

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BELIZE

**ADDITIONAL FINANCING FOR GEORGE PRICE HIGHWAY REHABILITATION
PROJECT**

(BL-L1029)

LOAN PROPOSAL

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ABBREVIATIONS	
AOP	Annual Operating Plans
IDB	Inter-American Development Bank
ICAS	Institutional Capacity Assessment Systems
CC	Climate Change
CDB	Caribbean Development Bank
CIF	Caribbean Investment Facility
CNTMP	Comprehensive National Transportation Master Plan
EA	Executing Agency
EIRR	Economic Internal Return Rate
ESIA	Environmental and Social Impact Assessment
ESMR	Environmental and Social Management Report
ESMP	Environmental and Social Management Plan
EU	European Union
GDP	Gross Domestic Product
GOBL	Government of Belize
GPH	George Price Highway
HDM-4	Highways Development and Management Model 4
LAC	Latin American and the Caribbean
MDB	Multilateral Development Banks
MOF	Ministry of Finance
MOW	Ministry of Works and Transport
NPV	Net Present Value
OC	Ordinary Capital
PEU	Project Execution Unit
PFM	Public Financial Management
PMU	Program Management Unit
PMR	Project Monitoring Report
POD	Proposal for Operation Development
POM	Project Operations Manual
PP	Procurement Plan
PSA	Partial Scope Trade Agreement
PSC	Project Steering Committee
RICAM	International Network of Mesoamerican Highways
RMU	Road Maintenance Unit
SIB	Statistical Institute of Belize
TC	Technical Cooperation
ToR	Terms of Reference

PROJECT SUMMARY
BELIZE
ADDITIONAL FINANCING FOR GEORGE PRICE HIGHWAY REHABILITATION PROJECT
(BL-L1029)

Financial Terms and Conditions					
Borrower: Belize				Flexible Financing Facility ^(a)	
				Amortization Period:	25 years
Executing Agency (EA): Ministry of Works (MOW)				Disbursement Period:	4 years
				Grace Period:	5.5 years ^(b)
Source	Approved Financing 3344/OC-BL (US\$)	Proposed Addition (US\$)	%	Interest rate:	LIBOR Based
				Credit Fee:	(c)
IDB (Ordinary Capital) ^(d) :	27,000,000	7,000,000	100	Inspection and supervision fee:	(c)
Other:	5,500,000	0	0	Weighted Average Life (WAL):	15.25 years
Local:	1,528,000	0	0	Currency of Approval:	Dollars of the United States of America
Total:	34,028,000	7,000,000	100		
Project at a Glance					
Project Objective/Description: The general objective is to contribute to the productivity and economic integration of Belize. The specific objective of the additional financing is to provide additional resources to complete the George Price Highway (GPH) Rehabilitation Project (3344/OC-BL), which aims to substantially improve the road connectivity within Belize's main districts and with Central America. This will be achieved through the rehabilitation of the GPH road infrastructure between miles 47.9 in Belmopan and 67.3 in Santa Elena to national standards, thereby decreasing travel time and costs, reducing road fatalities and injuries, and ensuring road accessibility by improving the Climate Change (CC) resilience of the corridor (¶1.41).					
Special contractual conditions prior to the first disbursement of the financing: The Project Steering Committee (PSC) must approve the Project Operations Manual (POM) (OEL#10) (¶3.3). See other special contractual conditions prior to the first disbursement in Annex B of the Environmental and Social Management Report (ESMR).					
Special contractual clauses of execution: See the Special Conditions of Execution in Annex B of the ESMR.					
Exceptions to Bank Policies: None.					
Strategic Alignment					
Challenges ^(e) :		SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>
Cross-Cutting Themes ^(f) :		GD	<input checked="" type="checkbox"/>	CC	<input checked="" type="checkbox"/>
				IC	<input type="checkbox"/>

- ^(a) Under the Flexible Financing Facility (FN-655-1), the borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions. In considering such requests, the Bank will take into account operational and risk management considerations.
- ^(b) Under the flexible repayment options of the Flexible Financing Facility, changes in the grace period are possible as long the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.
- ^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.
- ^(d) Pursuant to Document AB-2990, the disbursement of loan resources will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the loan operation is approved by the Board of Executive Directors (§2.2).
- ^(e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- ^(f) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed, and Justification

- 1.1 **General overview.** Belize is a small tropical country with a lightly spread population of 387,979.¹ The country and its infrastructure, especially in the low-lying coastal areas, are critically vulnerable to frequent tropical storms and hurricanes, flood damage and rising sea levels. Gross Domestic Product (GDP) growth averaged 2.25% annually from 2007-2016 while the per capita income, hovered around US\$4.78 thousand, during the last five years.² Poverty remains high at 41%.³ Belize's economy depends significantly on tourism and agriculture.⁴ Poor quality transport infrastructure raises transport costs,⁵ constraints growth in imports and exports, prevents the cultivation of available land due to poor access and limits tourist travel to prominent cultural and ecological sites around the country. Thus, the Bank identifies the quantity and quality of transport infrastructure as a binding constraint to Belize's economic growth.⁶
- 1.2 Cayo is Belize's largest district, and it is home to the second largest population after Belize District and has the largest population growth.⁷ It lies in the country's center between Belize District and Guatemala. The twin towns of San Ignacio and Santa Elena are the second most populated urban area in the country and home to most of Belize's inland tourism industry with several eco-lodges, resorts and a concentration of significant Mayan sites. The area around the community of Spanish Lookout (north-central part of the district) contains one of Belize's largest agricultural and agro-industrial areas and is home to all the country's petroleum industry.
- 1.3 **Road transport.** Road transport is the leading transport mode for cargo and passengers in Belize and henceforth a fundamental mechanism for economic development. Of Belize's main road network, there are only two land connections with the neighboring countries main road network, Guatemala, and Mexico, putting significant importance on these two corridors, the GPH and the Phillip Goldson Highway, for Belize's overland trade and integration with the Mesoamerican Region.
- 1.4 Belize's road network has 5,050 km of roads,⁸ of which 601 km are primary roads or highways, 765 km are secondary roads and 3,684 km are rural roads. Only 20% of the road network is paved, the lowest in Latin American and the Caribbean

¹ <http://sib.org.bz>, 2017.

² The Belize Central Bank, Major Economic Indicators, 2018.

³ Country Poverty Assessment, 2010.

⁴ According to the [World Travel and Tourism Council](#), in 2017, tourism accounted for 38.1% of the GDP, and according to [Index Mundi Belize economic profile](#) agriculture accounted for 9.7% of the GDP.

⁵ IDB Belize Transport Sector Policy Note 2013. Transport Sector Costs (average freight price for a 40 ft. container US\$/km): Belize: 2.6; Nicaragua: 1.21; El Salvador: 1.34; Mexico: 1.42; Costa Rica: 1.6; Panama: 1.85; Colombia: 2.9; Honduras: 3.3; and Dominican Republic: 4.75.

⁶ [IDB Technical Note, Rekindling Economic Growth in Belize. Dougal Martin 2013.](#)

⁷ Statistical Institute of Belize (SIB), Post-census estimated 2010-2017.

⁸ IDB funded Comprehensive National Transportation Master Plan (CNTMP), EGIS International and Transconsult, 2017.

(LAC).⁹ The existing network of roads and bridges is severely impacted by flooding. During the last decades, tropical storms and hurricanes have affected the country recurrently.¹⁰ Impacts are likely to worsen due to increased rainfalls and sea level rise associated with climate variability and Climate Change (CC).¹¹ Insufficient maintenance coupled with under designed road alignments are contributing to both high internal freight costs¹² and to one of the highest road fatality rates among the LAC region.¹³

- 1.5 **Insufficient maintenance.** Maintenance is insufficient causing the paved road network to deteriorate at a steep rate. The result is deteriorated pavement and shoulders, poor marking and signing and compromised drainage. The CNTMP (2018) cites that the surface condition of the primary road network is 27% bad, 69% fair, and only 4% good. This has been mainly attributed to: (i) the Government of Belize (GOBL) being unable to secure and administrate adequate and stable flows of funds for road maintenance; (ii) a weak and poorly equipped road maintenance unit; and (iii) increased traffic levels due to an increase in the movement of goods and services and expansion in the tourism and agricultural sectors.
- 1.6 **The George Price Highway (GPH).** The GPH, formerly known as the Western Highway, is a two-lane road that connects: (i) Belize City, the commercial center; (ii) Belmopan, the national capital; (iii) San Ignacio and Santa Elena; and (iv) Benque Viejo on the Guatemalan Border. The GPH was originally built in the 1930s and was last rehabilitated in the mid-1980s. The route is part of the International Network of Mesoamerican Highways (RICAM).
- 1.7 The GPH is the only major transport artery to and from Guatemala, vital for trade and integration with Central America. Trade with Guatemala has steadily risen since 2003 (according to the SIB exports increased by 8% between 2016 and 2017, SIB), and the introduction of a Partial Scope Trade Agreement between Belize and Guatemala in 2010 is stimulating further growth of trade between the countries.
- 1.8 In recent years, the GPH's pavement has deteriorated significantly, particularly in Cayo District. The pavement's poor conditions together with the absence of paved shoulders, unsafe road alignments, lack of pedestrian facilities in urban areas, and limited marking and signing add to Belize's high incidence of road fatalities. As a result, the GPH suffers from a decreasing level-of-service providing a major constraint for Belize's economic and social development and integration with

⁹ IDB Belize Transport Sector Policy Note 2013 based on the information provided by the Ministry of Works and Transport (MOW) (% of paved roads): Belize: 20 (2010); LAC: 22.45 (2010); Surinam: 26 (2000); El Salvador: 46.9 (2006); Dominican Republic: 49.4 (2005); Jamaica: 73.3 (2005); Guyana: 7.4 (2001); Haiti: 24.3 (2001); Mexico: 35.3 (2008); and Guatemala: 59.1% (2010).

