees are now extremely rare in accessible areas. The increased population of mixed cash/subsistence farmers in Toledo district has brought some pressure on the land, resulting in shortened fallows, particularly in areas accessible by road. Similar resource depletion could face the fishing industry. The cayes and reefs too are especially valuable, yet fragile, resources for tourism as well.

In Belize City, water pollution is a major problem though this will be gradually alleviated as the sewer system is expanded throughout the city.

An environmental problem less easily managed has been hurricanes. It has damaged banana plantations, hindered reforestation along coastal areas, and had grave consequences for the residents of Belize City and coastal towns.

10. Tourism

Belize has a variety of interesting and unique tourist attractions, including a large number of cayes, the longest coral reef in the western hemisphere, over 100 Mayan ruins sites, and picturesque scenery, flora and fauna. The cayes and reef, in particular, draw many people interested in an active tourism involving scuba diving, snorkeling, and fishing.

The tourism sector has grown fairly rapidly in recent years. Substantial investments have been made in developing hotel space designed to accommodate visitors, though many other "infrastructure" needs are lacking. As of 1982, there were 1,352 hotel accommodations in Belize. As cited in the April, 1983 World Bank Economic Report on Belize, tourist receipts (from 1975-81 more than tripled from \$2.4M in 1975 to \$7.5 m in 1981) even though the total number of tourists increased only 8 percent during the same period, (57,891 persons visited Belize in 1975 and 62,263 persons in 1981). In the last two years, however, there has been a drop in tourism as measured both by receipts and occupancy rates. This is related both to the depressed world-wide economy and to the fears, expressed by some tourists, that the political tensions and violence in the Central American region may spill over into Belize. Hotel occupancy

rates in mid-1983, for example, were at a disappointing level of about 35 percent. Until the tensions in the entire area decrease, it may be difficult to reverse these recent trends and resume the growth of earlier years.

The largest number of tourists come from the U.S. and Canada. Interestingly, the number of tourists arriving by "overland" means has increased 45 percent indicating that perhaps more Mexicans and others from Central America, and North Americans extending their Mexican vacation, travel to Belize.

Belize is caught in something of a dilemma of wanting to increase its tourist revenues substantially for economic reasons while at the same time wanting to limit the total number of tourists -- for social and environmental reasons -- two seemingly irreconcilable goals. Current government policy is designed to avoid the type of tourist development which would be likely to exert negative effects on the local society and environment. As a result, its tourism appeal is directed much more to middle-income tourists from North America and Europe and to those who thrive on an active rather than an opulent, high expense tourism experience, such as found at major hotels in some islands of the Caribbean.

Further development of the tourism sector is hindered by several factors. First, infrastructure in support of tourism is weak. Especially in the cayes, the provision of adequate electricity, fresh water supplies, and waste disposal presents problems. At the Mayan sites, there are no service facilities. Outside of the main international airstrip, only light aircraft can be accommodated at smaller airstrips around the country which restricts the capacity for quickly moving larger numbers of tourists in a group. Also, while international air service to Belize passes through the country on the way to and from other cities in Central America, the airlines generally do not reserve substantial blocks of seating capacity in or out of Belize. This makes booking of groups of tourists extremely difficult and may negatively affect the interest of travel agents in promoting tourism to Belize.

Second, the type of tourist attractions available in Belize appeals to a relatively small group of people---those who are interested (and able) to participate in outdoor activities (e.g. snorkeling, fishing, hiking, etc.) and do not mind "roughing it" in the process. Belize is not Barbados and does not provide luxurious hideaways that generally appeal to "big spenders" or wealthy older people.

Third, Belize's capacity to handle tourists is limited by its population size and environment. A country with a small population and ecologically sensitive tourist sites (reefs, tropical forests), Belize can only handle a certain number of tourists before it is "overloaded", both socially and environmentally.

Finally, Belize does not have a "good" tourism attitude, or so some potential tourism entrepreneurs think. The people generally are not oriented to high quality service standards and have few opportunities for training. Tourist locations are not kept clean and attractive in comparison to other Caribbean locations. Tourist facilities also tend to be overpriced for the value received. Conflicting GOB rules and regulations mitigate the starting of new ventures. Thus, from the standpoints of both the tourists and the tourist investors, Belizean attitudes must change and more support must be given to tourism by those directly associated with it before the industry can expand much more.

11. Infrastructure

Belize's recent Independence was achieved after a long period of colonial rule characterized by comparatively little investment in infrastructure. The historically important logging industry was based on floatation of logs down the rivers for loading on ships hence little investment in transport infrastructure was needed. The only railroad in Belize fell into disuse after the collapse of the banana industry over two decades ago. The low lying coast and the barrier reef result in the absence of any natural deep harbor. Only at Belize City is there semi-deep water port facility where ships up to 17 foot draft can come to the "roll-on-

roll-off" dock to transfer cargo. A skeleton road network has been developed with main links to the north and west largely paved, some paving in other areas and a very limited network of secondary and access roads. The road system suffers from flooding at numerous points during the rainy season and becomes nearly impassable at some points for extended periods when rains are heavy. Airstrips at many locations permit movement within the country by light aircraft.

Electricity is available to 86.5 percent of urban and 29 percent of rural households but energy is produced entirely by diesel generator sets at high costs; there is no national transmission grid; and the distribution networks are weak. There is a good national telephone system with automatic long distance dialing and links via satellite for overseas communication. Housing is badly deteriorated in Belize City, the largest urban center, because much of it was built hastily of wood after the disastrous 1961 hurricane destroyed a large portion of the city. Those units that survived the hurricane are deteriorated by age and exposure to the tropical climate. The housing stock is inadequate for the country at large and many people are resorting to makeshift houses in squatter locations. Potable water is available to a substantial proportion of the populace and will be supplied to all residents of Belize City by 1986 at which time waste disposal will be handled in all areas of the city through sanitary sewers and a sewage treatment plant.

The weak infrastructure sector in Belize, however, constitutes one of the most pervasive constraints to the development of the country. The expansion of exports, employment and production for import substitution are especially affected. The key elements of infrastructure which reduce the ability of the economy to function efficiently include:

- o An inadequate and poorly maintained road system;
- o Very limited port capacity in terms of the size of each vessel and type of cargo that can be handled;
- o High cost and limited reliability of the electricity generation/distribution system;

- o Inadequate sewage disposal facilities and limited access to reliable supplies of potable water especially in rural areas;
- o Inadequate supply of, and poor state of repair in, housing; and
- o Limited capacity of the construction industry to build and maintain roads bridges, port installations, and other elements of the infrastructure network.

These limitations mainly result in increased costs, reduced efficiency, diminished wellbeing of people, and the diversion of resources away from productive purposes because of the excessive requirements for maintenance repair.

In the rural sector many persons are likely to continue to be victims of poverty unless roads are improved in their locality, access to needed inputs, services, and market outlets for their products. In many areas, rural access roads do not exist, allowing villagers only a limited role as producers and/or consumers contributing to the development of the wider economy. Access roads can bring potential to produce a wider range and larger volume of needed goods and to break out of the low subsistence level of production and the poverty which accompanies it.

Housing is a segment of the social infrastructure which has a major effect on the quality of life of the nation. Yet, it is clear that the cost of housing must be met by its user. The programs the government has carried out in the past included excessive subsidies. The use of low cost building materials for houses built in substantial measure on aided self-help basis by their owner occupants, is a means to overcome the constraint of the high cost of conventionally constructed units. Failure to shift to this pattern would cause a few to obtain an unreasonably large share of limited benefits and prevent the maximum aggregate improvement from being achieved both in quality of life and accompanying productivity.

F. Development Assistance: AID and Other Donors

Currently, there are a number of bilateral and multilateral donors that provide development assistance in the form of grants and loans to Belize. Table 9 indicates the donors, their level of commitment and focus of activity. A review of donor contributions to major ongoing projects in 1983 indicates a focus on three types of projects -- agriculture/rural development, economic infrastructure and "other" social service-oriented or human resource development projects. The agricultural/rural development projects include area development schemes, primary commodity improvements, agro-industry and various types of credit projects. The infrastructure projects are primarily roads and electricity. The social service/human resource development projects focus on water supply, schools, health centers and other social support services. Approximately 42 percent of the funds for these projects have been provided by the UK; 24 percent (mostly soft loans) have been provided by the CDB; and another 24 percent by "other" donors such as Canada, UNDP, USAID, etc. Almost 10 percent were supplied by the EDF.

Prior to Independence, most bilateral aid came from the United Kingdom. At Independence, the British gave Belize a "golden handshake" of £12 million to be expended in equal disbursements over a four year period. While it is unclear at this time just what the British commitment will be after 1986, it is likely to decline from its formerly high levels. The Caribbean Development Bank (CDB) has also provided steady assistance to Belize over the last decade in the form of soft loans. Of the US\$15 million loaned, US\$12.5 million (83 percent) was contributed by AID to the CDB for that purpose. Canada has undertaken an extensive water and sewer system project in Belize City as well as several smaller projects in the south.

AID assistance has been provided almost wholly through the Caribbean Regional program, under which Belize has been the largest beneficiary. The CDB has been the primary funding channel for U.S. funds to Belize though other regional organizations

TABLE 9 : Development Assistance:
AID and Other Donors

| Donor Agency | Fiscal Year | Commitments - US \$Million (Grant/Loan) | Focus/Purpose of Development Assistance Support |
|--|-------------|---|--|
| Unites States Agency for International Development (AID) | 1946 - 1981 | 11.2 (grants) | Infrastructure development, private sector and human resource development, equipping of Belize Vocational Center; PL 480 Title II |
| | 1982 | 12.6 | Housing Investment Guaranty; balance of payment support; creation of a rediscount credit fund |
| | 1983 | 6.4 | Technical assistance for housing, livestock production, rural access roads and bridges; program development and support; PVO support |
| British Overseas Development Assistance (ODA) | 1981 - 1985 | 19 (50 percent loan; 50 percent grant) to be expended at rate of \$4.75 per year | Highway (in the North) and bridge (in the South) construction; Agriculture research and development; rural roads; small agriculture projects; social infrastructure projects; industry and police support |
| Caribbean Development Bank (CDB) | 1973 - 1982 | 15 loan (\$12.5 from AID- Regional) (soft loans) | Develop banana industry, electricity, Development Finance Corp. a deep water port, the Belmopan Hotel, rice marketing, feeder roads |
| Canadian International Development Agency (CIDA) | 1971 - 1982 | 12.5 (60 percent or 7.5 no interest loan, 40 year repayment); 5 a Canadian grant; 2.5 supplied by GOB | Improve water and sewer system for Belize City |
| | 1983 | 21.3 loan 1.5 credit | Complete installation of water and sewer facilities in Belize City Industrial development through the DFC with GOB guarantee; Support of small grain storage projects near Belmopan and in the Southern districts |

TABLE 9 : Development Assistance:
AID and Other Donors (Cont'd)

| Donor Agency | Year | Commitments - US \$Million (Grant/Loan) | Focus/Purpose of Development Assistance Support |
|---------------------------------------|-------------|--|--|
| European Development Fund (EDF) | 1983 | 4.5 | Small farmer development |
| | | 0.5 low-interest 30 year credit | Establishment of a veterinary laboratory |
| | | 0.65 grant | Construction of an apron at Belize International Airport |
| | | 0.70 long-term loan | Secondary school construction |
| World Bank | 1984 | 0.81 loan | Establishment of a nationwide broad- casting network |
| | | 0.72 | Closed circuit educational television development |
| | | 1.0 (projected) | Construction of new BELCAST campus at Belmopan |
| IMF | 1983 | 5.3 (loan) | Road maintenance and rehabilitation |
| | | 2.7 | Technical assistance to develop program budgeting systems and advice on reorganization of Ministry of Finance |
| UNDP | 1982 - 1986 | 1.7 (projected) | Technical assistance (foreign advisors to several ministries, including energy analyst/petroleum geologist for the Ministry of Natural Resources) |
| | | 0.07 (grant) | Technical assistance |
| UNICEF | 1983 - 1987 | 0.07 (grant) | Social and community development services, village water supply, sanitation, pre- school, and childcare programs |
| | | 0.05 (grant) | |
| | | 0.65 (projected) | |

TABLE 9: Development Assistance:
AID and Other Donors (Cont'd)

| Donor Agency | Year | Commitments - US \$Million (Grant/Loan) | Focus/Purpose of Development Assistance Support |
|---|------|--|---|
| PRIVATE AND VOLUNTARY ORGANIZATIONS (PVOs) | 1983 | | <p>(CARE) - Rural education and Agriculture projects</p> <p>(PROJECT HOPE) - Upgrading lab facilities at hospitals</p> <p>(PROJECT CONCERN) - Training and development of basic rural health service delivery</p> <p>(PAN AMERICAN DEVELOPMENT FOUNDATION) - Credit support and technical assistance to macro enterprise creation and development</p> |

have also channeled U.S. funds. U.S. assistance to Belize has been provided by AID, Food for Peace-P.L. 480 (via PVOs), and since 1962, the Peace Corps. Projects have included infrastructure development, private sector and various human resource development projects.

The U.S. Government's first bilateral project, a Housing Investment Guaranty, was initiated in September, 1982. By March, 1983, Belize had received considerable Economic Support Funds--US\$10 million--for balance of payment support, creation of a rediscount credit fund and technical assistance services for the housing program. Additionally, AID contemplates committing US\$6.3 million in development assistance funds before the close of FY 83 for technical assistance for livestock production and rural access roads and bridges. AID is also committed to program development and support for Operational Program Grants (OPG) to support PVO activities.

