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AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A
A = Add
C = Change
D = Delete

Amendment Number

2

DOCUMENT CODE

3

COUNTRY/ENTITY

Belize

3. PROJECT NUMBER

505-0012

4. BUREAU/OFFICE

Latin America and the Caribbean (LAC)

5. PROJECT TITLE (maximum 40 characters)

Economic Support

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
01 8 31 89

7. ESTIMATED DATE OF OBLIGATION

(Under "8." below, enter 1, 2, 3, or 4)

A. Initial FY 85

E. Quarter 2

C. Final FY 87

8. COSTS (5000 OR EQUIVALENT \$) =

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. LC	D. Total	E. FX	F. LC	G. Total
AID Appropriated Total						
(Grant)				2,579		2,579
(Loan)						
Other:						
U.S.:						
Host Country					421	421
(Other Donors)						
TOTALS				2,579	421	3,000

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE	D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
			1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESP		910 930	1,414		1,165		2,579	
(2)								
(3)								
(4)								
TOTALS								

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE

730

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To assist the Government of Belize in improving its capability to develop and manage a coherent public sector investment program, to coordinate international donor assistance to the country and to determine the nature of economic policies essential for efficient utilization of economic resources, private sector development and long-term growth.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY

15. SOURCE ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page 2^o Amendment.)

This amendment will assist the Office of Economic Development (OED) in conducting important feasibility/policy studies, as well as provide additional funding for short-term OED staff training, and for the extension of the services of the OED Economic Advisor and the Management and Financial Advisor to the Belize Electricity Board.

17. APPROVED BY

Signature

Neboysha R. Brashich

Title

Date Signed

18. DATE DOCUMENT RECEIVED BY ADD/W. OR FOR ADD/W. COMMENTS, DATE OF DISTRIB.

PROJECT PAPER AMENDMENT
ECONOMIC SUPPORT PROGRAM-COUNTERPART FUND II

I. Project Summary, Covenants and Recommendations

A. Project Summary

The principal goal of this project amendment is to finance technical assistance to assist the Government of Belize (GOB) to analyze and improve project development and planning processes as well as policy framework important for sustained long-term growth. This amendment will expand the existing ESF Project with the Office of Economic Development (OED) to enable it to conduct feasibility studies which would identify and prioritize key development activities in both the private and public sectors as well as economic studies which would assist in defining the policy framework for private investment. This amendment will also extend the Project's PACD by one year, from August 30, 1988 to August 30, 1989 to provide sufficient time for the implementation of proposed activities to be undertaken herein.

Specifically, the ESF Grant funds under this amendment will finance: a) selected feasibility and policy studies mutually agreed upon by the GOB and AID; b) short-term training for the OED staff to improve their technical capabilities; c) a six-month extension in the tenure of the OED Economic Development Advisor; and d) a one-year extension of the tenure of the Management and Financial Advisor to the Belize Electricity Board (BEB).

B. Covenants

In addition to the covenants of the ESF Loan and Grant Agreement for Economic Stabilization between the GOB and AID and the first amendment thereto, under this Project Amendment, the GOB will further covenant that it:

a) recognizes the importance of having a strong and cohesive economic development planning entity and agrees to provide the Office of Economic Development with the staff and operational financing necessary to fully accomplish its mandated responsibilities as the Government's key Agency for overall economic development planning; and

b) recognizes the importance of conducting feasibility and policy studies which would identify and prioritize feasible projects and lead to policies which stimulate private investment and agrees to implement, to the extent feasible, the results and recommendations of these studies.

C. Recommendations

It is recommended that an ESP Grant be approved in the amount of \$1,165,000 to finance activities described herein and that the Life-of-Project be extended to fifty-five (55) months from date of initial obligation.

II. Project Amendment Rationale and Strategy

A. Project Rationale and Objective

Despite recent improvements in the country's overall balance of payments situation, economic growth in Belize has been disappointing, averaging only 1.5% per annum during the past three years. A major cause of this weak economic performance is the limited quantity of productive private investment coming on stream. This situation is attributed to a number of factors, which include weak institutional capabilities of both the Government and the private sector to identify, plan and coordinate critical development projects, and an inadequate economic policy framework to encourage and sustain private investment.

The major objective of this Amendment to the ESP Project Grant is to address these shortcomings by developing a strong and cohesive economic development planning entity which will be able to effectively develop and encourage private sector investment, manage public sector investment and provide the GOB with needed information and data on which to base investment and economic policies. This objective is in line with the long-term strategy of the GOB's Five-Year (1985-89) Macro-Economic Plan for Belize of promoting economic diversification through increased private sector investment in export-oriented activities and public sector investment in productive infrastructure.