¹⁰ Tropical depressions, tropical storms, or hurricanes have been recorded in 1931, 1955, 1961, 1971, 1974, 1978, 2000, 2001 and 2007, 2008, 2010, and 2016, by the US National Weather Service.

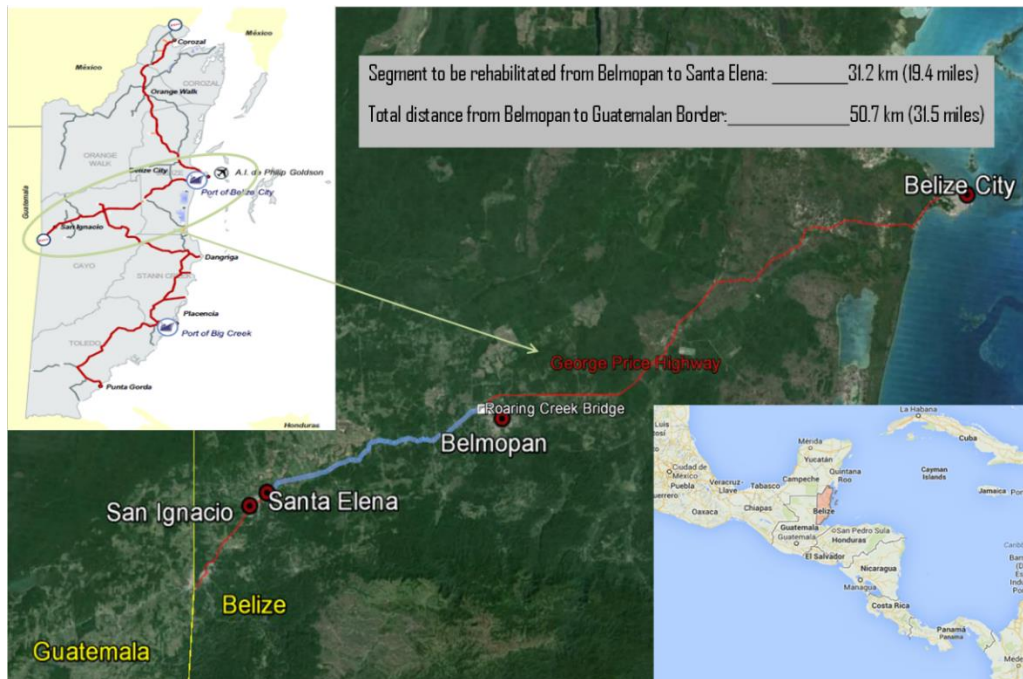
¹¹ CC projections predict increased hurricane/storm activity and intensity. The damages for successive decades 1980s, 1990s and 2000s show an increasing trend, IMF Working Paper - Gone with the Wind: Estimating Hurricane and Climate Change Costs in the Caribbean. The likely effect of this trend is anticipated by the US\$136 billion in losses from 165 storm events between 1990 and 2008 for 14 Caribbean countries (ECLAC).

¹² See footnote 3.

¹³ Traffic fatalities per 100,000 people in the region (IDB): Belize: 28.9; El Salvador: 21.5; Honduras: 17.8; Nicaragua: 12; Guatemala: 12; Costa Rica: 12.6; Dominican Republic: 25.3; Suriname: 19.7; and Guyana: 19.1.

Central America and compromising the use of this corridor as a primary evacuation route.

Figure 1. Location of GPH in Belize



- 1.9 **The problem.** The extent and condition of Belize's existing road infrastructure generally (§1.5), and the condition of the GPH in particular between Belmopan and Santa Elena (§1.12) are causing: (i) a rise in transport costs; (ii) a high incidence of traffic fatalities; and (iii) unreliable connectivity due to the corridor's increasing susceptibility to CC induced flooding.
- 1.10 **Rising transportation costs.** The deteriorated state and the limited extent of Belize's primary road infrastructure and the lack of complementary freight services raise logistics transport costs, which subsequently constrains growth in exports, prevents the cultivation of available land due to poor access, and limits tourism at prominent cultural and ecological sites around the country. The resulting high logistics costs are disproportionately impactful to Cayo District's primary economic generators, which lie along the GPH in particular in the section between Belmopan and Santa Elena where the Spanish Lookout area is located (§1.2), and to potential increases in Belize's trade with Mesoamerica, which today is only 10% of exports and 25% of imports despite close proximity.
- 1.11 **High number of traffic accidents.** The poor condition of Belize's road network (§1.5) contributes to one of the highest road fatality rates in the LAC region (28.9 per 100,000 people). Most of the project segment of the GPH received the International Road Assessment Program's lowest safety grade in their 2012 report on the safety of Belize's primary road network and as a result, has averaged around five fatalities and 50 severe injuries due to traffic accidents per year.
- 1.12 **Unreliable connectivity during extreme weather events.** CC and climate variability are likely to increase rainfalls and raise sea levels, worsening the

impacts of severe weather events. This scenario is especially significant for the GPH, which is the primary evacuation route for residents of Belize City and environs to the high ground around San Ignacio/Santa Elena. However, the highway in its current condition is susceptible to flooding, particularly in the section between Belmopan and Santa Elena where the most vulnerable infrastructure, the Roaring Creek Bridge is located and which has been submerged at least twice in the last ten years and frequently has water straining its superstructure. Loss of access to the bridge cuts off this evacuation route and severely damages trade with Guatemala and tourism to important sites in Western Belize.

- 1.13 **The GPH Rehabilitation Project (3344/OC-BL).** Attending the GOBL's request and priorities, on November 19, 2014, the Bank approved a loan to support the financing of the GPH Rehabilitation Project for an amount of up to US\$27 million from the Ordinary Capital (OC) resources of the Bank. The estimated cost of the project was the equivalent of US\$28.528 million, which included a local counterpart contribution from the GOBL for an amount of US\$1.528 million. The Loan Contract was signed on November 17, 2015, and the loan became eligible for disbursement on December 29, 2015. With an execution period of five years, the disbursement expiration date is November 17, 2020.
- 1.14 At the time of the Bank's approval of the loan, the GOBL was applying for additional funding from the European Union (EU), through its Caribbean Investment Facility (CIF), to contribute to financing activities related to Component 1. In 2015, the CIF approved a non-reimbursable financing for €5 million¹⁴ (approx. US\$5.5 million) to be directly administered by the GOBL to support the GPH project execution. The original Bank loan 3344/OC-BL was approved with a financial matrix of 94.64% (IDB) and 5.36% (counterpart). With the additional funding provided to the project by the GOBL from CIF resources, the financial matrix was modified to 79.35% (IDB) and 20.65% (counterpart). Due to the addition of the EU grant resources to the project, a partial exception to Bank procurement policies was authorized by the Board (¶3.4) to include non-IDB member countries recognized as eligible by the EU. The resulting cost structure is presented in Table 1 below.

¹⁴ This amount was intended to cover the cost of some elements of the drainage systems, such as major culverts and minor bridges, which required enhanced dimensions or geometry; a new roundabout that was included at a major intersection; and the design of the Roaring Creek Bridge which has improvements in its foundation, geometry and river bed clearance.

Table 1. Current Cost Structure (US\$ million)

Category	IDB	CIF	GOBL	Total
Component 1. Civil works and maintenance	23.954	5.280	1.528	30.762
Replacement of Roaring Creek Bridge including approaches	3.476	2.860	-	6.336
Rehabilitation of GPH, environmental and social mitigation measures, utility relocation	18.522	2.420	-	20.942
Construction supervision	1.800	-	-	1.800
Two years of maintenance	0.156	-	0.156	0.312
Land acquisition	-	-	1.372	1.372
Component 2. Institutional strengthening	0.400	-	-	0.400
The MOW Strengthening	0.400	-	-	0.400
Component 3. Engineering and administration	2.646	0.220	-	2.866
Administration (PEU Staff)	1.747	-	-	1.747
Studies and designs	0.449	-	-	0.449
Monitoring and evaluation	0.350	-	-	0.350
Communication strategy and financial audits	0.100	0.220	-	0.320
Total	27.000	5.500	1.528	34.028

- 1.15 The GPH Rehabilitation Project addresses the problems put forth above (¶1.9) by financing the rehabilitation and maintenance of the GPH between Belmopan (mile 47.9) and the beginning of the Santa Elena/San Ignacio bypass (mile 67.3), the replacement of the Roaring Creek Bridge (mile 48) and institutional strengthening of the Project Execution Unit (PEU) to be formed within the MOW and the proper administration and supervision of the project's execution. The direct beneficiaries of GPH rehabilitation are the Cayo and Belize Districts population which represent almost 50% of the country's population. The beneficiaries are mostly involved in the productive sectors of agriculture and tourism activities or are part of the government's administrative workforce.
- 1.16 **Execution progress.** The Project Monitoring Report (PMR) for the period June to December 2017 rated the implementation of the project as satisfactory. The civil works and maintenance component which account for 90% of the project funds is 65% committed with the contracting of Section I and Section II. Activities have commenced on the institutional strengthening component with training being provided to MOW staff on the structuring of performance-based contracts for maintenance and a consultant was hired to provide training on environmental safeguards application in accordance with the Bank's policies. The uncommitted amount in Component 1 is insufficient for the contracting of Section III, which is dependent on additional financing being made available to commit to the contract. At the end of June 2018, US\$7.38 million (27.3%) of the financing had been disbursed.