As Table 9 indicates, other donors including the European Development Fund (EDF), the World Bank, various UN agencies and private voluntary organizations have also provided assistance to Belize. At present, the World Bank's primary focus is the improvement of roads and it is expected that the Bank will extend additional loans over the next several years. However, mindful of the need to maintain a balance among its member countries on a per capita basis, large scale Bank financing for a long term cannot be expected. UNDP's contributions have primarily taken the form of technical assistance advisors while UNICEF has sought to support and energize the provision of social and community development services. Currently, a number of U.S. PVOs provide assistance for development projects directly or through their counterpart agencies in Belize. It is expected that significant amounts of AID assistance in the future will be channeled via OPGs to PVOs in Belize.

Generally, coordination among donors is minimal. There are frequent meetings of donor representatives but to date cooperation on specific projects has been limited. Clearly, there is room for further coordination and cooperation on specific projects.

II. AID STRATEGY

A. Introduction

An AID development strategy for Belize must account for the needs of the country and the resources it has to offer as well as U.S. interests in Belize and the Central American and Caribbean regions of which it is a part. Despite the small size of Belize (both geographically and in terms of population) and the fact that its standard of living is relatively higher than many developing countries, the important U.S. interests and objectives at stake in Belize and the surrounding regions clearly justify a CDSS designed to support U.S. objectives in the country.

The strategy outlined below responds to the needs described and analyzed above in a targeted manner that will improve not only Belize's independent economic viability but also the quality of life of its people. By achieving such improvements the CDSS also will contribute substantially to the realization of U.S. interests in Belize and the Central American and Caribbean regions.

B. U.S. Interests and Objectives in Belize

1. U.S. interests

For some time the very important interests of the U.S. in the Caribbean have been highlighted by the Caribbean Basin Initiative proposed by the President and supported by the Congress. More recently, America's attention has been keenly focused on Central America as the U.S. Government has clarified and taken action in support of U.S. interests in that region. Central to U.S. interests in both regions have been maintenance of democratic principles as the modus operandi and speeding up the pace of economic and social development. A "Mashall Plan" has been suggested by some involved with the issues and needs of Central America as one way to deal effectively

with the region's economic needs. Now, a prestigious Presidential Commission is developing a long-term plan for the region that will include not only economic, but political and strategic considerations.

Belize should have an important place in these considerations because of its strategic position as a stable democratic "bridge" between the Caribbean and Central American regions. It has strong ties with the Caribbean, friendly relations with the U.S., and important links with Canada and Europe. At the same time, it is becoming more Hispanic in terms of language and people. Most importantly, it is poised on the edge of the foment in Central America, where it serves as an important counterpoint to the unstable political and economic situations of its neighbors. Given its strategic location vis-a-vis two regions of immense importance to the United States, it is critical to the realization of both Belizean and U.S. interests that the U.S. support Belize's efforts to develop a strong economy, to perpetuate a politically democratic society and to maintain strategic and political control throughout its territorial boundaries. This CDSS, which is designed to help Belize increase the pace of its social and economic development, comprises an important element of just such an overall program of U.S. support for Belize. Thus, it will assist in realizing U.S. interests in Belize, which include:

- o Continuance of a democratic independent government and society;
 - o Support for a politically stable and economically viable nation that can maintain its territorial integrity in a volatile region;
 - o Encouragement of better economic and other linkages between Belize and other countries in the Caribbean region as well as with other democratic nations in Europe, North America and Asia; and
 - o Strengthening of friendly ties between Belize and the U.S.
2. U.S. objectives

To ensure that these general policy interests are realized, the United States, in general seeks to attain several overall objectives in its ongoing relationship with Belize, namely to:

- o Assist Belize in achieving greater economic stability and growth;
- o Promote greater equity by helping to reduce poverty and improve the quality of life among the lowest income groups in Belize;
- o Assist Belize in expanding its economic ties with the U.S. and Mexico and with countries in the Caribbean, Asia, and Europe;
- o Encourage Belize to maintain a political stance that is positively oriented toward democratic values, institutions and traditions, and;
- o Enable Belize to discourage intervention or pressures by outside forces via retention of political and strategic control within its territorial boundaries.

These objectives flow out of the U.S. interests stated earlier. The emphasis on economic stability and growth is deliberate. The principal elements that could undermine U.S. interests in Belize are pressures or internal operations in Belize by outside forces and/or a deterioration in the economy that creates enough political difficulty to encourage destabilizing forces to become active in the country. The CDSS objectives and overall strategy have been developed to reduce these primary risks to the realization of U.S. interests in Belize.

C. CDSS Objectives

AID's development strategy for Belize derives from U.S. interests in the country and the region. It is very consistent with the overall objectives of both the Regional Strategy Statement and the Caribbean Basin Initiative (CBI). The seven priority objectives of the CDSS are as follows:

- o Stabilize the economy through balance-of-payments support and policy dialogue.
- o Increase export earnings through improved management and technical efficiency in export industries, increasing the value added to products exported and expanding the range of goods produced for export.
- o Substitute (and expand) local production for imports thereby increasing employment opportunities, saving foreign exchange and contributing to the stability of the economy.

- o Diversify the economy (particularly away from sugar) to achieve a broader base for growth, employment creation and improved stability.
- o Reduce poverty by improving productivity, expanding employment opportunities and improving the capacity of the labor force to respond to job opportunities.
- o Increase social development for productive purposes by improving access to jobs for women who are single-parent heads of household, encouraging family spacing, providing nutrition education, controlling malaria and strategically locating new housing where jobs are available.
- o Improve regional economic integration and cooperation through the promotion and support of more active Belizean participation in regional activities.

D. Country Development Strategy

1. Overview

This CDSS for Belize is designed to achieve the seven objectives stated above. Figure 1 shows how the elements of the overall strategy relate to the CDSS objectives and to general U.S. interests and objectives in Belize. It is expected that AID's four priority themes or cornerstones -- private sector development, policy dialogue, institutional development and technology transfer -- will play an important role in attaining the objectives of the proposed strategy. Table 10 indicates the ways in which these themes are integrated into the overall strategy.

It is important to note that support for strengthening both the private and public sectors in Belize is a critical element of this CDSS. Such efforts are not identified as specific objectives of the strategy, however, both because they are interwoven throughout several other prime objectives and because they serve primarily as a means to achieve other substantive objectives. Table 11 shows how the program elements of the CDSS -- private sector, public sector, rural development, etc. -- contribute to the CDSS objectives set out above. Essentially, the strategy described below emphasizes short-term economic stabilization together with longer-term economic development assistance to help Belize achieve more rapid economic growth and greater economic viability.

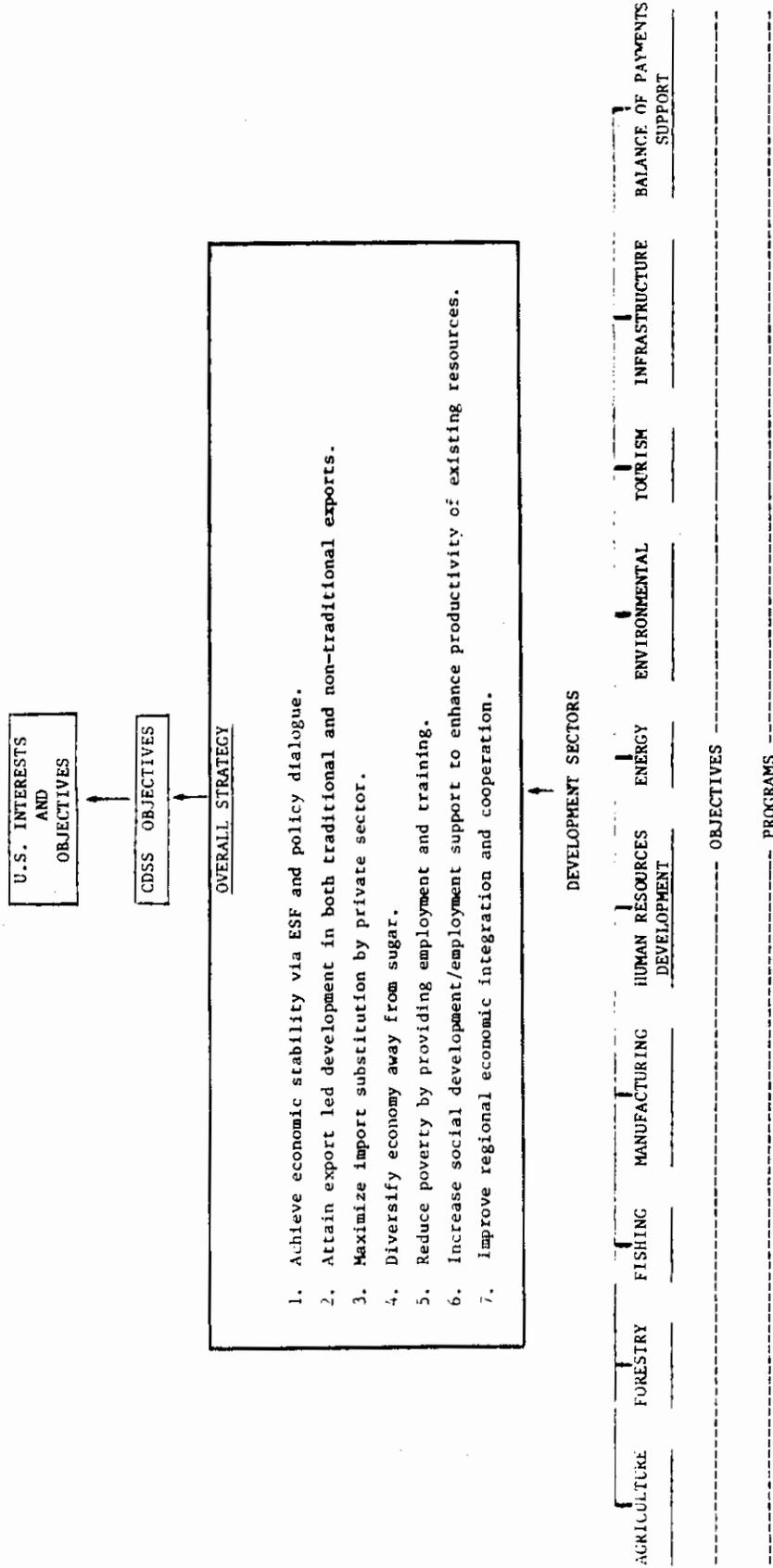


Figure 1: U.S. Interests and the Country Development Strategy For Belize

Table 10 CDSS Program Strategy and AID's Development Themes

| CDSS Program Elements | AID's Development Themes | | | | Technology Transfer | Additional Assistance Mechanisms |
|--|--------------------------|-----------------|----------------------|-------|---------------------|--|
| | Private Sector | Policy Dialogue | Institution Building | | | |
| <u>Economic Stabilization</u> ESF Policy dialogue | | ■ ■ | | | | PL480 PVO, PL480, Peace Corps (PCV) Participant Training Cooperatives |
| <u>Rural Development</u> Improved small farmer production Livestock Rural access roads Diversification away from sugar | ■ ■ ■ ■ | ■ ■ ■ ■ | ■ | ■ ■ ■ | | PL480, Participant training, PC PC PC |
| <u>Private Sector</u> Export development Private enterprise development support Training for employment | ■ ■ ■ | ■ ■ | ■ ■ | ■ ■ ■ | | Participant training PVO, PC |
| <u>Public Sector</u> Price Policy Planning investment unit Management development & training | | ■ ■ | ■ ■ ■ | | | Participant training Participant training Participant training |
| <u>Social Development/ Employment Support</u> Childcare Family spacing Nutrition education Housing Malaria | ■ | ■ ■ ■ ■ | ■ ■ ■ ■ | ■ ■ | | PVO, PC PVO, PC PVO, PC PVO, Coops PC |

Table 11: CDSS Program by Strategy Elements

CDSS Strategy Elements

| CDSS Program Elements | Achieve Economic Stabilization | Expand Exports | Substitute Local Products For Imports | Diversify Economy | Reduce Poverty | Increase Social Development/ Employment Support | Improve Regional Economic Integration |
|--|--------------------------------|------------------|---------------------------------------|-------------------|----------------|---|---------------------------------------|
| <u>Economic Stabilization</u> ESF Policy dialogue | ■ ■ | ■ | ■ | ■ | | | |
| <u>Rural Development</u> Improved small farmer production Livestock Rural access roads Diversification away from sugar | ■ | ■ ■ ■ ■ | ■ ■ ■ ■ | ■ ■ ■ ■ | ■ ■ ■ | | |
| <u>Private Sector</u> Export development Private enterprise development support Training for employment | | ■ ■ | ■ | ■ ■ | ■ ■ ■ | ■ | ■ ■ |
| <u>Public Sector</u> Price policy Planning/investment unit Management development and training | ■ | ■ ■ ■ | ■ ■ ■ | ■ ■ ■ | ■ ■ | ■ | ■ ■ |
| <u>Social Development/ Employment Support</u> Childcare Family spacing Nutrition education Malaria Housing | | | | | ■ ■ ■ | ■ ■ ■ ■ ■ | |

2. Achievement of short-run economic stability

The achievement of short-run economic stability in Belize is necessary to provide the basis for longer-run economic growth and both objectives are necessary if U.S. interests in Belize are to be realized fully. Belize faces current balance-of-payments (BoP) difficulties associated with its export shortfalls and deteriorating terms of trade, and these BoP problems are expected to continue for the next few years because of low world sugar prices and the slowness of world economic recovery. Special BoP problems also are troubling Belize. These are associated with sugar, bananas, declining British aid, and the nearly complete disappearance of Mexican transshipments and re-exports as a source of foreign exchange.