The OED was created under the Ministry of Foreign Affairs and Economic Development in 1985. It now has four professional staff and this is expected to expand to seven by the end of the project. In order for OED to fulfill its role as an effective strong government entity capable of identifying and coordinating investment activities of both the private and public sectors, staff capabilities need to be developed in a number of areas such as project planning, development and evaluation and macro-economic policy review. These needs can be met by the short-term training activities proposed herein.

The existing ESF Project Grant provides for an Economic Development Advisor to assist OED in improving the investment planning process and coordinating among ministries and donors in the development and management of development projects. While this Project activity was authorized in late August 1986, the OED Advisor is not yet in place because the GOB and the Mission have had difficulty in finding an individual who fully fits the requirements of this important position. Interviews with three qualified candidates are currently in process, and the position should be filled by September 1987. It is now considered that for the Advisor to be most effective in accomplishing the terms of reference he/she should have up to two years during which to work and assist in strengthening OED, which requires an additional six months' funding. This is necessary because OED is a relatively new GOB entity and a longer period than 18 months will likely be needed in order to have a fully trained staff in place.

Finally, the existing ESF project grant provides a long-term technical advisor to the BEB, the country's largest parastatal. The Advisor's responsibilities include assisting the BEB in designing and implementing reforms in its organization, policies, operations and financial structure, with the goal of strengthening the overall management and financial viability of the BEB as it undertakes a new investment program. The GOB, through the Ministry of Electricity, Communications and Transport, has requested a one-year extension of the ESF Project-funded Advisor's services to assist BEB during the initial phases of implementation of the new World Bank/Caribbean Development Bank-financed \$15 million Power Project.

B. Project Amendment Description

The following activities will be undertaken under the ESF Project Grant Amendment:

1. Feasibility/Policy Study Fund. Based on USAID discussions with OED, possible areas for feasibility and policy studies are listed below. These areas are consistent with the priorities of the Five-Year Macro-Economic Plan, as well as with the development issues and proposed sectoral strategies identified in the recent World Bank Economic Report on Belize (December 1986). Individual studies and the scopes of work will be mutually agreed upon by AID and OED in consultation with the Economic Development Advisor. One study which has already been identified and will be undertaken is a comprehensive feasibility analysis of the proposed Santa Elena Free Trade

Zone. This study was requested by the Prime Minister and agreed to by the AID Administrator in September 1986.

A. Feasibility Studies and Action Plans:

- 1) Agriculture -
 - action plan to promote and improve the fishing industry
 - feasibility analysis of the mariculture industry
- 2) Manufacturing and Free Trade Zone Development -
 - site feasibility, market and labor study on the proposed Santa Elena Free Trade Zone
 - action plan to promote an efficient manufacturing development program
 - feasibility analysis for selected agro-processing activities
- 3) Tourism -
 - feasibility analysis to develop selected tourist sites (e.g., cayes, archaeological sites, wildlife, mountain resorts)
- 4) Local Infrastructure -
 - pre-feasibility analysis of potential local infrastructure projects like roads, bridges, ports, etc. important for increased production and productivity which can be presented to donors for possible funding

B. Policy Studies:

- Streamlining and standardization of the development incentive system
- Improvement of government taxation policies and revenues
- Implementation of further trade and domestic price liberalization
- Review and simplification of the tariff structure
- Review and assessment of the Government's role in the economy

2. OED Staff Training. Additional funding for short-term technical training for OED staff will be made available under this amendment. Training will be in the United States or in-country in areas promoting improvement of the public, investment process and economic policy analysis. Courses will include project feasibility analysis, economic and statistical analysis, project design, development and management, program planning and project evaluation methods.

3. OED Advisor Support. The Project Paper Amendment on the ESF Grant to OED describes the duties and responsibilities of the OED Advisor. This amendment will provide financing to extend his services, if needed, from the original 18 months to 24 months.

4. BEB Advisor Support. Additional funds will be programmed to finance the one-year extension of services of the BEB Financial and Management Advisor.

C. Budget Breakdown of this ESF Project Grant Amendment

1. Feasibility/Policy Study Fund	\$ 915,000
2. Short-term OED staff training	50,000
3. Economic Advisor six-month extension	100,000
4. BEB Advisor one-year extension	<u>100,000</u>

T O T A L \$1,165,000

D. Implementation Arrangements

1. The feasibility/policy study fund will be operated through a U.S. consulting firm, which will arrange appropriate expertise to undertake studies and provide consultancy to the overall effort. This firm will be competitively selected by the GOB and AID. The areas of investigation and scopes of work of the studies (including time-frame and budget) will be mutually agreed upon by both the OED and AID, in consultation with the Economic Development Advisor.

2. All contracting for the long-term Advisor positions will be carried out by the Mission, which will execute a direct AID contract for each separate long-term TA. The AID Joint Career Corps Program will be explored for possible source of long-term TA. The GOB will review and approve proposed scopes of work and participate actively in contractor selection.