Table 2. Project sections

Construction section	Length	Contractor	Contract amount	Execution (%)
Section I: Construction of Roaring Creek Bridge	485 m	M&M Engineering Consultants Limited	US\$5,673,411	9.8
Section II: Roaring Creek to Iguana Creek Junction	15.2 km	Teichroeb & Sons Limited	US\$10,270,411	6
Section III: Iguana Creek Junction to Santa Elena Town	15.8 km	Tender stage	-	

- 1.17 **Section I - Roaring Creek Bridge.** The Contractor has mobilized the equipment that is needed for the works up to date. Approximately, 68% of the concrete piles required for the bridge foundation has been prefabricated and stockpiled on site. The Contractor is presently preparing the foundation area to drive the piles. Preparations are being made for the fabrication of the girders (beams) which will support the deck of the bridge. Overall financial progress is 9.8% with 13 months remaining in the contract.
- 1.18 **Section II - Roaring Creek to Iguana Creek Junction.** The Contractor has mobilized the equipment needed for the works and has completed two bypasses needed to commence work on an “S” curve correction and a large double Box Culvert. Active work sites include: (i) water pipe relocation; (ii) excavation at the “S” curve; and (iii) double Box Culvert C217 and roadworks at kilometer 10.5. Overall financial progress is 6% with 15 months remaining in the contract.
- 1.19 **Section III - Iguana Creek Junction to Santa Elena Town.** The bidding period for Section III closed on March 28, 2018, and eight proposals were received from contractors. The Executing Agency (EA) is currently evaluating the proposals and the contract will be signed once the additional financing has been secured. The time lapse between the commencement of works on Section I and Section III would be approximately one year.
- 1.20 **Evidence of the intervention’s effectiveness.** For the countries of Central America, shortcomings in transportation infrastructure (especially border crossings) generally increase the cost of transporting goods by an estimated 4% to 12%,¹⁵ eroding the competitiveness of their economies.¹⁶ Recent studies indicate that road transport costs at the Central American level represent 30%-35% of total logistics costs, a figure whose negative impacts on intra- and inter-regional trade are exacerbated, considering that a fourth of Central American exports had as final destination, countries within the same region. Based on some simulations of regional freight flows, it is estimated that a 1% increase in the distance between poles of production and consumption (longer travel time) can reduce Central American exports by 1.65%.¹⁷ The economic evaluation of the project estimates that road users will see a US\$53 million decrease in their economic costs of using the roadway over the next 20 years due to the rehabilitation.

¹⁵ Competitive Advantage: Moving Ahead of the Global Competition. IDB, 2013.

¹⁶ Each day that goods are in transit is equivalent to 0.6% to 2% of the value of the goods. Hummels, 2012. <https://www.researchgate.net/publication/5081736>, Time as a Trade Barrier.

¹⁷ Five Explanations to High Costs of Service Provision. Ruiz Olmedo, 2007; WTO, 2010.

- 1.21 **Increase in the roadway's CC resilience.** The rehabilitated roadway is designed to withstand an increased incidence of severe weather due to CC. This resulted in bridges being designed to remain above flood levels and sufficient drainage and elevation of the roadway to prevent localized flooding. The estimate of the volume and percentage of climate financing contained in the operation was computed in accordance to the [Multilateral Development Banks](#) (MDB) joint methodology for estimating climate financing, and as established in the procedures for the processing of Sovereign Guaranteed Transactions. The incremental cost of the CC adaptation activities is 16% ([OEL#12](#)) of the cost of the civil works. After rehabilitation, the roadway will be able to reliably perform as the primary evacuation route for Belize City during severe weather events (¶1.6).
- 1.22 **Project added value opportunities.** The relevance of GPH in terms of potential beneficiaries (¶1.15) and percentage of the road network intervened, also opens an important opportunity to promote local labor force participation, particularly for women in the sector value chain. Most women (56%) work as clerks, sales workers or in-service occupations compared to men with the same type of occupations.¹⁸ Information from 2013 highlights that despite the contribution to GDP (18%) of the construction and transportation sectors, women participation in secondary industries is below the 15%.¹⁹
- 1.23 **Innovation.** GPH project will be included on the *Infradinámica* platform which is a mobile application that integrates Geographic Information System and aerial photography for remote project supervision management. This will increase the effectiveness in supervision and user's appropriation with the project through technological tools. Drone flights will be used to collect photographic data of the works at regular intervals and when uploaded into the application, and it will output the progress of the works and serve to follow up maintenance requirements. This mobile application will also allow the dissemination of project management information amongst project stakeholders.
- 1.24 **GPH engineering designs.** A preliminary design and feasibility study were carried out in July 2014 which served as the basis for the determination of the civil works budget for 3344/OC-BL. To support the preparation of the final designs, the IDB approved a Technical Cooperation (TC): Final Designs for GPH Rehabilitation (ATN/OC-14681-BL) on October 23, 2014, with the MOW being the EA. The execution of the TC suffered from delays after the first procurement process was unsuccessful at contracting a consultant to undertake the designs. The final designs were completed in February 2017 and the civil works for the 31 km road rehabilitation were divided into three sections: Section I - Roaring Creek Bridge (0.485 km), Section II – Roaring Creek Bridge to Iguana Creek Junction (15.2 km of road), and Section III – Iguana Creek Junction to Santa Elena (15.8 km of road).
- 1.25 **Climate change measures.** During the final design of the works in 2016, Belize was impacted by Hurricane Earl which penetrated the country as far as Belmopan and San Ignacio, where the project site is located. According to the ECLAC²⁰/IDB assessment of the hurricane damage, 34% of the damage to public infrastructure was in the transport sector. Consequently, the final designs considered some

¹⁸ [Link to document.](#)

¹⁹ [Link to document.](#)

²⁰ Economic Commission for Latin America and the Caribbean.

necessary technical adjustments to the preliminary designs to comply with the objectives of the operation taking the experience from the hurricane into account. The main consideration was flooding problems that are predicted to become more frequent, with flood volumes and flows increasing in response to the impacts arising from CC. As a result, a 1:20 year or 1:100 return period event (criteria used for the design of the drainage system and bridges respectively) will be equivalent to shorter return period event in the future. Considering that the road has an expected design life of 20 years and the structures life vary between 30 to 50 years, the designers used a 30% increase in peak fluvial flood flows for a higher standard of resilience. This provides safeguard against the structure becoming obsolete before the end of its design life.

- 1.26 The final designs detailed additional CC adaptation aspects, improved road characteristics and safety elements on the GPH to the level required for construction. The cost estimates for the civil works were prepared considering price inflations since the original 2014 estimates and rates from a tender process held for the Caribbean Development Bank (CDB) funded road and bridge project in the San Ignacio/Santa Elena area. The estimated value of the civil works in the final design was US\$26.18 million, which was US\$6.71 million higher than the US\$19.47 million estimated from the preliminary design. The total cost of Component 1 was estimated at US\$32.050 million as shown in Table 3 below.

Table 3. Breakdown of Component 1 (US\$ million)

Activity	Amount
Civil works (road and bridge)	26.180
Utility relocation and contingency	2.136
Construction supervision	1.800
Two years of maintenance	0.312
Environmental and social mitigation measures	0.250
Land acquisition	1.372
Total	32.050

- 1.27 **Bidding process.** In March 2017, procurement processes were launched for Sections I and II as well as for construction supervision. The decision for launching two of the work bids rather than all three was related to the engineer's estimate²¹ of the three sections and the supervision totaling US\$29.999 million which exceeded the available US\$29.234 million budget in the financing. Bids were received and contracts awarded for Sections I and II, and the supervision. After deducting the awarded amounts from the available budget, US\$1.150 million was needed for Section III which has an estimate of US\$12.373 million, making clear the need for additional financing to complete the project as it was designed.
- 1.28 **Design review.** At the commencement of its contract the Construction Supervision Consultant (the supervisor), as per standard practice, undertook a design review. This review took place between January and April 2018 for Sections I, II and III and it identified some shortcomings in the designs requiring an additional US\$2.775 million. The Roaring Creek Bridge designs were found to have areas that would need additional cost while some areas for cost savings, resulting in

²¹ Engineer's estimate comprised the cost of: (i) civil works; (ii) preliminaries items; (iii) utility relocation; and (vi) contingencies.

US\$18 thousand increase in the contract sum of the Works. However, for Section II, shortfalls in quantities were identified mainly in the earthworks and roadworks²² bill of quantities totaling US\$1.530 million. Section III was similar to Section II with shortfalls being identified mainly in the earthworks and roadworks²³ bills totaling US\$0.523 million. In addition, it was identified that the sidewalks, pedestrian crossing, and street lighting were underestimated on Sections II and III in the amount of US\$0.704 million.

- 1.29 **Increased relocation and renewal of utilities.** The firm which prepared the detailed designs, consulted with the utility companies, regarding the location of these infrastructures and the cost of relocating those that fell within the construction zone of the road. The utility relocation costs as provided by the respected companies were included as provisional sums in the civil works document contracts for Sections I-III in the amount of US\$0.791 million. However, in October of 2017, the utility companies provided a detailed breakdown of the relocation cost based on the road designs with paved shoulders. These quotations for relocating the utilities were above the original estimates for the works previously provided by the companies. In addition, water mains previously attributed to the water utility were identified as being owned by six villages along the highway and these were not captured in the estimates for utility relocation. The water utility which accounts for 93% of the cost has agreed to cover half of the cost of the relocation of that utility. The ensuing quotations and estimations, less the contribution from the water utility is US\$1.650 million higher than the provisional sums catered for the civil works contracts.
- 1.30 **Construction supervision.** The bidding process for the construction supervisor for all sections of the works resulted in bids above the budget of US\$1.8 million. The successful bidder was awarded a contract for US\$1.912 million to supervise the three works contracts concurrently, considering that the Section III would commence six months after the first two sections. Given the shortfall in resources for the award of Section III, there will be a delay to the commencement of that contract beyond six months thus requiring an extension of the construction supervision contract, which will incur additional costs estimated at US\$0.775 million.
- 1.31 **Summary of cost overruns.** Cost overruns resulted from the following circumstances: (i) CC adaptation aspects required technical enhancements after Hurricane Earl in 2016 and this resulted in improved road characteristics and safety elements being included in the final detailed designs completed in February 2017; (ii) estimates for the works that were calculated at the time of project preparation were based on cost for similar works in Belize at the time (2014), while the estimates at the completion of final designs (2017) reflected higher prices based on the adjustments and inflation and the updated market rates available from a recently tender from a CDB transport project in San Ignacio/Santa Elena; (iii) the design review performed at the beginning of 2018 by a specialized construction supervision firm that was contracted to assist the MOW identified shortfalls in material quantities mainly due to additional rock excavation and

²² The shortfall in quantities were mainly attributed to additional rock excavation to improve a poorly aligned curve and increase in road base layer to allow for adequate drainage of that layer and intersections with side streets.