Belize is being assisted in this area by the IMF through its Compensatory Financing Facility. However, both the general and specific BoP problems faced by Belize will be specifically addressed by AID through Economic Support Fund (ESF) assistance and policy dialogue regarding macro-economic policies and performance.

Such assistance from AID or other sources is imperative to the realization of U.S. interests in Belize because without it the economy of Belize will become increasingly unstable and the necessary foundation for further economic progress will not be present. This ESF assistance also is fully consistent with the AID regional strategy statement.

3. Expand exports as the principal means of sound long-run economic growth

An increase in export earnings needs to be realized through improved management and technical efficiency in existing export industries, an increase in the value added to exports and an expansion of the range of goods produced for export. In agriculture, efforts should be made to increase both traditional and non-traditional exports. Traditional crops such as sugar should be sustained and efforts should be made to expand other traditional exports such as bananas, citrus, shrimp and sawn wood. The export of non-traditional commodities such as other fresh

fruits and vegetables, processed beef, and ornamental plants should also be increased. New non-agricultural exports should be identified and their potential developed. Examples include furniture, toys and electronic components. Efforts also should be made to expand the export of traditional products such as garments.

AID will assist in expanding exports through the development of programs in livestock, small farmer production, rural access roads, private sector export, private enterprise development, and public sector planning and management development.

4. Substitute local production for imports

Expanding production through import substitution has the triple benefit of reducing foreign exchange requirements, increasing employment opportunities, and promoting greater economic growth and stability. There is clearly room for the expansion of output and processing of numerous traditional products while identifying and developing the potential for non-traditional products such as vegetable oil, fruits and vegetables, poultry products, building materials and plastic goods.

AID can foster this expansion of import-substitution by implementing programs in rural development (rural access roads, vegetable oil production and processing, etc.), economic diversification, private enterprise development support, public sector planning and management development and training, and in training for employment.

5. Diversify economy away from primary commodities (especially sugar)

The diversification of the economy in general, and away from sugar in particular, will improve economic stability by reducing Belize's vulnerability to the price and demand swings of primary commodities and provide a broader base for economic growth and employment creation as well. The achievement of more import substitution and expanding exports of some traditional and numerous non-traditional crops and products in both agriculture and industry, is necessary to achieve such diversification.

AID's principal assistance in diversifying the economy will be a specific program to develop viable crop or crop/livestock options that move the rural sector and the economy away from the current degree of dependence on sugar. Programs in private sector export and development, public sector planning and management, and other aspects of rural development also will make important contributions to this component of the overall strategy.

AID's assistance will be directed toward developing crop/livestock production options that compete with or displace sugar production. Vegetable oil seeds, bananas, fresh or processed fruits and vegetables, pork production and processing and other possibilities will be explored and incentive and support systems created to encourage the best prospects to be pursued. Even if the sugar industry continues at its same level of output for a time, this diversification program is of central importance to the longer-term economic well-being of Belize.

Assistance will be given directly to commercial and industrial firms to help them identify and implement import substitution, economic diversification and new export activities. Technical assistance, for example, will be given to existing or new industries, or industry groups in the form of research and studies, training, brokering of joint ventures, market development, etc. Some of these activities would be labeled as follow-on efforts to the present PDAP project, but the program envisioned here is more extensive than the Belize portion of the present PDAP project.

In assisting the public sector, emphasis will be placed on two areas -- 1) Policy and planning, and 2) management development and training. In the policy and planning arena, AID will assist in improving the operations of the BMB (to enable it to act effectively in undertaking support price activities), in rationalizing price policies (including price controls) and in improving selected critical aspects of the

planning/investment process in the country. Some of this help will be via technical assistance, some via training, some through policy dialogue and donor coordination, and some through selected lending efforts.

Particular attention will be given to developing a program to strengthen public sector institutional capacity in selected areas via improved management capability, administrative systems development and training to remove specific constraints. Funding for such a program will be directly supportive of policy dialogue and donor coordination efforts aimed at improving public sector performance.

In addition to developing specific viable crop/livestock diversification options, priority attention in rural development will be given to areas supportive of diversification away from sugar. This will include development of rural access roads and perhaps selected assistance for energy, factory "skills", and port and shipping development necessary to agricultural and agro-industrial activities other than sugar. Efforts to expand small farmer output and productivity, including some diversification (e.g. in soybeans), also will support the overall diversification effort.

6. Reduce poverty by making better use of all the country's productive resources

The reduction of poverty will enhance Belize's economic growth and contribute to socio-political stability in the country. Such a reduction can be achieved in ways that enhance economic progress as follows: First, new employment opportunities should be created by developing urban sector manufacturing (assembly and the processing of local raw materials), establishing production sharing arrangements with off-shore manufacturers and increasing the production of traditional and new import substitution and export products.

Second, the employability of the un- and underemployed should be increased by providing training for specific skills (both formal and on-the-job training), and providing childcare for working parents.

Third, the net income realized by existing low-income entrepreneurs should be improved. This can be done by improving the productivity and output of existing enterprises and fostering the establishment of new enterprises that produce for import substitution or export. This also can be accomplished by expanding the output and productivity of existing small and subsistence farmers.

AID will assist with the reduction of poverty through a number of the programs already mentioned including the development of exports, private enterprise, livestock, small and subsistence farmer capability and infrastructure. Additionally, support for childcare centers for working parents, especially mothers in low-income areas, will enable more people to take jobs. Also, training for employment is essential. Such a program will provide technical skill training, pre-employment training in skills and job finding, and on-the-job training via technical assistance, subsidies and tax breaks. Finally, creation of a larger inexpensive housing stock will assist in alleviating poverty among some low-income workers.

7. Increase social development/employment support to enhance the productivity and well-being of existing human resources

The provision of social development/employment support programs are required to improve the productivity of existing human resources, especially those that are now underutilized. The establishment of childcare centers will enable more single parents, especially mothers, to work. The provision of nutrition education via child care, rural health care and other centers (together with expanded income from greater employment) should help to decrease the incidence of malnutrition, enhance personal well-being and enable workers and their families to perform productive tasks more effectively. Support of family spacing education efforts will contribute in the long-run to reducing the heavy child dependency ratio that now draws heavily upon Belize's public and private resource base and to improving health and quality of life of mothers and their children. Assistance in halting the spread of malaria also will improve worker productivity and the general well-being of the Belizean population.

Likewise, additional AID assistance in the area of housing is needed to help attract laborers to areas where they are needed but housing is not available (e.g., the banana growing area) and to improve the quality of life of Belize's poor.

AID will assist with the establishment of these programs: childcare centers, nutrition education, family spacing, malaria control and housing development. Given the sensitive nature of some of these issues, care will be taken in developing them. Indigenous and U.S. private and voluntary organizations (PVOs) and Peace Corps volunteers would be effective and appropriate sources of assistance in carrying out most of these programs.

8. Improve regional economic integration and cooperation

Improving economic integration and cooperation between Belize and other countries in the Central American and Caribbean regions is an important means for achieving better markets, infrastructure (policies, shipping, etc.) and services, for identifying opportunities for Belize to expand its exports, and for ensuring friendly productive relations between Belize and its neighboring countries. Specifically, these goals can be attained in at least three ways:

- o Assist in developing regional economic policies that benefit Belize and promote its interests in CARICOM and elsewhere.
- o Prepare for and attend regional policy sessions and conferences on a regular basis.
- o Identify Belize's opportunities to benefit from regional linkages and develop those areas offering the most potential.

AID will assist this process of improving regional integration through its private sector programs in support of export and private enterprise development. Also, AID's efforts to assist the public sector through planning/investment and management development and training programs will contribute to better preparing Belizeans for participation in regional activities via studies and training programs. Some of AID's management development assistance could be directed toward improving

Belizean capability to work more productively to realize its own interests in a regional context.

E. Sectoral Strategies

The above overall strategy seeks to develop a strong viable economy in Belize that will enable it to maintain its political stability and provide a better quality of life for its people. While the primary focus of AID's activity will initially be in rural development, it is clear that activities will need to be undertaken in other sectors as well in order to attain the desired CDSS objectives.

The current situation in each of the sectors included in this CDSS and the major constraints impeding the development of each sector have been analyzed in Chapter I.

Table 12 sets out AID's principal strategic response in each of these sectors and shows the proposed CDSS program components which will provide each of these sectoral responses. These strategic sectoral responses are designed both to (1) reduce the constraints limiting the contribution of the sector to CDSS objectives, and (2) be directly supportive of sectoral activities that help achieve CDSS objectives. It is, of course, not possible for AID programs alone to address all the constraints in any given sector. That is not necessary, however, because a number of other donors are also addressing Belize's needs through their programs.

Table 13 shows the desired contribution of each sector to the CDSS objectives, the constraints that limit the potential contributions of each sector and all of AID's proposed strategic responses to remove the constraints and to enhance sectoral growth so as to achieve the CDSS objectives.

F. Special Concerns

Traditionally, AID seeks to utilize and coordinate the resources of a variety of legislative and institutional means to implement development assistance programs. Those available include, but are not limited to, PL480, Operational Program Grants

Table 12: AID's Sectoral Strategy Responses by Program

| PROGRAM | HUMAN | | | | | | | INFRASTRUCTURE CONSTRUCTION | BALANCE OF PAYMENT SUPPORT |
|--|--|---------------------------------------|-----------|--|-------------|--------|--|--------------------------------|---|
| | AGRICULTURE | FORESTRY | FISHERIES | MANUFACTURING | DEVELOPMENT | ENERGY | ENVIRONMENT | | |
| <u>ECON. STABILITY</u> | | | | | | | | | |
| Economic Support Fund (ESF) Policy Dialogue | | | | | | | | | <ul style="list-style-type: none"> o Ensure adequate foreign exchange for essential imports o Ensure adequate macro-economic policies |
| <u>RURAL DEV.</u> | | | | | | | | | |
| Improved Small Farmer Production | o Increase output small commercial and subsistence farmer | | | | | | | | |
| Livestock | o Increase output live-stock prod. for domestic consumption and export | | | o Increased mfr. meat and dairy products | | | | | |
| Rural access roads | o Increase accessibility to markets and inputs | o Increase access to forest resources | | o Increase employment | | | o In support of Agric., carry out construction low volume rural access roads | | o Ensure better balance of export earnings |
| Diversify away from sugar | o Achieve a better balanced agric. | | | | | | | | |

PRIVATE SECTOR

| | | | | | |
|--------------------|-------------------------------------|--|----------------------------|---|-----------------------|
| Export Development | o Increase trad./non-trad. products | o Achieve high quality kiln-dried lumber | o Increase maritime output | o Increase exports trad./non-trad. products (toys, electronics, etc.) | o Increase employment |
| | | o Determine feasibility deep sea fishing | | | |

Table 12. AID's Sectoral Strategy Responses by Program (continued)

| PROGRAM | AGRICULTURE | FORESTRY | FISHERIES | MANUFACTURING | HUMAN RESOURCES DEVELOPMENT | ENERGY | ENVIRONMENT | TOURISM | INFRASTRUCTURE CONSTRUCTION | BALANCE OF PAYMENT SUPPORT |
|--------------------------------|--|---|-----------|--|-----------------------------------|--------|--|---------------------------|---|----------------------------|
| Priv. Enterprise Dev. Support | o Increase output products for import substitution | o Increase efficiency sawmill industry and expand wood products output for domestic market and export | | o Increase output for import substitution (oils, dairy products, feed) | o Increase employment | | | o Increase occupancy rate | o Increase production low cost building materials | |
| Training for employment | | | | | o Provide training for employment | | | | | |
| PUBLIC SECTOR | | | | | | | | | | |
| Price Policy | o Rationalize price structure | | | o Ensure appropriate price policy | | | | | | |
| Planning/ investment unit | o Develop approp. policies and resources available for desired direction and pace of development | | | | | | o Increase policy dialogue for implementation: creation broad-results energy vironment grid assessment. | | | |
| Management Devel. and Training | o Increase institutional capacity government agencies to plan, manage, and administer programs | | | | | | o Assess Management need and training management to implement environment support assessment utilize Electricity Board | | | |

Table 12: AID's Sectoral Strategy Responses by Program (continued)

| PROGRAM | AGRICULTURE | FORESTRY | FISHERIES | MANUFACTUR- ING | HUMAN RESOURCES DEVELOPMENT | ENERGY | ENVIRONMENT | TOURISM | INFRASTRUCTURE CONSTRUCTION | BALANCE OF PAYMENT SUPPORT |
|--|-------------|----------|-----------|--|-------------------------------------|--------|-------------|---------|---|-------------------------------|
| <u>SOCIAL DEVEL./ EMPLOYMENT SUPPORT</u> | | | | | | | | | | |
| Childcare | | | | | o Establish childcare centers | | | | | |
| Family spacing | | | | | o Promote family spacing | | | | | |
| Nutrition Educa- tion | | | | | o Provide nutrition education | | | | | |
| Housing | | | | o Promote manufacture of building materials | | | | | o Establish low- income housing where new jobs are located | |
| Malaria | | | | | o Reduce incidence of malaria | | | | | |

* Entry in column for Agriculture sector applies to all sectors except Balance of Payments Support.

Table 13 Constraints to Potential Contributions and AID's Strategic Responses by Sector

| Sector | Sector Contributes to CDES Objective of: | Constraints Limiting Sector Contribution to CDES Objectives | AID's Strategic Responses to Eliminate Constraints and Enhance Sectoral Contribution to Achievement of CDES Objectives* |
|-------------|---|---|--|
| Agriculture | Economic Stabilization | o Inadequate strategic planning. | o Develop more coherent indicative planning capacity mechanisms and resources directed to central agricultural concerns |
| | Export Expansion | | |
| | Import Substitution | o Inadequate policy framework for attaining desired development objectives | o Strengthen policy development capacity in key GOB institutions |
| | Diversification of Economy | | |
| | Reduction of Poverty | o Inadequate training and/or experience for planners and managers | o Provide necessary planning and management development and training |
| | | o Weak marketing systems and capability: --Limited capacity to analyze and operate in domestic and export markets --High transport costs for exports, e.g. bananas --Roads | o Enhance capacity of private sector to operate successfully in export and domestic markets and public sector capacity to support such efforts; develop rural access roads |
| | | o Excessive reliance on sugar | o Identify and implement crop/livestock options which substitute for sugar production and achieve a better-balanced agricultural economy |
| | | o Inadequate plant facilities --Equipment at old sugar mill costly to operate --Limited capacity for citrus --No capacity for processing edible oils | o Provide capacity for analysis of needs and implementation of projects to rehabilitate or expand, as appropriate |
| | | o Inappropriate producer price incentives lead to inefficient management and production practices for citrus, cattle, and others | o Ensure appropriate price policy and rationalize price structure |
| | | o Limited research/extension systems: --Inadequate understanding of major farming systems, and/or adaptive research for developing technological packages --Lack of technical knowledge on part of many small producers of cash crops | o Increase institutional capacity to plan, manage, and administer research/extension systems |
| Forestry | Export Expansion | o Poor access to high-value forest resource areas | o Increase access to forest resources through rural access roads |
| | Import Substitution | | |
| | Diversification of Economy | o Limited forest management/regeneration/replanting | o Develop appropriate plans and policies; provide forest management training. |
| | Reduction of Poverty | o No kiln drying facilities | o Achieve high-quality kiln-dried lumber: --Credit --Technical assistance |
| | o Few trained carpenter/craftsmen | o Provide training for carpenters and craftsmen | |
| | o Outdated sawmill equipment | o Increase efficiency of sawmill industry via credit and technical assistance | |
| Fisheries | Export Expansion | o Lack of capital for deep-sea fishing and mariculture ventures | o Determine feasibility of developing deep-sea fishing, or mariculture operations, defining economic, social, and ecological costs and benefits; provide capital through DFC and Rediscount Fund |
| | Diversification of Economy | o Delicate ecological balance to maintain | |
| | Reduction of Poverty | | |
| | | o Absence of needed technology for deep-sea fishing, mariculture, and processing | o Increase output through promotion of joint ventures |
| | o Shortage of public and private sector management and technical capacity | o Improve private and public sector capacity to manage and monitor programs | |

Table 13 Constraints to Potential Contributions and AID's Strategic Responses by Sector (continued)

| Sector | Sector Contributes to CDS Objectives of: | Constraints Limiting Sector Contribution to CDS Objectives | AID's Strategic Responses to Eliminate Constraints and Enhance Sectoral Contribution to Achievement of CDS Objectives* |
|-----------------|---|--|---|
| Manufacturing | Export Expansion | o Lack of sufficient and reliable raw material supplies and locally available inputs | o Assist in establishing more appropriate price policies; increase agricultural output; establish rural access roads |
| | Import Substitution | | |
| | Diversification of Economy | o Inadequate supply of skilled labor and low labor productivity | o Train for employment; improve management capability in the private and public sectors |
| | Reduction of Poverty | o Lack of adequate local managerial and entrepreneurial capacity | o Train for management; development of linkages between Belizean entrepreneurs and potential investors |
| | | o Inability to assess and prepare projects adequately for obtaining commercial financing | o Provide additional capacity for strategy formulations; provide technical assistance for feasibility studies for private and public sector projects |
| | | o Lack of information about technologies appropriate to conditions in Belize | o Provide development support for identifying and utilizing technologies appropriate to production conditions in Belize |
| | | o Inadequate infrastructure and resulting higher costs of production | o Develop rural access roads; policy discussions |
| | | o Inadequate public and private sector institutional support | o Technical assistance and credit |
| | | o Inadequate knowledge about and access to export markets | o Development of joint venture linkages between Belizean entrepreneurs and potential investors |
| | | o Inadequate quality control for export market o Inadequate data base on manufacturing activities and costs | o Increase public sector institutional capacity for planning, management, and administration of manufacturing of development programs through long-, short-term, and on-the-job training. |
| Human Resources | Reduction of Poverty | o Limited vocational training opportunities | o Provide vocational training |
| | Increased Social Development/ Employment Support | o Limited water and sewage infrastructure | o Provide systems that encourage adequate water and sewage disposal |
| | Export Expansion | | |
| | Import Substitution | o Limited knowledge of preventive health and basic nutrition practices among most of population | o Provide nutrition education; promote use of locally available fresh foods |
| | Diversification of Economy | o Inadequate maintenance of health infrastructure | o Encourage management development of health systems--drug inventories, equipment, and vehicles |
| | | o Limited employment opportunities | o Increase employment through: --Public works, including rural access roads --Private enterprise development |
| | | o Large one-parent families; crowded household living conditions | o Establish child-care centers for working parents; promote family spacing; housing |
| | o Malaria | o Provide resources to control malaria, in cooperation with PAHO | |
| Energy | Export Expansion | o Dependency on oil imports | o Increase policy dialogue regarding: --Creation of a broader energy grid --Optimum source of electricity for medium-term future --Policy reforms --Price adjustments --Management improvements --Institutional improvements --Investments necessary |
| | Import Substitution | o Lack of a well-developed energy strategy | |
| | Diversification of Economy | o Lack of capital for developing adequate electrical network | |
| | | o Little trained management capacity | o Assess need for management support for the Belize Electricity Board (BEB) |

Table 13. Constraints to Potential Contributions and AID's Strategic Responses by Sector (continued)

| <u>Sector</u> | <u>Sector Contributes to CDSS Objectives of:</u> | <u>Constraints Limiting Sector Contribution to CDSS Objectives</u> | <u>AID's Strategic Responses to Eliminate Constraints and Enhance Sectoral Contribution to Achievement of CDSS Objectives*</u> |
|---------------------------------|---|---|--|
| Environment | (Helps maintain resource base upon which attainment of other objectives depends.) | <ul style="list-style-type: none"> o Inadequate resource management, planning, and regulation capability o Increased pressure on the most accessible resources: <ul style="list-style-type: none"> --Forests and land near roads --Clean water in Belize City --Fishing within the barrier reef | <ul style="list-style-type: none"> o Management and training to implement an environmental assessment o Policy dialogue for implementation of the results of an environmental assessment |
| Tourism | Diversification of Economy | <ul style="list-style-type: none"> o Relatively small group to which Belize's attractions appeal | <ul style="list-style-type: none"> o Support of intensified promotion campaign abroad and within Belize |
| | Reduction of Poverty | <ul style="list-style-type: none"> o Tourism "attitude"--minimal willingness or desire to "enter to" tourists o Weak infrastructure: <ul style="list-style-type: none"> --Electricity --Water supply --Waste disposal --Service facilities --Transportation | <ul style="list-style-type: none"> o Support of promotion campaign within Belize |
| Infrastructure/ Construction | Export Expansion | <ul style="list-style-type: none"> o Limited road network | <ul style="list-style-type: none"> o Develop rural access roads |
| | Import Substitution | <ul style="list-style-type: none"> o Incomplete energy network | <ul style="list-style-type: none"> o Policy discussions on energy |
| | Diversification of Economy | <ul style="list-style-type: none"> o Limited port facilities o Inadequate waste disposal o Potable water | <ul style="list-style-type: none"> o Discussions with other donors o Provide technical assistance |
| Balance of Payment Support | Economic Stabilization | <ul style="list-style-type: none"> o Structure of economy: heavy dependence on sugar and small size of economy | <ul style="list-style-type: none"> o Diversify economy; create new export opportunities and provide ESF as needed |
| | Export Expansion | | |
| | Import Substitution | | |
| | Diversification of Economy | | |

* Strategic responses have been linked only with the principal constraints they address. Clearly, responses may be linked with more than one constraint and vice-versa.

(OPG) for PVO's, Peace Corps, Housing Investment Guaranty and Participant Training Programs.

The assistance program in Belize offers several opportunities for utilizing these mechanisms to carry out AID's programs. The Peace Corps and the Mission, for example, cooperate fully and the Peace Corps has substantial capacity to assist in accomplishing Mission objectives. Table 9 indicates which of these additional assistance mechanisms might be utilized for the implementation of specific programs.

Additionally, there is good potential for utilizing indigenous PVO's in Belize. There are several such as the Belize Christian Council, the YMCA and others that have effective human resource development programs in urban and rural areas. These currently focus on job creation and training, health, nutrition and education program. These indigenous PVO's could become strong partners in implementing AID's program.

III. ASSISTANCE PLANNING LEVELS

A. Optional Levels of Program Support

Three different "options" are presented for support of development in Belize over the period covered by this CDSS. In order adequately to address the set of issues and constraints significantly inhibiting progress toward stability and renewed growth in Belize it is essential to provide assistance at the "high" option level. In the discussions of optional levels which follow the full range of assistance instruments are considered as means of dealing with the developments needs of Belize. This includes: Economic Support Funds (ESF); Development Assistance (DA); and PL 480.

1. The "high" option

Only at a level of \$75 million of total U.S. assistance for Belize in FY 1985-90 (\$38.5 million in development assistance, \$7.0 million in PL 480 and \$29.5 million in ESF) can our support fully address the range of strategic needs identified. The serious financial, employment, and balance of payments difficulties faced by Belize (see Table 14) call for this extraordinary effort. The \$31.0 million level of ESF funding (including \$1.5 million to support the policy dialogue) is essential to help the nation gain time to achieve stability and a major restructuring. It will enable Belize to withstand the strain while urgently needed changes are being accomplished. These include a substantial diversification of the economy away from its present over-dependence on sugar, strengthening of other traditional export industries, and the introduction of new lines of agricultural and industrial production for export and for import substitution. Institutional changes and policy improvements are also essential and they too will take time to accomplish. The policy dialogue can only be fully effective if some ESF resources are available to support it.

The DA funding at the "high" option level of \$37.0 million over the six-year period will help build private enterprise management and technical capacity and supportive private and public institutions able to formulate the more rational policies needed and administer effective programs. In a new atmosphere of effective public/private collaboration with the necessary human resources available, Belize should be able to resume diversified and equitable growth. This level of DA funding will also enable significant support to programs to improve health, child and family well-being and low-income housing. This would serve the mutual and strategic interests of both the U.S. and Belize.

One further element of support for the restructuring and strengthening of Belize during this period is PL 480 for a temporary supply of soybeans during a period of expansion of local production. This assistance is programmed at \$7.0 million under the "high" option spread over the years FY 1985-89. Individuals in the private sector are well along in their plans to build a soybean oil extraction plant. The soybeans would supply the factory with raw material until enough local soybean production was available to support the plant. Once established, the factory would provide an assured market for locally produced soybeans as farmers gained experience and undertook to produce a commercial-scale crop. As this occurred the soybean supply under PL 480 would be diminished and ultimately phased out entirely.

2. The "medium" option

If the availability of program resources did not permit the U.S. to provide support at the "high" option level a less satisfactory "medium" option with a total program at \$55 million might be selected. This option would give the U.S. some capacity and flexibility to deal with Belize in a way that would at least partially address the more critical problems. It would demonstrate to other donors only in a limited way that we expect the western donor community to make a serious

effort in dealing with the problems faced by Belize. Our policy dialogue could not be expected to have the same impact as with the "high" option in obtaining more realistic policies toward the private sector to be as effective in supporting the needed diversification, development, and growth of the economy or in relieving poverty. The level of EDF proposed under this "medium" option is \$20 million, for DA funding \$33 million and for PL 480 \$2 million. Table 15 sets forth the programs and levels of support which could be provided under the "medium" option.

3. The "low" option

If funds were extremely scarce and it became necessary to maintain only a "presence" in Belize, then a program at the "low" option level might be considered. It would indicate a minimum degree of interest and sustain a limited presence only in Belize. It would allow for only a modest effort to solve the problems identified in the foregoing analysis. Development Assistance at \$27 million level of ESF funding at \$6 million, and PL 480 at \$2 million for a total program of \$35 million for FY 85-90 is outlined in Table 16 constitutes the "low" option level.

B. Mission Staffing

As noted at several points in the earlier analysis and strategy sections, the Mission intends to utilize a wide variety of resources to carry out its programs including PVOs, collaborative action with the Peace Corps, outside contractors, and AID/W support personnel. However, the scope of the strategy and the programming needed to implement it during the CDSS period will clearly require more direct-hire staff (DHS) in the Mission. At a minimum, three additional persons are needed for the fiscal 84-90 period, for a total DHS complement of five (including the AID Representative and the agricultural division officer positions presently authorized).