²³ The shortfall in quantities were mainly attributed to the road base layer to allow its adequate drainage and intersections with side streets.

increase in road base layer to allow adequate drainage and improvements in intersections; (iv) final quotations from the utility companies' to relocate their infrastructure (especially those of the water utility), were higher than the estimates provided during the design phase partially due to the fact that some water mains previously attributed to be owned by the water utility were privately-owned along the highway and were not captured in the original relocation estimates; and (v) due to high bid prices the construction supervision contract was above the budget and the staggered start of Section III will require additional resources for supervision.

- 1.32 Based on the final engineering designs, and the current estimated costs of the pending contract, the resources will not be enough to finish the project as envisioned. Therefore, the GOBL requested additional financing from the Bank through communications dated April 17 and June 6, 2018. The additional financing of US\$7 million²⁴ will fund the following expenses US\$1.150 million to allow for the award of Section III, US\$0.775 million for construction supervision, US\$2.775 million for additional material quantities, US\$1.650 million for utility relocation, US\$0.250 million for environmental and social mitigation and US\$0.400 million for administration and evaluations.²⁵ The need for additional financing could not have been negated by adjusting the project volume or coverage to the available funding without seriously affecting the project objectives. An adjustment to the scope of the project would have one of the following results: (i) a reduction in the quality of the road infrastructure being funded; (ii) a reduction in climate resilience or safety elements of the designs; or (iii) reduction in the length of the roadway that is rehabilitated. None of the aforementioned options are desirable and with respect to item (iii), the specified length is the distance to Santa Elena which is the next population center in that region in Belize, making it necessary to complete the whole road to achieve the objectives of the project. Additionally, the EA's management capacity would be strengthened under 3344/OC-BL to avert further cost overruns.

Table 4. Financing required to complete the project (US\$ million)

Activity	Amount
Civil works	3.925
Utility relocation	1.650
Construction supervision	0.775
Environmental and social mitigation measures	0.250
Administration and evaluation	0.400
Total	7.000

- 1.33 **Compliance with IDB Policy on Additional Financing of Cost Overruns for Operations in Progress (GN-2329) ([OEL#11](#))**. The request for the additional financing is in compliance with the conditions established in the Policy as follows: (i) the GOBL requested additional financing from the Bank through communications dated April 17 and June 6, 2018 which are both within the present

²⁴ The GPH is 31 km with a projected cost of US\$35.67 million which is equivalent to be US\$1.15 million/km and is comparable to cost of roads in the region. Recent roads of a similar nature funded by the IDB in Suriname and Nicaragua ranged between US\$1.025 million/km and US\$1.88 million/km.

²⁵ The current loan has 29 months of execution period remaining, while the additional financing will be 46 months based on the time required to complete the construction and routine maintenance activities (§2.1), as such funds will be needed for administration to cover the cost of managing the operation closeout, as well as the final evaluation and audit.

disbursement period of the project that expires on November 17, 2020, (¶1.13); (ii) project execution is satisfactory as 65% of the resources have been committed (¶1.16); (iii) the cost overruns resulted from circumstances beyond the borrower's control (¶1.31); (iv) adjusting the project volume or coverage to the funding available would not be an appropriate solution, as it would compromise the project objectives (¶1.32) since Section III terminates in next town which is Santa Elena; (v) the additional financing is needed to ensure that the original objectives of the project are met, the additional financing does not adversely affect the project's environmental, institutional, economic, and financial feasibility (¶1.20, ¶1.21), the revised economic appraisal showed a positive return and the updated environmental and social review confirmed significant compliance on environmental issues; (vi) the GOBL has previously secured the €5 million grant from the CIF and does not have access to additional financing sources that offer transaction costs and maturities comparable to those provided by the Bank;²⁶ (vii) given the additional funds that the GOBL was able to secure from the CIF to support the project after the original loan was approved, the current request for US\$7 million additional financing from the IDB does not impact negatively the original financial matrix since it changes to 82.9% (IDB) and 17.1% (Counterpart) which is an improvement in comparison to the original matrix (¶1.14); and (viii) the GOBL is up to date on its payments to the Bank.

- 1.34 **Lessons learned.** The lessons learned from IDB's financing and involvement in the current project include: (i) the designs on which the project cost are determined should take into account CC and adaptation and/or mitigation measures incorporated into the infrastructure; (ii) final designs and land acquisition completed prior to loan approval and the request for proposals for and contracting of civil works would improve timeliness of project execution; (iii) on-site engagement of the utility companies to assess the quantity of their infrastructure to be relocated should be done during project design; and (iv) for an optimal sequencing of civil works procurement, the supervisor should be hired with sufficient time to assess the designs prior to awarding construction contracts to minimize cost overruns.
- 1.35 **Link to national policies and related projects.** The GPH Rehabilitation Project is aligned with Belize's medium and long-term action plan of the CNTMP which stresses the importance of an efficient transport service for economic development and the goals of the National Development Plan 2010–2030 in which efficient transport services were declared crucial for economic development. In response, nine road projects including the GPH Rehabilitation Project and two strategies/programs were identified as key interventions towards achieving the strategy's prerogatives.
- 1.36 **Strategic alignments.** The GPH Rehabilitation Project is consistent with the Bank's 2013-2017 Belize Country Strategy (GN-2746) in meeting its goal to "improve ease of transport of goods and people" by improving a primary highway which is significant for trade with Central America and providing greater access to cultural heritage and ecological tourist destinations in the Belizean interior. The project will achieve this by fostering trade and integration and improving access to tourism sites while giving attention to climate resilience of the infrastructure and

²⁶ The GOBL also values the benefits of the technical assistance and operational and environmental management processes that accompany the Bank's financial instruments, and in completing the program investments with the IDB financial assistance.

road safety. In addition, the project is included in the Operational Program Report 2018 (GN-2915).

- 1.37 The operation is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is strategically aligned with the development challenges of: (i) productivity and innovation; and (ii) economic integration. This project will address these challenges by decreasing travel time and cost in the Cayo district which has 20% of the country's farmers,²⁷ accounts for 25% of overnight tourists²⁸ and is the land connection with Central America. The operation is aligned with cross-cutting theme Climate Change and environmental sustainability since the designs are adapted to CC. According to the [joint MDB approach](#) on climate finance tracking, 16% of total IDB funding for this operation is invested in climate change adaptation activities. This contributes to the IDBG's climate finance goal of 30% of combined IDB and IIC operational approvals by year's end 2020. Furthermore, this operation is strategically aligned with the following two criteria of the Sector Strategy to Support Competitive Global and Regional Integration (GN-2565-4): (i) cross-country focus; and (ii) national subsidiarity. Considering the scope of the project, this project contributes to a cross-country focus, as it is a national project that has a direct effect on advancing accessibility standards by improving the country's highway connection with Central America. The project is critical for Belize to maintain and increase its economic integration with the rest of the world. It also contributes to national subsidiarity since it is a national investment with cross-border objectives since the road section is part of the RICAM Project that meant to create a regional network of highways ([OEL#5](#)).
- 1.38 The operation is also aligned with gender equality and diversity. Women are usually underrepresented in the construction, engineering and transportation fields (§1.22). Further, women and girls are the primary victims of sexual harassment, exploitation and gender violence which can occur with the influx of construction workers into a community and on the roads. A Gender Strategy and Action Plan has been developed and will be integrated into the Project Operations Manual (POM) to ensure that women and girls are not victimized or excluded from the benefits of the project. The strategy and action plan are provided in Annex 5 of the Environmental and Social Impact Assessment (ESIA) Addendum ([OEL#8](#)). It forms the basis to understand how gender equality and women's empowerment will be specifically approached in the GPH. The project will incorporate in the gender strategy some actions specifically through mentorship programs for local women to learn to work in different aspects of the construction to provide them with tools to access jobs in the sector. Additionally, the strategy includes, educating workers on harassment and gender issues, developing a mentorship program for local women from the community, engaging female engineering students from the University of Belize to conduct internship with the various design, engineering and construction aspects of the project and finally, including solar illumination at bus stops to increasing the security.
- 1.39 It also contributes to the Corporate Result Framework 2016-2019 (GN-2727-6) through the country development result indicator of kilometers of roads built or upgraded (constructed/rehabilitated kilometers of an integration corridor). In

²⁷ SIB, 2010.

²⁸ Belize Travel and Tourism Digest, 2016.

addition, it is aligned with the IDB's Infrastructure Strategy - "Sustainable Infrastructure for Competitiveness and Inclusive Growth" (GN-2710-5) and the Transport Sector Framework (GN-2740-7), by supporting the transportation infrastructure improvement.