Table 14: Proposed Funding Levels, FY 85 - FY 90
(million dollars)

| CDSS Program Elements | "High" Option | | | | | TOTAL |
|--|---------------|-------|-------|-------|-------|-------|
| | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 | |
| Economic Stabilization | | | | | | |
| ESF | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 4.50 |
| Policy dialogue | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Rural Development | | | | | | |
| Improved small farmer production | 0.75 | 0.75 | 0.75 | 0.75 | 1.50 | 1.50 |
| Livestock | 1.00 | 1.00 | 1.00 | 1.00 | - | - |
| Rural access roads | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Diversification away from sugar | - | 0.50 | 0.50 | 0.50 | 0.50 | - |
| Private Sector | | | | | | |
| Export development | - | 0.50 | 0.50 | 0.50 | 1.00 | 1.00 |
| Private enterprise development support | - | 0.50 | 0.50 | 0.50 | 1.00 | 1.00 |
| Training for employment | - | - | 0.25 | 0.25 | - | - |
| Public Sector | | | | | | |
| Price policy | - | 0.25 | 0.25 | 0.25 | - | - |
| Planning/Investment unit | - | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Management development and training | - | 0.50 | 0.50 | 0.50 | 0.50 | 0.10 |
| Social Development/Employment Support | | | | | | |
| Childcare | - | 0.25 | 0.25 | - | - | - |
| Family spacing | - | - | 0.15 | 0.25 | 0.25 | 0.25 |
| Nutrition education | - | - | 0.20 | 0.20 | - | - |
| Malaria | 0.50 | 0.50 | - | - | - | - |
| Housing | - | - | - | 1.00 | 1.00 | 1.00 |
| | | | | | | 3.00 |
| Subtotal | 8.50 | 11.25 | 11.45 | 12.20 | 12.25 | 10.85 |
| PD & S | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Subtotal | 8.75 | 11.50 | 11.70 | 12.45 | 12.50 | 11.10 |
| PL480 (Soybeans) | 2.00 | 2.00 | 1.50 | 1.00 | 0.50 | - |
| TOTAL | 10.75 | 13.50 | 13.20 | 13.45 | 13.00 | 11.10 |
| | | | | | | 75.00 |

Table 15: Proposed Funding Levels, FY 85 - FY 90
(million dollars)

| CDSS Program Elements | "Medium" Option | | | | | TOTAL |
|--|-----------------|-------|-------|-------|-------|-------|
| | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 | |
| Economic Stabilization | | | | | | |
| ESF | 5.00 | 4.00 | 4.00 | 3.00 | 2.00 | 2.00 |
| Policy dialogue | - | - | - | - | - | - |
| Rural Development | | | | | | |
| Improved small farmer production | 0.70 | 1.30 | 0.75 | 0.75 | 1.50 | 1.35 |
| Livestock | - | - | - | - | - | - |
| Rural access roads | 2.00 | 2.00 | 2.00 | 2.00 | - | - |
| Diversification away from sugar | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 |
| Private Sector | | | | | | |
| Export development | - | 0.25 | 0.25 | 0.25 | - | - |
| Private enterprise development support | - | 0.50 | 0.50 | 0.50 | 1.00 | 1.00 |
| Training for employment | - | - | 0.25 | 0.25 | - | - |
| Public Sector | | | | | | |
| Price policy | - | 0.25 | 0.25 | 0.25 | - | - |
| Planning/Investment unit | - | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Management development and training | - | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Social Development/Employment Support | | | | | | |
| Childcare | - | 0.25 | 0.25 | - | - | - |
| Family spacing | - | - | - | 0.25 | 0.25 | - |
| Nutrition education | - | - | 0.20 | 0.20 | - | - |
| Malaria | 0.50 | 0.50 | - | - | - | - |
| Housing | - | - | - | 1.00 | 1.00 | 1.00 |
| Subtotal | 8.45 | 10.05 | 9.70 | 9.70 | 7.00 | 6.60 |
| PD & S | | | | | | |
| | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Subtotal | 8.70 | 10.30 | 9.95 | 9.95 | 7.25 | 6.85 |
| PL480 (Soybeans) | | | | | | |
| | - | 1.00 | 0.60 | 0.40 | - | - |
| TOTAL | 8.70 | 11.30 | 10.55 | 10.35 | 7.25 | 6.85 |

Table 16: Proposed Funding Levels, FY 85 - FY 90
(million dollars)

| CDSS Program Elements | "Low" Option | | | | | TOTAL | |
|--|--------------|-------|-------|-------|-------|-------|-------|
| | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 | | FY 90 |
| Economic Stabilization | 2.00 | 1.00 | 1.00 | 1.00 | 1.00 | - | 6.00 |
| ESF | - | - | - | - | - | - | - |
| Policy dialogue | - | - | - | - | - | - | - |
| Rural Development | 0.75 | 0.75 | 0.75 | 0.75 | 1.50 | 1.50 | 6.00 |
| Improved small farmer production | - | - | - | - | - | - | - |
| Livestock | 1.00 | 1.00 | 1.00 | 1.00 | - | - | 4.00 |
| Rural access roads | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | - | 2.00 |
| Diversification away from sugar | - | - | - | - | - | - | - |
| Private Sector | - | 0.25 | 0.25 | 0.25 | 0.50 | 0.25 | 1.50 |
| Export development | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 3.00 |
| Private enterprise development support | - | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 2.00 |
| Training for employment | - | - | - | - | - | - | - |
| Public Sector | - | 0.25 | 0.25 | 0.25 | - | - | 0.75 |
| Price policy | - | - | - | - | 0.25 | 0.25 | 0.50 |
| Planning/Investment unit | - | - | 0.25 | 0.25 | 0.25 | 0.25 | 1.00 |
| Management development and training | - | - | - | - | - | - | - |
| Social Development/Employment Support | 0.25 | 0.25 | 0.25 | 0.15 | 0.15 | 0.10 | 1.15 |
| Childcare | - | - | - | 0.25 | 0.25 | - | 0.50 |
| Family spacing | - | - | - | 0.20 | 0.20 | 0.10 | 0.50 |
| Nutrition education | 0.50 | 0.50 | - | - | - | - | 1.00 |
| Malaria | - | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 2.50 |
| Housing | - | - | - | - | - | - | - |
| Subtotal | 5.25 | 5.50 | 5.50 | 6.10 | 6.10 | 3.95 | 32.40 |
| PD & S | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.60 |
| Subtotal | 5.35 | 5.60 | 5.60 | 6.20 | 6.20 | 4.05 | 33.00 |
| PL480 (Soybeans) | - | 1.00 | 0.60 | 0.40 | - | - | 2.00 |
| TOTAL | 5.35 | 6.60 | 6.20 | 6.60 | 6.20 | 4.05 | 35.00 |

ANNEX 1

Social Analysis - The Poor in Belize

ANNEX 1

Social Analysis - The Poor in Belize

Poverty in Belize cannot be easily or neatly ascribed to one area of the country or to any particular ethnic group. Standard measures such as per capita GNP or the Physical Quality of Life Index (PQLI) do not capture the diversity or real magnitude of poverty. Yet poverty is widespread and the poor are not invisible. They have "names" and include among others, the Mayan subsistence farmer in Toledo, the unemployed in Belize City, the Garifuna and Creole citrus or banana worker in Stann Creek. Because of their diverse situation, and their varying abilities to respond to interventions, the poor need to be more discreetly identified and described and the beneficiaries of development assistance carefully targeted.

1. The cultural context

a. Brief historical sketch

Belize's history has been characterized by numerous waves of immigrants and is reflected in the diverse character of its present population. While poverty and ethnicity are not directly linked, the varied cultural contexts in Belize do impact on the socio-economic situation and present both constraints and opportunities for development. Consideration of the cultural context is critical to the success of any development strategy. Table A-1 indicates the geographic distribution of major ethnic groups and some of the socio-economic characteristics of the districts in which they live.

Mayan Indians had lived in what is now Belize for several thousand years when the first British settlements were begun in the seventeenth and eighteenth centuries. The British used Belize primarily as a source of timber. They brought in labor as

Table A-1 : Socio-economic Profile of Belize
1980 Census Figures

| District | Population ¹ | Percent of Total Population | Percent Increase Since 1970 ¹ | Number of Households | Average Size of Household | Percent of Households Having | | Percent of Households Which Are Rural | Primary Ethnic Groups (Percent of Total in District) ¹ | Average Annual Household Expenditure (US\$) ² | Primary Economic Activity ³ |
|----------------------|-------------------------|-----------------------------|--|----------------------|---------------------------|------------------------------|--------------------|--|---|--|--|
| | | | | | | Farms ² | Farms ² | | | | |
| BELIZE DISTRICT | 50,801 | 35.0 | 2.9 | 10,659 | 4.8 | 13 | 21 | | | 4,526 | Fishing, corn, various subsistence crops, tourism, light manufacturing |
| Belize City | 39,771 | 27.4 | 1.8 | 8,437 | 4.7 | 4 | | Creole (76) Mestizo (12) | | 4,794 | |
| Belize Rural | 11,030 | 7.6 | 7.0 | 2,222 | 4.9 | 47 | | Creole (72) Mestizo (16) | | 3,509 | |
| COROZAL DISTRICT | 22,902 | 15.7 | 47.3 | 4,056 | 5.6 | 57 | 67 | | | 5,835 | Sugar, various subsistence crops |
| Corozal Town | 6,899 | 4.7 | 47.4 | 1,322 | 5.2 | | | Mestizo (59) Creole (31) | | | |
| Corozal Rural | 16,003 | 11.0 | 47.2 | 2,734 | 5.9 | | | Mestizo (58) Creole (11) Yucatec Maya (20) | | | |
| ORANGE WALK DISTRICT | 22,870 | 15.7 | 34.2 | 4,003 | 5.7 | 61 | 63 | | | 4,505 | Sugar (production and processing), corn, beans, cattle |
| Orange Walk Town | 8,439 | 5.8 | 52.4 | 1,485 | 5.7 | | | Mestizo (69) Creole (20) | | | |
| Orange Walk Rural | 14,431 | 9.9 | 25.5 | 2,518 | 5.7 | | | Mestizo (62) Mennonite (21) | | | |
| CAYO DISTRICT | 22,837 | 15.7 | 43.0 | 4,196 | 5.2 | 36 | 63 | | | 4,332 | Corn, beans, cattle, sawmills |
| San Ignacio | 5,616 | 3.9 | 29.8 | 982 | 5.7 | | | Mestizo (59) Creole (28) | | | |
| Belmopan | 2,935 | 2.0 | 971.2 | 669 | 4.3 | | | Creole (57) Mestizo (22) Garifuna (9) | | | |
| Cayo Rural | 14,286 | 9.8 | 25.6 | 2,545 | 5.6 | | | Mestizo (51) Creole (27) White (12) | | | |
| STANN CREEK DISTRICT | 14,181 | 9.8 | 8.9 | 2,934 | 4.8 | 28 | 53 | | | 3,137 | Citrus (production and processing), bananas, fishing |
| Dangriga Town | 6,661 | 4.6 | -4.4 | 1,371 | 4.9 | | | Garifuna (70) Creole (22) | | | |
| Stann Creek Rural | 7,520 | 5.2 | 24.2 | 1,563 | 4.8 | | | Creole (43) Garifuna (24) Mestizo (18) | | | |
| TOLEDO DISTRICT | 11,762 | 8.1 | 30.8 | 2,289 | 5.0 | 73 | 78 | | | 2,669 | Corn, beans, rice, fishing |
| Punta Gorda Town | 2,396 | 1.6 | 12.4 | 509 | 4.7 | | | Garifuna (48) Creole (23) Mestizo (9) | | | |
| Toledo Rural | 9,366 | 6.4 | 36.6 | 1,780 | 5.3 | | | Kekchi Maya (39) Mopan Maya (31) East Indian (10) Creole (9) | | | |
| NATIONAL | 145,353 | 100.0 | 21.2 | 28,137 | 5.2 | 36 | 48 | Creole (40) Mestizo (33) Maya (10) Garifuna (8) | | 4,387 | |
| Urban | 72,717 | 50.0 | 15.5 | 14,775 | | 13 | | | | 4,511 | |
| Rural | 72,636 | 50.0 | 27.5 | 13,362 | | 64 | | | | 4,241 | |

Sources: ¹Belize Central Planning Unit Statistical Office, 1980 Population Census Summary Tables, Bulletins 1 and 3.
²E.H. Fairclough in conjunction with Central Planning Unit, The Belize Household Expenditure Survey, 1980.
³Belize Ministry of Natural Resources, Annual Report and a Summary of Statistics, 1981.

slaves, the descendants of whom now form the largest ethnic group in Belize -- the Creoles. During the nineteenth century several other groups settled in Belize. The Garifuna, or Black Caribs, who came originally from St. Vincent, entered southern Belize and in large numbers via Honduras in the first half of the nineteenth century.

The Hispanic (Mestizo) population came to Belize from the Yucatan in the mid-1800s. During the latter half of the century, East Indians were brought in to work on sugar plantations which had been established in southern Belize and, in the last decade of the century, more Mayan Indians began entering Belize from Guatemala.

In the past twenty-five years, Belize has experienced further immigration with the establishment of the Mennonites in Orange Walk District and the settling of refugees and others from El Salvador, Honduras, and Guatemala in both urban and rural Belize. Since 1982, a proposal has been considered to resettle 800 Haitians in the southern part of the Toledo District.

b. Major ethnic groups and their characteristics

There are four major ethnic groups in Belize -- Creole, Mestizo, Maya, and Garifuna. Additionally, there is the "white" population, approximately half of whom are Mennonites who make up a fifth of the population of rural Orange Walk District. Numerous other groups make up the remaining six percent of the population. These include East Indians (mainly in Toledo) and Chinese, almost entirely in urban areas. The following paragraphs describe the characteristics of the four major ethnic groups.

Creoles are the largest ethnic group, making up almost 40 percent of the total population and over three-quarters of the populace of Belize City. The dominant features of Creole culture, including the family structure, community structure, and language, were shaped by the system of slavery and indentured labor established by the British. Lacking opportunity to maintain much of their diverse African heritages, a cultural group emerged that was both dependent on the dominant British

elite and resilient in sharing the burdens of servitude among its members. In the post-slavery period, entire villages were set up or moved about as company needs for labor shifted. Community structure depended on the authority of company bosses. In many cases, nuclear families were no longer viable and an "extended household" structure emerged. This unit, often headed by an older female, remains today a means of at least coping with insufficient resources and intermittent and/or itinerant male support. Common-law marriages and illegitimate births are frequent.

Throughout these experiences, Creole culture developed an elite class, generally lighter in complexion, which aspired to such professions as law, teaching, and civil service. These preferences exist today, even after opportunities for business and entrepreneurial ventures have opened up somewhat since Independence. Initially, the lower income Creoles worked largely in the logging industry and as it declined, found intermittent employment as construction laborers, stevedores, vendors, cab drivers, and domestics. Over the years, few Creoles have taken up farming, and those who have rely on a mix of activities, including wage labor, for their sustenance.

The next largest group, almost one-third of the population, is made up of Mestizos, i.e., persons of mixed Hispanic and Indian heritage. This group, largely Spanish-speaking or bilingual Roman Catholics, have traditionally had a strong nuclear family structure. Unlike Creole women, Mestizo women whose husbands leave generally return to live with their parents. The community structure has been influenced by both Spanish and Mayan traditions and has been characterized by the dominance of one or a few large land-holding families in any particular village. Unlike the Creoles, Mestizos have been tied quite closely to the land and, alternatively, some have become quite influential as businessmen.

Mayan Indians make up almost 10 percent of the population and live primarily in two Districts, Toledo and Corozal. Households and communities among the three groups of Maya -- Kekchi, Mopan, and Yucatec -- have traditionally been held together by strongly interwoven kin and ritual bonds. In general, there is a high degree of egalitarianism and cooperation, which has tended to discourage the development of elite groups within the Mayan communities. As subsistence farming has begun to diminish in importance to cash cropping and other income opportunities, and as interactions with other ethnic groups in Belize have increased, patterns of inter- and intra-household cooperation have changed considerably.

The Yucatec Maya have been more affected by both cash cropping and outside contact. Until the 1950's, entire villages were often held in debt servitude to large Mestizo landowners. Opportunities since then, when sugarcane began increasing in importance, have continued to be less open to Indians and the pressure to become "Hispanicized" has been great. The Mopan and Kekchi Maya on the other hand, have recently begun to more openly express pride in being Indian.

The Garifuna share aspects of African and Arawak Indian Culture. They make up 7.6 per cent of the population. Garifuna households have traditionally depended on a mix of fishing and subsistence farming, chiefly of cassava, and held a lower status than the Creoles during the period of British rule. Their distinct language and concentration in the two settlements of Dangriga and Punta Gorda Towns has helped provide them with a strong group consciousness and, among many, strong aspirations. Education is valued highly and the Garifuna have found opportunities most open in teaching and through out-migration to the United States.

2. Demographic Profile¹

a. Population size, growth, density

The current population of Belize is estimated to be over 150,000. The birth rate is high at 41 per thousand. The overall population growth rate, however, has shown a steady decline from 3.2 percent in 1970 to a 1980 rate of 1.9 percent increasing the population by only 25,000 in that decade. This situation is largely attributable not to a high death rate, but to heavy out-migration, a situation that could change significantly if more stringent immigration policies are adopted by the primary recipient country, the United States. Belize has a pro-natalist policy as a response to the low population density (6 persons per square km.).

As Table 1-A indicates, the population of the six districts varies substantially. For example, Belize, the largest district has over four times the population of Toledo, the smallest.

b. The rural and urban population

Belize's population is divided fairly evenly between rural and urban areas. Over one-quarter of the population lives in Belize City and slightly less than one-quarter lives in six small towns of two to eight thousand people:

¹N.B.: Several sources of secondary data have been relied on as a base for describing and categorizing Belize's population. The most useful and reliable of these are the Census figures of 1980 and the Belize Household Expenditure Survey (BHES) of 1980. Other sources, although widely held as less reliable, have been drawn on to provide notions of certain characteristics of Belize's population not accessible through the first-mentioned sources. These sources include the 1970 Census and two versions of the Census of Agriculture for the period 1973/1974. Additional secondary sources have included a number of anthropological studies of several of the different groups which make up Belize's population.

To supplement this data, numerous first-hand interviews and field visits were made by members of the Devres team.

One of the crucial limitations in the available data is the lack of measurements over time for certain variables. Much of the data in the 1970 and 1980 censuses were either not collected or not presented in a manner allowing the two sets of data to be compared with each other. A further limitation is the failure to disaggregate urban and rural households at the district level in the published BHES data, and for certain variables in the 1980 Census data.

Orange Walk Town, Corozal Town, San Ignacio, Dangriga Town, Punta Gorda Town, and Belmopan (the new capital). The remaining fifty percent of Belize's population lives in rural areas.

c. Age and sex

Belize's population is very young, with 46 percent under 15 years old and 58 percent under the age of 20. It is almost evenly divided by sex, although males tend to slightly outnumber females in the rural areas.

d. Household size

The average household size nationally is 5.2 persons, though there are significant differences among the towns and districts. Rural households tend to be larger than urban households with 43 percent of rural households having seven or more members compared to 29 percent of urban households.

e. Migration

Migration in Belize takes two forms -- internal and external. Seasonal internal rural to urban migration has become increasingly significant in recent years as young males, in particular, have been drawn to the city in search of jobs. Even more striking, however, is the pattern of external migration. A comparison of birth and death statistics suggests that over 18 thousand Belizeans emigrated (mostly to the U.S.) between 1970 and 1980. Passenger arrival and departure records suggest an even higher rate of out-migration and further support speculation that over fifty thousand Belizeans, a third again the population of the country, may live in the United States. Young adults, both male and female are the primary out-migrants.

f. Refugees

Additionally, there has been a hidden increase in the number of immigrants or "refugees" crossing Belize's borders. Government immigration statistics don't differentiate between visitors and refugees and there is no provision under Belizean law for the admission of refugees. Although there are two official refugees sites

in the "Valley of Peace", the official number of residents, mainly Salvadorans, is only 250. A very rough estimate of 2-3,000 foreign nationals is a more realistic figure for the number of foreigners currently residing in Belize and this number has been subject to great fluctuation due to Belize's uncontrolled borders and the escalation of unrest in neighboring Central American countries. Although Belize has a history of migrant populations passing through its borders during the agricultural seasons, a significant change has been noted in that, where once migrant farmer adults flowed back and forth across Belize's borders, now, whole families are moving across - and settling down to stay - at least for awhile. This could pose significant problems for Belize's development in the future.

3. Common indices of the extent of poverty

a. Overview

Poverty is not as strikingly apparent in Belize as in many nearby countries. Land appears to be plentiful, the population growth is relatively low, and great disparities of income, for example, between ethnic groups, is not evident. However, poverty is widespread in Belize and can be measured in a number of ways.

Belize is commonly categorized as an upper middle-income country as its per capita GNP is about US\$1,000. This figure, of course, is an average and does not reflect the wide variations in income. The PQLI for Belize in 1982 was 67, somewhat higher than the average (60) for 143 developing countries¹. Belize's PQLI of 67 is higher than some other countries in the region (e.g. Haiti is 39, Bolivia 49 and Honduras, 60) but significantly lower than the majority of Latin American countries. It reflect a high literacy rate, a fairly low infant mortality rate and life expectancy of only 60 years.

¹A country's Physical Quality of Life Index (PQLI) is a useful measure of how well social, rather than economic, goals are being achieved. It is based on an average of life expectancy at age one, infant mortality and literacy.

Much of Belize's population is urban and not oriented to either agricultural or entrepreneurial activities. Blessed with many natural resources, Belize has throughout its history depended on expatriate ownership and management to provide the practical skills for managing them productively. As economic development has begun to affect Belize, a few Belizeans have taken advantage of new opportunities. Available evidence suggests that the existing level of technical education is a constraint to the growth and diversification of the economy. (There is little evidence that the development of Belize's human resources is yet sufficiently widespread to permit either sustained or equitable growth.)

b. Income and household expenditure¹

The average annual per capita income (GNP) in Belize in 1981 was US\$1,085. Preliminary 1982 data indicate per capita income has fallen to US\$1000. The mean annual household expenditure nationally was US\$4,387, or about \$850 per capita. This would suggest that average per capita income in Belize is actually below US\$1,000. There is considerable difference, however, between the earnings of high- and low-income households. The average net income of a fisherman in one of the cooperatives, for example, is about US\$10,000, more than that of most civil servants; the per capita income of a Mayan subsistence farmer is approximately US\$500.

The highest average annual consumer expenditure in 1980 occurred in Corozal district: US\$5,835 per household (US\$1,033)

¹There are no data available dealing directly with income which can be applied usefully to compare different areas and/or socio-economic groups in Belize. The Belize Household Expenditure Survey (BHES) of 1980, however, provides quite complete coverage of Belize (see Table 1A) and has been used to derive estimates of income levels throughout the country. Unfortunately, no indications are given of the overall spread of household expenditures, nor of the degree to which the mean annual expenditures per household in each district compares to the median.

per capita). Belize City had a lower household average (US\$4,794) but, due to a smaller mean household size, average per capita expenditure (US\$1,017) was about the same.

The lowest average expenditure occurred in Toledo, with US\$2,669 per household (US\$520 per capita), roughly half that of Corozal. In all districts except Stann Creek, however, the proportion of total expenditure which was spent on household food was about the same, roughly 40 percent.

c. Land

The distribution of cultivated land in Belize is very uneven. According to the 1980 BHES, of all rural households (which represent half of Belize's population), less than two-thirds (64 percent) had farms. Of these, 20 percent of the farms were less than three acres and an additional 21 percent were between three and eight acres. Data from the 1973/74 Census of Agriculture, although not directly comparable, is similar, indicating that the one-third of the farmers whose holdings were under five acres accounted for less than one percent of the total farmland. Farms over two hundred acres in size comprised 2.4 percent of the total number of farms and over two-thirds of total farmland. Smallholders have traditionally leased their farmland from the government, paying no land tax and with rent payments applicable to the eventual purchase of a holding. Large holders generally have title to their holdings.

d. Education

At the primary level in Belize education is free and 85-90 percent of all children complete 8 years of schooling. Both the system of examinations for entry into secondary school and the fees charged, as well as the need to seek employment, reduce the secondary enrollment to about 60 percent of those who complete the primary level. A tuition fee is generally charged to secondary students. About one in six non-student adults (both male and female) in Belize has attained a secondary education or higher. Less than one percent have completed college.

Secondary schooling is available mainly in Belize City, though primary schools are located in all parts of Belize. Primary school teachers in Belize City are generally better trained, whereas rural areas, particularly in Corozal, Toledo, and Belize districts, have as few as one in four teachers with training. In Corozal, as high as 43.8 percent of teachers were designated as "unqualified" in July, 1980. The curriculum generally has given little emphasis to the vocational or agricultural skills useful in increasing opportunities most likely to be available to lower-income people. In the past four years the Rural Education and Agriculture Program (REAP) has introduced practical and technical material about agriculture and its value to the nation in the primary curriculum. It has spread steadily as its value has been confirmed. By 1984-85 it will cover all schools including a version adapted for urban students' knowledge of and interest in rural and agricultural pursuits.

e. Employment

Opportunities for full-time paid employment are increasingly scarce and employment is a growing problem. A high proportion of household heads cannot find satisfactory steady jobs. Half of the unemployed live in Belize City and make up one-in-five of the economically active adults; these figures suggest that a large portion of Belize's poor resides in Belize City. Moreover, while there is a minimum wage of B\$1.25 per hour (US\$.63), it is not sufficient to meet the average expenditures of many families living in the city.

f. Health and nutrition

Health and nutrition indicators differ significantly among the six districts of Belize and suggest that the poor are differently affected in these areas. Life expectancy is relatively high (60 years) and infant mortality surprisingly low (27 per thousand); yet, studies indicate some degree of malnutrition among children under three years of age in all districts, with particularly high rates in Toledo, Corozal, and Orange Walk. Severe diarrhea, related to contaminated

water supplies, is also a special problem in Belize City where as much as 50 percent of the people in some neighborhoods does not have direct access to potable water and services.

Moreover, health facilities are barely adequate. While there is at least one government hospital in each district and a number of private clinics, there is, on the average, only one physician for every 2,200 people and one hospital bed for every 260 people.

4. Target beneficiaries: the rural and urban poor in different districts

a. Overview

Poverty exists throughout Belize but it takes different forms, has different causes, and will require different approaches to alleviate its effects. In identifying target beneficiaries, it is useful to treat each of several geographic areas separately. Belize City, the sugarcane areas of northern Belize, and the Toledo District of southern Belize are particularly distinctive.

Throughout Belize, the effects of poverty fall heaviest on women and children. Economic development in Belize has brought great pressure on traditional patterns. None of the major ethnic groups in Belize has proven more successful than others in adapting to the changing opportunities which development has brought to Belize. Certain opportunities, however, have been perceived and pursued to different degrees by different groups.

b. Belize District

Roughly 27 percent of the total population of Belize and 30 percent of its households are in Belize City¹. Annual household expenditures in Belize City average US\$4,794 -- about US\$400 (8.5 percent) greater than the national average.