- 1.40 **Coordination with other MDB.** The GPH Rehabilitation Project is being implemented with co-financing from the EU for which a Management Agreement has been signed between the EU and the IDB. Other active projects within the GPH corridor include a bypass and new bridge around San Ignacio/Santa Elena (US\$40 million) and a program to increase road safety (US\$10 million) between Belize City and Belmopan both funded by the CDB. The Bank's operation, Flood Mitigation Program for Belize (2566/OC-BL), which included similar works, was successfully completed in 2017 by the MOW.

B. Objective, Components, and Cost

- 1.41 The general objective is to contribute to the productivity and economic integration of Belize. The specific objective of the additional financing is to provide additional resources to complete the GPH Rehabilitation Project (3344/OC-BL), which aims to substantially improve the road connectivity within Belize's main districts and with Central America. This will be achieved through the rehabilitation of the GPH road infrastructure between miles 47.9 in Belmopan and 67.3 in Santa Elena to national standards, thereby decreasing travel time and costs, reducing road fatalities and injuries, and ensuring road accessibility by improving the CC resilience of the corridor. To meet the objective, the proposed additional financing will support the completion of the following components of the project (3344/OC-BL); consequently, the original project results framework remains unchanged.
- 1.42 **Component 1. Civil works and maintenance (US\$6.6 million).** This additional resources for this component will be used towards the cost of: (i) the civil works for the rehabilitation of the GPH from mile 47.9 (Belmopan) to mile 67.3 (beginning of Santa Elena Bypass) ([OEL#1](#)); (ii) the supervision of the civil works; (iii) utilities relocation required to execute the civil works; and (iv) environmental and social mitigation. The civil works will include the measures to address road safety, and CC resiliency issues (¶1.36).
- 1.43 **Component 2. Administration (US\$0.4 million).** These additional resources²⁹ will augment financing for the administration activities in Component 3 of the GPH Rehabilitation Project. The activities to be funded include: (i) project management staff; (ii) renting office space for the Program Management Unit (PMU); (iii) monitoring and evaluation; and (vi) financial audits.
- 1.44 **Cost and additional financing.** The proposed additional financing has been budgeted at US\$7 million to cover the funding gap resulting from the additional costs of completing the GPH Rehabilitation Project. Table 5 presents the breakdown of costs. The financing from the Bank will draw upon OC resources, with amortization and grace periods of 25 years and 5.5 years respectively. The total cost of the project (including 3344/OC-BL) is shown in Table 6.

²⁹ See Footnote 24.

Table 5. Cost and additional financing (US\$ million)

Category	Amount
Component 1. Civil works and maintenance	6.6
Component 2. Administration and Evaluation	0.4
Total	7.0

Table 6. Project Cost (US\$ million)

Category	Originally approved financing				Proposed Additional Financing	Consolidated			
	IDB	CIF	GOBL	TOTAL	IDB	IDB	CIF	GOBL	Total
Component 1. Civil Works and Maintenance	23.954	5.280	1.528	30.762	6.600	30.554	5.280	1.528	37.362
Replacement of Roaring Creek Bridge including approaches	3.476	2.860	-	6.336	-	3.476	2.860	-	6.336
Rehabilitation of GPH, environmental and social mitigation measures, utilities relocation	18.522	2.420	-	20.942	5.825	24.347	2.420	-	26.767
Construction supervision	1.800	-	-	1.800	0.775	2.575	-	-	2.575
Two years of maintenance	0.156	-	0.156	0.312	-	0.156	-	0.156	0.312
Land acquisition	-	-	1.372	1.372	-	-	-	1.372	1.372
Component 2. Institutional Strengthening	0.400	-	-	0.400	-	0.400	-	-	0.400
The MOW strengthening	0.400	-	-	0.400	-	0.400	-	-	0.400
Component 3. Engineering and Administration	2.646	0.220	-	2.866	0.400	3.046	0.220	-	3.266
Administration (PEU staff)	1.747	-	-	1.747	0.200	1.947	-	-	1.947
Studies and designs	0.449	-	-	0.449	-	0.449	-	-	0.449
Monitoring and evaluation	0.350	-	-	0.350	0.100	0.450	-	-	0.450
Communication strategy and financial audits	0.100	0.220	-	0.320	0.100	0.200	0.220	-	0.420
Total	27.000	5.500	1.528	34.028	7.000	34.000	5.500	1.528	41.028

C. Key Results Indicators

- 1.45 The expected results and indicators are the same as those of 3344/OC-BL, the original approved loan. The additional financing will contribute to following expected results: (i) the rehabilitation of 31 km of roads to national standards providing a more reliable connectivity between Belize's main district and the rest of Central America, preventing the severing of a critical evacuation route during severe storms; (ii) reduction in vehicle operating costs and travel times and increased accessibility; and (iii) reducing the number of accidents. The expected impact indicator for the operation is an increase in Belize's quality of roads based on the Quality of Roads Index from the Global Competitiveness Report. The

complete set of outputs, results, and indicators is shown in the Results Framework³⁰ (Annex II).

- 1.46 **Economic feasibility.** The economic assessment was updated based on the new forecasted costs, observed traffic counts and direct benefits of road improvements including: (i) savings in vehicle operating costs; (ii) savings in road maintenance expenditures; (iii) time savings to passengers and freight; and (vi) accident reductions. To assess the economic feasibility of this project, the conventional cost-benefit technique was adopted and applied with the Highways Development and Management Model 4 (HDM-4). The indicators utilized for the comparison with and without project alternative are: (i) Net Present Value (NPV) of the benefits accruing to road users minus cost increase incurred by the road agency, discounted at a rate of 12% per year; and (ii) Economic Internal Return Rate (EIRR). The evaluation of this rehabilitation project resulted in an NPV of US\$14.4 million, and an EIRR of 16.3%; the project is thus feasible and at the end of its lifecycle, it will yield a positive impact. A sensitivity analysis was made for scenarios that increased costs and reduced benefits, which produced the following threshold values for the feasibility: (i) increases in costs up to 37%; (ii) benefit reduction up to 27%; and (iii) changes in both parameters; costs and benefits up to 15% ([OEL#2](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 The proposed additional financing, like the original loan, will be implemented as a specific investment loan. The execution activities along with the timeline and costs to be supported by the operation are elaborated in the Project Execution Plan ([REL#1](#)). The execution plan projects that the civil works and routine maintenance activities will take 46 months to complete, so it is expected that the loan will be disbursed in four years as shown in Table 7.

Table 7. Estimated Schedule of disbursement (US\$ million)

	Year 1	Year 2	Year 3	Year 4	Total
IDB	1.050	1.050	1.400	3.500	7.000
%	15	15	20	50	100

- 2.2 Pursuant to Document AB-2990, the disbursement of Bank financing will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the loan operation is approved by the Board of Executive Directors. These limits may be rendered inapplicable to the extent that the requirements set forth in the Bank's Policy regarding limitations have been fulfilled, provided that the borrower has been notified of the same in writing.

³⁰ 3344/OC-BL and BL-L1029 will utilize the same PMR since the quantity of the physical outputs are unchanged. The cost in the PMR for those outputs which will receive additional financing from BL-L1029 will be adjusted as part of the kick-off Workshop.

B. Environmental and Social Safeguard Risks

- 2.3 In accordance with the Environment and Safeguards Compliance Policy (OP-703), this operation has been classified as Category "B". The key environmental and social impacts identified are: (i) the involuntary displacement of two residential dwellings (one individual and one tenant family), and the partial affectation of parcels of land along the right of way, impacts to assets, and accessibility; (ii) risks associated to occupational and community health and safety, which includes labor relations and the interactions of workers with the local population, which involve the risk of potential sexual harassment, as well as road safety; and (iii) construction impacts typical of road rehabilitation in rural areas (noise, dust, erosion, waste management, etc.). These are considered mostly local and short-term impacts for which effective mitigation measures are readily available. A medium risk identified was the political/community opposition to the project which will be mitigated through the preparation and implementation of a Resettlement and Livelihood Plan and public consultations. In addition, the preparation and execution of a Communication Plan will also contribute to the mitigation of both risks.
- 2.4 To assess and mitigate the impacts of the project, an ESIA and an Environmental and Social Management Plan (ESMP) were prepared in 2014 for the entire length of the GPH Rehabilitation Project (four sections), including the sections to be financed in this additional loan (Sections II to III). However, since this time decisions related to the route have been taken, and final designs prepared. As a result, additional environmental and social management instruments have been prepared: (i) an addendum to the ESIA; (ii) an updated ESMP; (iii) a resettlement and livelihoods restoration plan; (iv) a consultation and a Stakeholder Engagement Plan; (v) a sociocultural analysis of the local population; (vi) a gender strategy and action plan; (vii) a communications plan; and (viii) an updated grievance redress mechanism. The updated ESIA and plans were published on the IDBs website before the analysis mission. Consultations were undertaken in 2014 during the preparation of 3344/OC-BL, and a new round of meaningful, gender-sensitive and socio-culturally appropriate consultations were held during the second half of June 2018.
- 2.5 While the original loan 3344/OC-BL included financial provisions for the implementation of the identified environmental and social measures, the PEU of the MOW has not shown adequate socio-environmental capacity. For that reason, as part of the legal requirements for this additional financing, the borrower will be required to hire environmental and social specialists to support the operation and to ensure the implementation of the updated ESMP and the new social plans listed above. Likewise, sections I and II of the road are already in construction, and these works require the implementation of a Corrective Action Plan for 3344/OC-BL, which is included as Annex E of the Environmental and Social Management Report (ESMR). Additional information can be found in the ESMR ([REL#3](#)).