¹ Belize Central Planning Unit Statistical Office, 1980 Population Census Summary Tables. Bulletins 1 & 3.

The available data suggest considerable variation about the mean and that a significant number of the city's households are unable to adequately meet their basic needs. Almost half of the city's households rent, rather than own, their dwellings.

Many families in Belize City are large. One in four households has seven or more members. In lower-income parts of the city as many as one in five has nine or more members. The larger households are often extended families headed by women.

Over one in three household heads is not employed. In a 1982 survey of a lower income neighborhood¹, eight percent of the households had no members working and another 44 percent had but one working member. The occupation of the primary wage earner was used as a rough indicator of income level. Over forty percent were employed as unskilled workers, such as cooks, market vendors, stevedores, factory and machine operators, domestic workers, caretakers, or truck drivers, occupations generally paying wages of less than US\$2,500 per year. One in six primary wage earners did not work for over 3 months during the previous year. It is widely assumed that Belizean households receive substantial remittance from relatives living abroad. Over three-quarters of the households in St. Martin de Porres, however, reported receiving nothing from overseas relatives.

Seventeen percent of the nation's rural households are in Belize District. Only one-third of these rural households depend on their land holdings for sustenance. A significant proportion of the other two-thirds of the district's rural households rely less on their holdings and probably more so on wage labor. As one would find more craftsmen and skilled workers in Belize City and a greater proportion of unskilled or semi-skilled workers in the rural areas, these rural households generally have lower incomes. Annual household expenditure averages U.S.\$3,509, 20 percent below the national average.

¹Flear, Madeline, "Anthropometric Survey of Children Less than 5 Years of Age Living in St. Martin de Porres, Belize City, Belize", Tulane University, School of Public Health and Tropical Medicine, New Orleans, Louisiana. (Unpublished)

c. Toledo

Toledo is the poorest of Belize's six districts, with an average annual household expenditure of US\$2,669. This is due in large part to the relatively low incomes of the Mayan farmers in rural Toledo. The high proportion of subsistence farmers, however, may lessen the impacts that would be felt by the poor in urban or cash crop areas where food must be purchased, quite often at higher prices. Nonetheless, almost sixty percent of the average household budget in Toledo is spent on non-food items. Average household expenditures in Toledo on such items as medical care, children's and babies' goods, household goods, vehicles, alcohol, and leisure are lower than in any other district of Belize.

Increased mobility has been one response to variable opportunities for cash versus subsistence farming over the past sixty years in different parts of Toledo. It is among this more mobile population, with less access to resources, that the poor are likely to be found. On the other hand, some members of this group will be among those who can respond more quickly to particular opportunities which the changes accompanying development will bring. Long-established households with access to riveredge lands and to transport tend to be less mobile. In one village studied, 40 percent of the adult population were born in the village, but the rest were much more mobile, changing villages an average of once every eight years.

Punta Gorda town, with a high proportion of Garifuna and Creoles, is quite similar to Dangriga Town (see following section).

d. Stann Creek

The average annual household expenditure in Stann Creek District is US\$3,137, roughly 28 percent below the national average. Almost half (47 percent) of Stann Creek District's population live in Dangriga Town, the highest town-rural ratio of any other district except Belize. The population in Dangriga Town is largely Garifuna, who generally rely on a mix of fishing, small subsistence plots outside town, and varied intermittent employment as available. To a greater degree than

elsewhere in Belize, the more highly motivated and talented young people have left town to pursue opportunities in Belize City and the United States. The pattern of large households with young children cared for by an older female, as in Belize City, is associated with poorer households.

As in rural Belize District, households in rural Stann Creek rely greatly on low-paying wage labor to supplement on-farm income. In general, proximity to roads and higher costs of living have been associated with increased dependence on wage labor opportunities, and not increased cash-cropping.

e. Corozal

Corozal District has been greatly affected by sugarcane. Corozal shows the highest average expenditure per household in Belize (US\$5,835) a third higher than the national average. Well over half of all households have farms and in 1980, 75 percent of these depended on sugar cane as the main crop. Over two thirds of Corozal's farms were under 20 acres and 40 percent were less than eight acres. Those farmers who grew cane during the 1973 season, which was especially profitable, increased their incomes tremendously. Many were able to buy vehicles increasing their earning capacity further still. Those farm households which do not depend upon sugar cane as the main crop (one-quarter of the farm households), and most of those who have entered sugar cane farming after the 1973 season, have benefitted very little from the general prosperity and remain significantly poorer.

Women and children, even in households whose incomes have increased, have also tended to suffer. The cash cropping of sugar cane created a shortage of land for local food production and deprived women of income opportunities from their traditional share in the control of household subsistence resources. Production is now sold for cash by men and there is surplus food production in very few households. Traditional foods have begun to be considered inferior. Consumption of wheat, soft drinks, and alcohol has increased, while that of maize and local fruits has declined.

Alcohol and tobacco expenditures per household in Corozal average thirty percent higher than the national average.

f. Orange Walk

Orange Walk has been affected similarly to Corozal by the sugar industry, although the presence of a large proportion of Mennonites in rural Orange Walk has mitigated sugar's overall influence to a degree. The average household expenditure in 1980 was US\$4,505 per year, only slightly above the national average. Sixty percent of the district's farms depended on cane and another 27 percent on corn as main crops in 1980. Orange Walk farms tend to be larger than those of Corozal. Over half of its farms were greater than twenty acres, and only one in five was less than eight acres.

As in Corozal, detrimental effects of increased sugar cane production have been felt most by smaller subsistence farm households and, even in households with increased cash incomes, by women and children.

g. Cayo

In 1980, the average annual household expenditure in Cayo District was US\$4,332, very close to the national average. As in rural Belize and Stann Creek Districts, most farm households are dependent on non-farm activities for cash income. Only slightly over a third (36 percent) of households had a farm in 1980. Most of the farming villages are close to the roads and sell surplus production, mainly, corn, when available. During certain seasons, large numbers of men from lower-income households leave the district to find employment in the cane fields of northern Belize or in the citrus orchards of Stann Creek. The relatively small proportion of predominantly subsistence farmers leaves Cayo district heavily dependent on the wider economy. The unskilled seasonally migrant workers are especially vulnerable to downturns in key industries.

ANNEX 2

The Agriculture Sector -- A Detailed Discussion of Crops and Livestock

The Agriculture Sector -- A Detailed Discussion of Crops and Livestock

There are eight categories of principal Agricultural commodities produced in Belize. Each of these commodity industries, however, faces serious constraints in the expansion of its activities. The paragraphs below describe the situation of each commodity in detail as well as the constraints each faces in increasing its productivity and/or value to the economy.

1. Sugar

Sugar is the largest single subsector within agriculture, generating 60 percent of the gross value of all products in the sector (inclusive of processing). However, sugar has been subject to strong cyclical price movements and appears now to have every prospect of being in oversupply for the next several years on the world market. The industry already is suffering serious losses on the one-third of its production it must sell on the world market outside the U.S. and EEC quotas. As a result, the GOB and sugar farmers are now being asked by Belize Sugar Industries (BSI) to either buy out the bulk of its equity (BSI is owned by Tate and Lyle Ltd.), or face the prospect of one-third of the industry's capacity being closed down. Such a closure would have drastic consequences for both farmers and workers as well as a large negative impact on the economy, but purchasing the equity also will subject the GOB to substantial year to year operating losses for an indeterminate period of time. Moreover, the GOB does not have funds available to make the down payment asked by BSI.

Regardless of the way the GOB chooses to get out of this dilemma, it is clear that there must be a significant lessening of Belize's historical economic dependence on sugar as rapidly and in as orderly a manner as can be accomplished. When sugar prices are low, this excessive dependence on sugar for income and export earnings

pulls down not only the agricultural sector, but the entire economy as well. The dominance of sugar also inhibits farmers, government officials, and others from developing areas with agricultural potential, thereby diminishing the contribution of the agricultural sector to export diversification and import substitution. The high cost of operation at the old sugar mill at Libertad constrains the sugar industry because it contributes to present and prospective losses. However, the abrupt closure of this plant (presently owned by the British multinational enterprise, Tate and Lyle) which has been threatened, would have grave socio-economic implications for the district as well as the nation, and allow no possibility for a gradual transition to greater diversification.

2. Bananas

Renewal of the banana industry has been only partly successful, but it has generated about US\$2.0 million per year in exports and Belize's bananas continue to enjoy an attractive market in Europe. Now serious internal financial problems threaten the collapse of the industry. The Banana Control Board which controls the industry has suffered losses due to the high costs of transportation and the fact that its receipts, which are in sterling, depreciated against the dollar in which its expenses are denominated. The result is a cash crisis which at the very least requires bridge financing of about US\$1.5 million.

Additional investment capital for rapid expansion to a more economic output level is also necessary if the industry is to be truly viable. This will entail raising production from 1,500 to about 4,000 acres of suitable land with irrigation facilities, the acreage that appears to be the minimum necessary for an economic volume of sustained export production. The availability of the 2,500 additional acres needed for a minimally efficient export operation, however, still has not been demonstrated. Financing for irrigation on as yet undeveloped land would be required. In addition, there is a lack of experience and technical skills for optimum production on the part of smaller farmers and inadequate management capability to guarantee

tion on the part of smaller farmers and inadequate management capability to guarantee the regular availability of the product. Transport costs are high due to inadequate domestic port facilities.

3. Citrus

The citrus industry produces about 1.7 million boxes of oranges and grapefruit combined which is mostly processed into concentrate and orange and grapefruit oil, and squash. The industry does not face an immediate crisis, but it is vulnerable in the sense that world markets for concentrate are generally oversupplied. Some markets for fresh grapefruit have been identified, but the entire orange output is still being converted to concentrate. If the growth of citrus in Belize is to continue, processing facilities will require rehabilitation and expansion and a vigorous program of export development for fresh fruit and all other products is required. In addition, a solution is needed to the long-festering problem of the share of total revenues to be paid to the producers. This issue has remained unresolved for years and has disrupted operations in the past when producers withheld their crop to attempt to force a settlement. It deserves priority attention in order to reach an equitable settlement satisfactory to both parties because future growth and investment are inhibited as long as this issue is not settled.

If citrus production is to increase greatly in the future, current plant capacity would need to be expanded. The present supply/demand balance for citrus concentrates on the world market is also limiting. Alternative products to utilize part of plant processing capacity year-round have not been identified. The dispute between processors and growers on price has led many growers to abandon yield-enhancing management practices as not worth the added investment.

4. Rice

Rice is a crop which is grown both on a large scale and by small farmers, and its output has increased substantially in the last few years. It is produced

Caribbean countries in the past. One problem area in the rice subsector is the demise of the Big Falls Ranch in Belize District. It had 3,000 acres under cultivation and produced 11,360,000 pounds of rice in 1980, but it is currently in receivership and acreage under cultivation has declined to approximately 800 acres. The country is, therefore, presently forced to import rice to meet domestic demand, but there is substantial potential to become self-sufficient.

If rice is to be expanded, an investor with adequate technical and managerial capability must be found to continue operating the already-developed Big Falls Ranch. Also, a viable system of intensive management for small-scale flood rice operations must be developed in southern Belize.

5. Oilseeds

Limited amounts of various oilseeds have been produced in Belize but results have not been attractive to producers. In response to an attractive support price offered by the Belize Marketing Board, however, peanut production increased sharply in 1981. The crop is used mainly for human consumption as whole nuts. Peanut butter production has already started and the product is on the shelves. There remains a need for a major source of vegetable oil to replace imported lard which is a nutritionally undesirable product.

Fortunately, the CARDI unit in Belize has recently completed tests which demonstrate that soybeans can be successfully grown in Belize¹. This lays the ground work for production of soybeans, a crop with a high oil content which would also result in availability of high protein soybean meal (after oil is extracted). The meal is ideal as a concentrate component in feed for dairy cattle and poultry.

¹The Caribbean Agricultural Research and Development Institute (CARDI) is a regional body which assists agricultural research among Caribbean countries. The Institute operates a small research station near Belmopan which has tested, among other things, various varieties of soybeans, vegetables, and corn for adaptability in Belize, and has carried on other activities directed toward addressing problems in crop and livestock production, development of better farming systems and improving agricultural production practices.

Because output of soybeans may take some time to be adopted by substantial numbers of farmers, it may be necessary to adopt interim arrangements to create a market and give farmers assurance that they will be able to sell their output. By establishing a vegetable oil extraction mill to process soybeans (to be supplied initially to Belize under PL480), a ready market for locally grown beans potentially could be created. Supplies of PL480 soybeans could then be phased out as local production increased. Such an effort, of course, requires more study of the potential market demand.

There are some constraints, however, to increasing oilseed production. Although basic adaptive research by CARDI has identified suitable cultivars of soybeans and peanuts for Belize, there has been little on-farm research to identify how such crops might best fit into the various farming systems that exist. The extension system needs bolstering in both technical capacity and credibility if widespread adoption of optimum production practices of new crops is to be achieved. There is currently a total lack of processing capacity for soybeans, in terms of both plant and technical expertise.

6. Other crops

The other principal crops grown in Belize are corn, beans (red and black), sorghum and peanuts. They are produced mainly for auto-consumption by small- and medium-size farmers and for sale on the local market. Sales to the government of these products were greatly stimulated over the past two seasons by support prices established at unrealistically high levels by the Belize Marketing Board (BMB) which is now holding large stocks. Large amounts of these stocks have deteriorated under poor storage conditions. The BMB has exhausted its cash resources and is currently unable to make purchases to which it had committed itself.