C. Fiduciary Risk

- 2.6 Based on the results of the evaluation of the project and the state of the country's Public Financial Management, the overall fiduciary risk is determined to be medium (See Annex III). The MOW has adopted the national system, SmartStream which the Bank considers adequate for the budgeting, treasury and accounting, and

reporting functions. However, the external and internal control functions, as well as the procurement systems of the GOBL and the MOW are not adequate for the execution of the project. The risk types, classification, and mitigation measures are summarized in Table 8.

Table 8. Main Risk Areas and Mitigating Measures

Risk	Risk rating	Mitigation measures
Delays or inconsistency (error) in the information on the flow of funds and extemporaneous/unreliable financial reports	Medium	Strengthen the capacity within the PMU through training on IDB's financial management procedures and requirements
Procurements do not meet quality requirements defined in ToR and Procurement Plan not completed or updated	Medium	Strengthening the capacity within the PMU through training on IDB's procurement procedures and requirements
Fraudulent or corrupt acts	Medium	Establish an adequate internal control system for the PMU, and documenting it in the POM and an annual audit of the project to be conducted by an independent and qualified audit firm

D. Other Key Issues and Risks

2.7 Other risk. A medium risk was identified in Public Management and Governance. The risk is the lack of coordination between the principal actors which will be mitigated through quarterly meetings of the Project Steering Committee (PSC) (¶3.2) and monitoring of utility relocation.

2.8 Maintenance and sustainability. The GOBL is committed to long-term sustainably maintaining the roads as evidenced by actions to implement their road maintenance strategy (including setting-up the Road Maintenance Unit [RMU], use of performance-based maintenance contracts and creation of a Road Maintenance Fund). As part of the execution of 3344/OC-BL, some activities have been carried out to strengthen the capacity of the RMU in the use of performance-based contracting and the MOW has provided training to its staff on using the HDM-4 model for planning maintenance. Also, the GOBL is studying the impact of overloaded vehicles on the roads with the assistance of CDB. More importantly, the GOBL has increased fivefold its allocation to recurrent expenditure under the MOW national budget category of maintenance costs³¹ and funding is now at the level that would allow for continuous maintenance of the primary and secondary road networks. The project will support the GOBL's efforts by: (i) strengthening the RMU through Component 2 of 3344/OC-BL to support the systematization of routine and periodic maintenance for long-term sustainability; (ii) including two years of performance-based road maintenance as pilots for this; (iii) provide an increase pool of trained workers through mentorship programs for women; and (iv) provide a tool for remote project supervision (¶1.23).

³¹ The 2018-2019 National Budget indicated maintenance cost under recurrent expenditure are 2015/2016 BZ\$1.339M, 2016/2017 BZ\$1.212M, 2017/2018 BZ\$8.372M, 2018/2019 BZ\$7.631M, 2019/2020 BZ\$7.631M, and 2020/2021 BZ\$7.631M.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 **Executing agency.** The MOW will be the EA for the loan. The EA will utilize the project execution mechanism (PMU exclusively dedicated to Bank projects) to which the GOBL and the IDB have previously agreed. The PMU will be responsible for the fulfillment of technical, administrative and financial management related to execution, as well as the planning, monitoring, supervision and evaluation functions. For the PMU to adequately perform its function, the EA will have to ensure that the key personnel identified are in place at the PMU.
- 3.2 A PSC will be created to facilitate the coordination between the agencies involved as part of the project execution mechanism. This PSC will consist of key implementing agencies and stakeholders and will be chaired by the Ministry of Economic Development and Petroleum, Investment, Trade and Commerce (MEDPITC). The PSC will be responsible for the monitoring and strategic advice for the project. The PSC will be integrated by the MOW, Ministry of Labour, Local Government and Rural Development, Ministry of Finance and Natural Resources, Ministry of Tourism and Civil Aviation (MTCA), Coastal Zone Management Authority and Institute (CZMAI), the ministry responsible for the National Emergency Management Organization (NEMO), and the Ministry of Agriculture, Fisheries, Forestry, the Environment, Sustainable Development and Immigration (MAFFESDI).
- 3.3 **Project Operations Manual (POM).** A POM is required as the original operation did not include one, and it is necessary to include all the aspects related to the standards and procedures for the EA, proper coordination and implementation of tasks between the entities involved, a clear description of tasks and other important measures related to fiduciary risks. The POM will include the definition of the role of the PSC and the coordination mechanism between the different ministries and entities involved in the implementation of the project. **The PSC must approve the POM, which is a special contractual condition prior to the first disbursement of the financing,** in order to ensure a proper interinstitutional coordination ([OEL#10](#)).
- 3.4 **Procurement execution.** Procurements for the project will be carried out in accordance with the provisions established in the Loan Contract and the PP as well as Document GN-2349-9 ("Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank") dated March 2011; and Document GN-2350-9 ("Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank") dated March 2011. The Board of Executive Directors of the Bank authorized on March 9, 2017, a partial exception to the Bank procurement policies to allow broader eligibility in procurement processes for the project to include non-IDB member countries recognized as eligible by the EU. The procurement processes under the project have been carried out following Bank policies with the approved eligibility exception as follows: goods originating from non-IDB member countries are eligible for procurement and suppliers, contractors, consultants and service providers from non-IDB member countries are allowed to participate in the

procurement processes for activities to be financed under the project, provided that the country of origin of the goods and the nationality of the suppliers, contractors, and service providers are recognized as eligible by the EU, as indicated in the "Practical Guide to Contract Procedures for EU External Actions (PRAG)."

B. Summary of Arrangements for Monitoring Results

- 3.5 The Monitoring and Evaluation Plan ([REL#2](#)) will be the same as for 3344/OC-BL and includes the following: (i) annual audited financial statements; (ii) annual operating plans; (iii) procurement plans; (iv) project execution plan; (v) semi-annual progress reports; (vi) semi-annual environmental and social compliance reports; (vii) administrative missions; and (viii) a final project evaluation. An external audit of the project will be performed by a firm of independent auditors acceptable to the Bank and will be financed with project resources. Standard financial reporting requirements of the Bank will apply. An independent evaluator will be hired to perform an external evaluation after 90% of loan resources of the project have been disbursed, to assess the extent to which the project's expected outcomes were attained and gauge its development impact.
- 3.6 The results will be evaluated in a single analysis using ex-post and ex-ante methodologies such as an ex-post cost-benefit analysis. The evaluation will be based on the use of the HDM-4 to estimate the costs and benefits. The ex-post cost-benefit analysis will replicate the model used for the ex-ante analysis, done as part of the feasibility studies.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Economic Integration -Gender Equality and Diversity -Climate Change and Environmental Sustainability	
Country Development Results Indicators	-Roads built or upgraded (km)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2746	Improve ease of transport of goods and people
Country Program Results Matrix	GN-2915	The intervention is included in the 2018 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability	Evaluable	
3. Evidence-based Assessment & Solution	10,0	
3.1 Program Diagnosis	3,0	
3.2 Proposed Interventions or Solutions	4,0	
3.3 Results Matrix Quality	3,0	
4. Ex ante Economic Analysis	7,0	
4.1 Program has an ERR/NPV, or key outcomes identified for CE/	3,0	
4.2 Identified and Quantified Benefits and Costs	0,0	
4.3 Reasonable Assumptions	1,0	
4.4 Sensitivity Analysis	2,0	
4.5 Consistency with results matrix	1,0	
5. Monitoring and Evaluation	7,0	
5.1 Monitoring Mechanisms	1,1	
5.2 Evaluation Plan	6,0	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	B	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury. Procurement: National Public Bidding.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	BL-T1066 Final Designs for GPH Rehabilitation

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

This loan will provide additional financing to complete the George Price Highway (GPH) Rehabilitation Project which was approved in 2014. The project involves the rehabilitation of the GPH road between miles 47.9 in Belmopan and 67.3 in Santa Elena to national standards.

The general objective is to contribute to the productivity and economic integration of Belize. The specific objective of the additional financing is to provide additional resources to complete the George Price Highway (GPH) Rehabilitation Project (3344/OC-BL), which aims to substantially improve the road connectivity within Belize's main districts and with Central America. This will be achieved through the rehabilitation of the GPH road infrastructure between miles 47.9 in Belmopan and 67.3 in Santa Elena to national standards, thereby decreasing travel time and costs, reducing road fatalities and injuries, and ensuring road accessibility by improving the Climate Change resilience of the corridor.

The POD presents the problems to be addressed by the project as well as the factors causing them, all of which are based on empirical evidence. The magnitudes of the problems are provided and the proposed interventions are linked to the problems identified in the diagnosis.

The results matrix has vertical logic. The impacts, outcomes and outputs are clearly presented, and have baselines, targets and sources of information. All impact, outcome and output indicators are SMART.

The project was analyzed using a cost-benefit analysis. The economic benefits were adequately quantified. On the cost side, already incurred costs were included in the ERR calculation. From an economic perspective these represent sunk costs and thus should not have been included in the calculation. The assumptions used were presented and a sensitivity analysis was performed. The project has a monitoring and evaluation plan. The operation will be evaluated using a reflexive methodology and an ex-post cost-benefit analysis.

RESULTS MATRIX

Project Objective:	The general objective is to contribute to the productivity and economic integration of Belize. The specific objective of the additional financing is to provide additional resources to complete the George Price Highway Rehabilitation project (3344/OC-BL) ¹ , which aims to substantially improve the road connectivity within Belize's main districts and with Central America. This will be achieved through the rehabilitation of the GPH road infrastructure between miles 47.9 in Belmopan and 67.3 in Santa Elena to national standards, thereby decreasing travel time and costs, reducing road fatalities and injuries, and ensuring road accessibility by improving the Climate Change (CC) resilience of the corridor.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Baseline Year	Goal FY 2022	Means of verification	Observations
Belize's Quality of roads ²	index	3	2013	3.2 ³	The Global Competitiveness Report – World Economic Forum	The index varies from 1 – 7 (poor – excellent). The goal was estimated by comparison with the index for the Bank's D countries within the region

¹ 3344/OC-BL and BL-L1029 will utilize the same Project Monitoring Report (PMR) since the quantity of the physical outputs are unchanged. The cost in the PMR for those outputs which will receive additional financing from BL-L1029 will be adjusted accordingly as part of the Kick-off Workshop.