Many root crops and vegetables are interplanted by small farmers with or on the edges of fields in the above main crops. However, vegetable production in general is inadequate in Belize. Physical output is highly seasonal (mostly concentrated in a four-month period), the small market can easily be flooded with produce, and Mexico's constantly available supplies act to curb the incentive of local producers. Small farmers usually have home gardens with fruit trees (such as citrus, mango, guava, etc.), cocoa (500 acres mostly for export), pineapples and other products for family consumption.

There are other obstacles as well to expanding the production of these crops. Lowland vegetable production is very difficult out of season, when demand is stronger. Belize's higher elevations are not readily accessible to major markets. Also, there is inadequate knowledge of most of the farming systems in Belize and inappropriate planning and policies have sometimes distorted balances in the production of various crops and livestock drastically. A set of systems necessary for balanced crop/livestock production has not yet been developed.

7. Livestock

The livestock sub-sector is a major resource for Belize. Its principal components are cattle, swine, and poultry. The national herd of cattle (mainly beef) was 48,747 head at the time of the last census, though the number is believed to have declined since that time. More than 90 percent of the national cattle herd is in Cayo, Belize, and Orange Walk Districts. About 76 percent of all cattle are on farms having more than 100 acres, most of which are animal-based operations. However, cattle perform an income-supplementing role on small- and medium-sized mixed (crop and livestock) farms.

The industry is characterized by relatively low productivity with calving rates of about 60 percent in most areas. Annual slaughter is between 6,000 and 7,000 head with average annual dressed weights over the past decade in the 300-400 pound range. Nearly two-thirds of all cattle in Belize are produced on unimproved pastureland

though the acreage of improved pasture has increased significantly in recent years. The predominance of natural pastureland results in high land to animal ratios and is a major factor in the low productivity rates. Cattle slaughtered at the main abattoir (owned by Belize Meat, Limited) have been exported to the U.S. in the past, but the USDA sanitary certificate authorizing such shipments has been voluntarily surrendered pending restructuring of the industry. Under present circumstances, returns to investments in cattle are low and growth of the industry is heavily dependent on the development of export markets. However, the small size and low quality of the national herd makes such exports noncommercial at the present time.

The national swine herd at the time of the 1980 census was just over 16,000 with a concentration of numbers in Toledo and Orange Walk Districts. Pigs are mainly produced by small farmers. Numbers per farm averaged 5.53 animals (88.6 percent of farms had less than 10 pigs) and the average farm size of pig owners was 11.88 acres. Annual slaughter is approximately 9,000 pigs per year, although different data sources provide very different slaughter estimates. Generally, pigs are allowed to roam free and scavenge for food. Most farms have covered pens for night confinement and provide limited amounts of corn and scraps to pigs. Under this system, the survival rate of piglets is low, growth rates are poor, and the weight at time of slaughter (an average of 70 pounds in 1981) is much below that for animals grown under more favorable conditions. Pigs are an important source of cash income to the small farm household, but the industry has been in a decline over the past decade and is currently very depressed due, in part, to the low level of demand in the economy generally and the health requirements imposed for slaughter at the main abattoir which most farmers cannot meet. As a result, imports of pork products remain substantial.

The dairy industry in Belize is very small except for the production by the Mennonite community at Spanish Lookout in the Cayo District where about 1,250 gallons of milk per week are processed (pasteurized and homogenized) for sale. In a 1982 survey of other areas, only 225 cows were identified as being milked with the product used for home consumption or local sale. Imports of milk and milk products continue at traditionally high levels due to price differentials in favor of imports, long-established taste preferences, the scarcity of refrigeration and the unreliability of electricity.

Poultry and eggs are produced commercially by medium-sized farmers (principally Mennonite) in Cayo and Orange Walk Districts and by others in Belize District. Total production of poultry meat was estimated to be 6.5 million pounds in 1981, of which approximately one-quarter was produced by small farmers for household consumption and local sale. About 48 eggs per capita were produced in 1980. Both poultry and egg production are believed to have been rising in response to remunerative producer prices and adoption of modern efficient technology.

The expansion of livestock production and marketing is limited by several factors. There are inefficiencies in the marketing and processing chain, including abattoir operation, leading to low prices for the producer and reduced incentives to use improved management practices. Also, a major dependence on unimproved pasture results in poor nutrition, slow weight gain, and low calving rate. The high cost of mechanized land clearance hinders ultimate goals of export production on a large scale. Finally, a shift of demand to poultry due to reduced production costs may already have resulted in declining pig production by subsistence farm households, thus limiting household cash income resources.

8. Agriculture

Honey is a minor crop, with somewhat under 0.5 million pounds produced annually by about 500 beekeepers in each of the past four years. With only 10,000 hives, there is room for expansion. In neighboring Yucatan, for example, Mayan farmers depend on beekeeping as a major source of cash income. Bees are also important pollinators of many fruit and seed crops, and can increase yields dramatically. Pollination effects on citrus production vary greatly and research on the cultivars and growing conditions of Belize is needed.

There are, however, several major constraints which inhibit the expansion of apiculture in Belize. One of these is the lack of technical knowledge in appropriate areas of the country. This is primarily a manpower problem, and call for a program to identify people who are interested in bee-keeping and training them in the technical and management skills necessary for successful apiculture. Another major obstacle to apiculture in Belize is the lack of an effective disease control program. A common honey bee disease, American foulbrood, ("Bacillus larvae") is prevalent in Belize but can be controlled through simple precautionary measures.

ANNEX 3

Inventory of Research Data Available

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ANNEX 4

List of Persons Interviewed

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| AGUET, Velda Director | Council of Voluntary Social Services Belize City |
| ARIF, Mohammed Chief Statistician | Ministry of Finance and Economic Planning Belmopan |
| ANDERSON, Barbara Peace Corps Volunteer and Advisor on Nutrition | Ministry of Health Belize City |
| BARNEBEY, Malcolm R. Ambassador | U. S. Embassy Belize City |
| BELISLE, Edwin Social Development Officer | Ministry of Labor, Social Services and Community Development Belmopan, Belize |
| BEADLEY, Raymond Executive Secretary | National Fishermen Producers Cooperative Belize City |
| BERNARD, Patrick Permanent Secretary | Ministry of Education Belmopan |
| BILGOE, A.L. Managing Director | CampTel Ventures Cancun, Mexico |
| BORLAND, Clarence Director, Investment Center | Ministry of Finance and Economic Planning Belmopan |
| BOHMER, Mr. J. Caribbean Trade Advisor, ARA | Department of State Washington, D.C. |
| BORST, Linda Assistant Peace Corps Director | U.S. Peace Corps Belize City |
| BRACKETT, Herman E. Chief Draftsman | Ministry of Natural Resources Belmopan |
| BROWN, Robert E. Director | International Management Consulting Services Coopers and Lybrand Washington, D.C. |
| BROWN, Walter L. Permanent Secretary | Ministry of Local Government and Social Security Belmopan |

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| BUHLER, Father Director | St. John's College, (BELCAST) Belize City |
| CAIN, Mr. H.E.C. Governor | Central Bank of Belize Belize City |
| CASSUS, Dr. Juan Chief Medical Officer | Ministry of Health Belize City |
| CLARE, Kent Superintendent | Vocational Training Center Ministry of Education Belize City |
| CRAIG, Walter | Caribbean Development Bank Belize City |
| CRAPPER, David Economic Advisor | British Development Division in the Caribbean Barbados |
| CUELLAR, Raimundo Commissioner of Labor | Ministry of Labor and Social Sciences Belmopan |
| CURTISS, Frank Managing Director | Belize Sugar Industries (Tate & Lyle, Ltd.) Consejo, Corozal District Belize |
| CARTOUSE, Mr. Taxi Cab Driver | Belize City |
| DENISON, Gilda Nutrition Officer | Ministry of Health Housing and Cooperatives Belize City |
| DUBOIS, Random Marine Ecologist | Member AID Environment Impact Survey Team Belize City |
| FIELDS, Dr. Epidemiologist | District Diagnostic Laboratory Rehabilitation Ministry of Health Project Hope, Belize City |
| FLOWERS, Henry Chief Forest Officer | Ministry of Natural Resources Belmopan |
| FONSECA, Ralph H. General Manager | Belize Brewing Co., Ltd. Belize City |
| FRANKLIN, Dr. Robert | School of Public Health and Tropical Medicines, Tulane University New Orleans, Louisiana |
| FULLER, Hugh Manager | Reconstruction and Development Corporation (RECONDEV) Belmopan |
| GABRIEL, Mr. | Dangriga Town |

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| GALLATY, Phillip Managing Director | V.L. Bryant and Co., Ltd. and Chairman of the Board, National Development Foundation of Belize Belize City |
| GARCIA, Lalo Director of Agricultural Extension | Ministry of Natural Resources Belmopan |
| GIBSON, David Permanent Secretary | Ministry of Health, Housing, and Cooperatives Belmopan |
| GONZALES, Liborio Acting Chief Agricultural Officer | Ministry of Natural Resources Belmopan, Belize |
| GRANT, Mare Hatziolas Marine Ecologist | Member AID Environment Impact Survey Team Belize City |
| GRINAGE, Egbert Permanent Secretary | Ministry of Industry and Trade Belmopan |
| GUTHRIE, Donald Keith Deputy Chief of Mission | U.S. Embassy Belize City |
| HALL, Mrs. Director | Establishment Division Ministry of Finance Belmopan |
| HARTSHOW, Gary Forester | Member AID Environment Impact Survey Team Belize City |
| HENRY, Marie Labor Inspector | Ministry of Labor and Social Services Belize City |
| HUMPHREYS, Louis E. President | Belize Private Sector Organization and Chairman, Board of Directors Development Finance Corporation Belize City |
| HOY, William Chief Executive Officer | Ministry of Energy, Water and Sewage Authority Belize City |
| HYDE, James Permanent Secretary | Ministry of Natural Resources Belmopan |
| JARRAH, Raja | Ministry of Natural Resources Belmopan |
| JENKINS, David A. Third Secretary (AID) | British High Commission Belmopan |

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| JONES, Elton A. President | Belize Chamber of Commerce and Industry, Belize City |
| KENNEDY, Kimball M. III Representative | Project Development Assistance Program Coopers and Lybrand, Belize City |
| KING, Eric | Ministry of Natural Resources Belmopan |
| LEVERINGTON, Bob | Overseas Development Assistance, Ltd. Belize |
| LONGSWORTH, John Permanent Secretary | Ministry of Energy and Communications Belmopan |
| MACLAREN, Larry Manager | Williamson Industries, Ltd. Belize City |
| MARSHALLECK, Mr. E. A. Financial Secretary | Ministry of Finance and Belize Ambassador to the U.S. Belmopan |
| MATTHEWS, Ms. | Council of Voluntary Social Services Belize City |
| MIDDLETON, Eva Director | St. Martin de Porres, "Fire Victims" UNICEF Community Development Project Belize City |
| NEAL, Rodney Principal Agricultural Officer | Ministry of Natural Resources Belmopan |
| MOCK, Nancy | School of Public Health and Tropical Medicine, Tulane University, New Orleans, Louisiana |
| OSEI, Arthur IMF Advisor | Ministry of Finance (Reorganization and Budget) Belmopan |
| PALACIOS, Dr. Joseph Anthropologist | Administrator of University Center St. John's College Belize City |

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| PARHAM, Mr. W. D. Assistant Director | Belize School of Agriculture Central Farm, Cayo District, Belize |
| PEAKE, Karen | LAC/DR/AID Washington, D.C. |
| PRYOR, Jean Political Officer | U.S. Embassy Belize City |
| PUGA, Edgar Chief Engineer | Ministry of Public Works Belmopan |
| QUAN, Victor | Ministry of Finance Belmopan |
| RAO, Mr. Petrogeologist | Ministry of Natural Resources Belmopan |
| RANSOM, Sister | St. Ignatius Parish, Yarborough Social Survey Belize City |
| ROBATEAU, Louis Assistant Draftsman | Ministry of Natural Resources Belmopan |
| ROSADA, Mr. | Ministry of Natural Resources Belmopan |
| ROZGA, Dorothy Representative | UNICEF Belize City |
| SANCHEZ, Inez Chief Education Officer | Ministry of Education Belmopan |
| SANDERSON, Kelvin UNDP Advisor | Investment Center, Ministry of Finance Belmopan |
| SEGURA, Amir Sales Manager | Sawmill Operation, San Luis Mountain Pine Ridge Cayo, Belize |
| SIHA, Mr. Acting Director | Caribbean Agriculture Research and Development Institute, Belmopan |
| TATUM, Miss Pre-school and Day Care Officer | Ministry of Education Belize City |

USHER, Wayne
Hospital Administrator

Belize City Hospital
Belize City

VASQUEZ, Mr.
Manager

Belize Food Processors, (Pine Ridge
Brand),
Belize City

VERNON, Sadie
Coordinator

Human Development Center,
Belize Christian Council,
Belize City

VERNON, Mr. T.
Managing Director

Development Finance Corporation
Belmopan

WARREN, Dr. W. P.
Member, Design Team,
Livestock Project

LAC/DR, AID/W
Belize City

WELCH, Mr.

Melinda Station, Stann Creek
Division

WILK, Dr. Richard
Anthropologist
Member, Design Team,
Livestock Project

University of California,
at Santa Cruz
Punta Gorda, Toledo District

ANNEX 5

Map of Belize