² The Global Competitiveness Report is a yearly report published by the World Economic Forum. Since 2004, the Global Competitiveness Report ranks countries based on the Global Competitiveness Index. The different aspects of competitiveness for each country are captured in 12 pillars, which compose the Global Competitiveness Index. Quality of roads index is part of the second Pillar, infrastructure. This project will contribute to the improvement of the Belize's Quality of roads index. 13% of the total road network in Belize corresponds to major highways. This is equivalent to a total of 573 km. The upgrading of the George Price Highway for example (31.2km or 19.4 miles) would represent 5% of the primary network.

³ The goal was estimated by comparison with the index for the Bank's C&D countries within Central American region: Honduras:3.4, Nicaragua:3.3, Guatemala:3.1.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline Value	Baseline Year	Goal FY 2022	Means of verification	Observations ²
Result 1. Decrease the vehicle operating cost (VOC)						
Vehicle operating cost – GPH project section	USD/km	Annual Average Vehicle Operating Cost per veh-km. 1. Car, Utilities 4WD (BEL) 0.14 2. Bus 35+ passenger (BEL) 1.41 3. Truck Med (BEL) 0.80 4. Truck Heavy (BEL) 1.12 5. Motorcycle (BEL) 0.17 Total 3.63	2014	Annual Average Vehicle Operating Cost per veh-km. 1. Car, Utilities 4WD (BEL) 0.14 2. Bus 35+ passenger (BEL) 1.30 3. Truck Med (BEL) 0.75 4. Truck Heavy (BEL) 1.05 5. Motorcycle (BEL) 0.16 Total 3.41	Ex post economic evaluation to be carried out by the Bank during the Project Completion Report (PCR)	Highway Development and Management 4 (HDM-4) will be the tool to analyze VOC. VOC is an estimate of the cost that the vehicle owners pay per kilometer to operate their vehicles based on the condition of the roads
Result 2. Reduction in travel time						
Average travel times along the GPH project section	minutes	Average Travel Time 1. Car, Utilities 4WD (BEL) 23.25 2. Bus 35+ passenger (BEL) 29.93 3. Truck Med (BEL) 29 4. Truck Heavy (BEL) 28.37 5. Motorcycle (BEL) 22.16	2014	Average Travel Time 1. Car, Utilities 4WD (BEL) 19.94 2. Bus 35+ passenger (BEL) 28.67 3. Truck Med (BEL) 26.61 4. Truck Heavy (BEL) 26.29 5. Motorcycle (BEL) 20.62	Ex post economic evaluation to be carried out by the Bank during the Project Completion Report (PCR)	Field survey
Results 3. Improve the overall safety of the motorists who utilize this road segment						
Number of accidents per year on the GPH project section: • Fatalities • Severely injured victims	• No. of annual average Fatalities • No. of annual average Severely injured victims	5.1 51.4	2014	4.26 42.64	The official report from the Ministry of Works and Transport (MOWT) through the Project Execution Unit (PEU)	Baseline: National information is derived from the 2012 iRAP report. An assumption has been made that the number of fatalities and accidents on the project section is proportional to the relative length of the intervention corridor against the total trunk network

Indicators	Unit of measure	Baseline Value	Baseline Year	Goal FY 2022	Means of verification	Observations ²
Result 4. Increased accessibility						
Number of days in which the road is impassible due to a flooding event	Days per year	3-4	2014	0-1	Reports by the MOW	Project scope includes the improvement of the drainage system to withstand a 20-year storm for the road system and 100-year storm for the Roaring Creek Bridge
Result 5. Institutional strengthening						
MOWT strengthened in: • Structuring of performance-based contracts • Environmental safeguards application in accordance with IDB policies • AASHTO HDM-4 highway design and testing codes	Public employees trained	0 0 0	2014	12 20 20	Reports by the MOW	Funded entirely by original operation 3344/BL-OC

OUTPUTS

Outputs	Unit of measure	Baseline Value	Base line Year	Year 1 ⁴	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Goal EOP	Means of verification	Observations ²
Component # 1. Civil works and maintenance													
Bridge constructed/rehabilitated	m	0	2014	0	0	100	200	185	0	0	485		
Kilometers of a regional integration road rehabilitated ⁵ to national standards (includes the following milestones)	Km	0	2014	0	0	5	12	7	7	0	31	Report from the PEU based on the certificate of completion issued by the supervision firm	The road section is part of the regional integration initiative Mesoamerican Project's RICAM to foster a commercial dynamic in the region and with the rest of the world (OEL#5)
a) Miles of road signed and marked (vertical and horizontal) following international road safety standards	Km	0	2014	0	0	0	10	10	11	0	31		
b) Provide and install new culverts complete with end structures and upgrade existing culverts	Feet	0	2014	0	0	700	1,000	1,000	0	0	2,700		
c) Sidewalks provided in the urban areas	Square yards	0	2014	0	0	2,000	2,000	3,800	2,000		9,800		
d) Due diligence of the intervention completed: land acquisition and utilities relocations	%	0	2014	20	40	40	0	0	0	0	100		
Miles of roads maintained after completion of work	Km	0	2014	0	0	0	0	31	31	31	31		

⁴ The loan contract was signed on November 17, 2015, however disbursement and execution started in 2016 as such this was considered as year 1.

⁵ The rehabilitation of roads can include works such as: routine shaping and spot treatment/repair of the road surface, paving, cleaning and/or maintenance of drainage structures, vertical and horizontal alignments improvements, signaling and marking.

Outputs	Unit of measure	Baseline Value	Base line Year	Year 1 ⁴	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Goal EOP	Means of verification	Observations ²
Component # 2. Institutional strengthening													
Output #1													
Training events in structuring of performance-based contracts	#	0	2014	1	0	0	0	0	0	0	1	Report by the MOW	Funded entirely by original operation 3344/BL-OC
Training events in environmental safeguards application in accordance to IDB policies	#	0	2014	0	0	1	0	0	0	0	1		
Training events in AASHTO HDM-4 highway design and testing codes	#	0	2014	1	0	0	0	0	0	0	1		

FIDUCIARY ARRANGEMENTS

Country:	Belize
Project Name:	Additional Financing for the George Price Highway Rehabilitation Project
Project Number:	BL-L1029
Executing Agency (EA):	Ministry of Works and Transport (MOW)
Prepared by:	Brodrick Watson and Patricia Yamilee Payen (FMP/CBL)

I. EXECUTIVE SUMMARY

- 1.1 This project is to provide additional financing to the George Price Highway Rehabilitation Project (3344/OC-BL). The fiduciary evaluation of the project is based on the Institutional Capacity Assessment Systems (ICAS) assessment of Ministry of Works and Transport (MOW) that was conducted in December 2017 based on consultations with staff of MOW and the centralized Program Management Unit (PMU). The PMU has been established by the MOW and is exclusively dedicated to the execution of Bank-financed operations under the MOW, including this project.
- 1.2 Public Financial Management (PFM) in Belize is at a functional level in the areas of budget formulation, budget execution, cash management and accounting. These functions are facilitated mainly using the national system, SmartStream. The Auditor General Department has responsibility for the external audit and control of the Government of Belize (GOBL), although uses modern audit techniques, is faced with significant capacity constraints. On the other hand, internal audit and the procurement system are not adequately developed. Additionally, important challenges exist as it relates to the availability and limited capacity of personnel in charge of managing the PFM systems. Considering the state of PFM and the results of the fiduciary evaluation of the project, the overall fiduciary risk of the project is medium
- 1.3 The Bank recommends the use of the national systems in the project for the budgeting, treasury and accounting and reporting functions. However, given the level of development of internal and external control, and procurement systems, the Bank recommends: (i) an adequate internal control system is designed and outlined in the Project Operations Manual (POM); (ii) an independent audit firm is contracted as auditors of the project; and (iii) the IDB procurement policies is used in the procurement of goods, works, consulting and non-consulting services for the project.
- 1.4 The project will be funded entirely with IDB loan financing of US\$7 million.

II. EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 The MOW will be the Executing Agency (EA) for the loan. The EA will utilize the project execution mechanism (PMU exclusively dedicated to Bank projects) to which the GOBL and the IDB have previously agreed.
- 2.2 The MOW has effectively adopted the SmartStream system of the GOBL, which represents an integrated Enterprise Resource Planning platform, comprising the

- following modules: (i) financials (ledger, payables and funds control); (ii) human resources (payroll and personnel, taxes, and social security); and (iii) procurement (payables and purchasing). SmartStream represents the enterprise level application used by the GOBL under the leadership of the Ministry of Finance (MOF), with the technical support of the Central Information Technology Office, to conduct the finance, accounting, personnel and payroll processes. International Public-Sector Accounting Standards is the accounting standards adopted by GOBL and MOW and is deployed through the SmartStream system. The budget and treasury systems are also adequately integrated through the SmartStream system.
- 2.3 The preparation of the budget reflects the previous years' approved budgets, with the corresponding adjustments for real growth and inflation, along with budgetary ceilings established by the MOF. Regarding budget execution, the MOW, under the responsibility of the Finance Officer(s) prepares the "Estimates Versus Actual Budget Usage Percentage" reports, providing a comparison between the approved annual budget and the actual accumulated budget execution, based on the programmatic structure of the budget. However, the process is not within a mid or long-term budgetary framework.
- 2.4 Regarding treasury management, all payment transactions are processed through the Treasury Single Account under guidelines provided by the MOF and within the overall supporting platform provided by the SmartStream system.
- 2.5 There are some established internal control procedures that support the financial management environment of the MOW regarding contract administration and transaction management. However, there are no written procedures for financial management in accordance with national legislation. Additionally, the GOBL has not established the internal audit function. The Auditor General Department conducts an external audit of the MOW but is behind on the annual audits with the latest completed audit report corresponding to the fiscal year ending March 31, 2011.
- 2.6 The GOBL lacks a specific/concrete national policy/legislation framework for procurement administration. Additionally, the MOW does not have a section/staff exclusively responsible for procurement in the MOW. These responsibilities have been mainly assigned to the Finance Officer who conducts: (i) the purchase of goods and services of a recurrent nature, which are executed based on administrative requests from various section of MOW; and (ii) the contracting of works with support from zone engineers, executive engineers and project managers.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The overall fiduciary risk of the project, which was evaluated using the ICAS methodology, is medium. Below are the fiduciary risks which were identified:

Table 1. Main Risk Areas and Mitigating Measures

Risk	Risk rating	Mitigation measures
Delays or inconsistency (error) in the information on the flow of funds and extemporaneous/unreliable financial reports.	Medium	Strengthen capacity within the PMU through training on IDB's financial management procedures and requirements. Responsibility for implementation: IDB. Timeline for implementation: during project design and throughout project execution.
Procurements do not meet quality requirements defined in Terms of References (ToR) and Procurement Plan (PP) not completed or updated.	Medium	Strengthening the capacity within the PMU through training on IDB's procurement procedures and requirements. Responsibility for implementation: IDB. Timeline for implementation: during project design and throughout project execution.
Fraudulent or corrupt acts.	Medium	Two ways: (i) establish an adequate internal control system for the PMU and document in the POM; and (ii) annual audit of the project to be conducted by an independent and qualified audit firm. Responsibility for implementation: Borrower/IDB. Timeline for implementation: during project design and throughout project execution.

IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF CONTRACT

- 4.1 The following fiduciary requirements are to be incorporated into the special conditions:
- a. **Rate of exchange agreed with the EA.** For purposes of determining the equivalency of expenditures incurred in the local currency of the reimbursement of expenditures chargeable to the loan, the agreed exchange rate shall be in force on the date of payment of the expenditure in the local currency of the Borrower's country.
 - b. **Financial statements and reports.** (i) semi-annual financial reports are to be included in the semi-annual progress report which will be submitted by the PMU to the Bank; (ii) annual financial statements of the project, audited by a firm of independent public accountants acceptable to the Bank, are to be submitted to the Bank within 120 days at the end of each fiscal year, beginning with the fiscal year in which the first project expenditures are incurred; and (iii) final financial statements, audited by a firm of independent public accountants acceptable to the Bank, are to be submitted to the Bank within 120 days following the last disbursement date of the project.
 - c. **Disbursement restrictions.** Pursuant to Document AB-2990, disbursement by the Bank of resources will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the loan operation is approved by the Board of Executive Directors. These limitations may be rendered inapplicable to the extent that the requirements set forth in the Bank's policy regarding said limitations have been

fulfilled, provided that the borrower has been notified in writing.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities in the project.
- 5.2 **Procurement execution.** Procurements for the proposed project will be carried out in accordance with the provisions established in the Loan Contract and the PP as well as Document GN-2349-9 ("Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank") dated March 2011; Document GN-2350-9 ("Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank") dated March, 2011. The Board of Executive Directors of the Bank authorized on March 9, 2017, a partial exception to Bank procurement policies to allow broader eligibility in procurement processes for the Project to include non-IDB member countries recognized as eligible by the EU. The procurement processes under the project have been carried out following Bank policies with the approved eligibility exception as follows: goods originating from non-IDB member countries are eligible for procurement, and suppliers, contractors, consultants and service providers from non-IDB member countries are allowed to participate in the procurement processes for activities to be financed under the project, provided that the country of origin of the goods and the nationality of the suppliers, contractors, and service providers are recognized as eligible by the European Union (EU), as indicated in the "Practical Guide to Contract Procedures for EU External Actions (PRAG)."
- a. **Procurement of works, goods and non-consulting services.** The PP for the project, covering the duration of project execution, can be accessed through the following [link](#). The PP indicates the procurement method to be used for the acquisition of goods and the contracting of works or non-consulting services. The review of technical specifications in all cases, during the process of selection, is the responsibility of the sector specialist of the operation.
 - b. **Procurement of consulting services.** The PP for the operation, covering the duration of project execution, can be accessed through the following [link](#). The PP indicates the procurement method to be used for the selection and contracting of consulting services. The Borrower is responsible for preparing and implementing the project; and therefore, for preparing the ToR, shortlists, selecting the consultants, awarding and subsequently administering the contract.
 - i. **Sole source selection and/or direct contracting.** To be used only in exceptional circumstances and is based on the Bank's no objection to the justification. The requirements for single source selection are provided for under Sections 3.6-3.7 (GN-2349-9), and Sections 3.9–3.13 (GN-2350-9).
 - ii. **Selection of individual consultants.** Individual consultants are employed on assignments for which: (i) teams of personnel are not required; (ii) no additional outside (home office) professional support is required; and (iii) the experience and qualifications of the individual are the paramount requirements. Individual consultants are selected based on their qualifications for the assignment. advertisement is not required, and consultants do not need to submit proposals. Consultants shall be selected through a comparison of qualifications of at least three

candidates among those who have expressed interest in the assignment or have been approached directly by the Borrower. Individual consultants may be selected on a sole-source basis with due justification in exceptional cases, and carried out in accordance with Section V (Selection of Individual Consultants) of GN-2350-9 in paragraphs 5.1-5.4.

- iii. **Training.** The detailed PP indicates to which consultancy services training and workshops are applicable. As per GN-2350-9 if the assignment includes an important component for training/transfer of knowledge to Borrower staff or national consultants, the ToR shall indicate the objectives, nature, scope, and goals of the training program, including details on trainers and trainees, skills to be transferred, time frame, and monitoring and evaluation arrangements. The cost for the training program shall be included in the consultant's contract and in the budget for the assignment.
- c. **Recurrent expenses.** Include payment of utilities and other office operating expenses of the PMU, if any.
- d. **Domestic preference.** Determining whether it is appropriate and necessary to use domestic preference in the evaluation of bids should be guided by Appendix 2 of GN-2349-9 paragraphs 1-6.
- e. **Other.** Use of national or other documents than the Bank standard documents for competitive bidding: none.

Table 2 - Thresholds (in US\$)

International competitive bidding threshold*		National Competitive Bidding (NCB) range** (complex works and non-common goods)		Consulting services
Works	Goods	Works	Goods	International shortlist
≥1,000,000	≥100,000	100,000-1,000,000	25,000-100,000	≥200,000

* When procuring simple works and common goods and their amount is under the International Competitive Bidding thresholds, Shopping may be used.

** When procuring complex works and non-common goods with amounts under the NCB range, Shopping shall be used.

- 5.3 **Procurement supervision–PP and supervision.** The PP for the operation covering the duration of project execution can be accessed through this [link](#). It indicates the procedures for the procurement of goods, the contracting of works or services, and the method of selecting consultants, for each contract or group of contracts. It also indicates cases requiring prequalification; the estimated cost of each contract or group of contracts; the requirement for prior or post review by the Bank. The PP will be prepared to cover an initial period of 18 months and updated annually or whenever necessary, or as required by the Bank (www.iadb.org/procurement).

VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and budget.** The Borrower will commit allocating, for each fiscal year of project execution, adequate fiscal space to guarantee the execution of the project. The amount allocated will be determined based on amounts indicated in the budget submission forms, submitted to the MOF via the MOW. These

estimates will be prepared based on information contained in the project execution plan, the financial plan and the PP.

- 6.2 **Accounting and information systems.** Project accounting and reporting will be performed using the national system, SmartStream, in accordance with international financial and reporting standards and international public-sector accounting standards when applicable. It is expected that the accounting and reporting system of the project will: (i) facilitate the recording and classification of all financial transactions according to the source of funding and categories of investment; and (ii) provide information regarding planned versus actual financial execution of the project, commitments made under the project, the financial plan for a six months period, financial statements, performance reports and any other reports that may be required from time to time by the MOW and/or the IDB.
- 6.3 **Disbursements and funds flow.** As per the norms of the GOBL, a designated bank account within the Central Bank of Belize will be utilized for the receipt of loan resources. For day-to-day operational expenses, the PMU will make payments from the Ministry's account (consolidated account) and on submission of a memo to the MOF, the funds are then reimbursed from the Central Bank Account to the consolidated account.
- 6.4 As evidenced by the disbursing norms of loans and the anticipated commitments and obligations of the project, it is expected that the Advance of Funds methodology will be mainly used for the project. The Advance of funds when used will be based on the true liquidity needs of the project for a period not exceeding six months. Subsequent advances may be disbursed once 70% of the total accumulated balance pending justification has been submitted and accepted by the Bank, instead of 80%. This is to align the threshold and conditions in advance of funds set forth in the Loan Contract for the original project (3344/OC-BL). Disbursements will be processed using the ex-post methodology.
- 6.5 **Internal control and audit.** The PMU will assume the responsibility for designing and implementing a sound system of internal control for the project. The system to be established should provide reasonable assurance that funds are used for its intended purpose and should be documented in the POM.
- 6.6 **External control and reporting.** For each fiscal year during project execution, the MOW will be responsible to produce semi-annual financial reports for the project, as well as annual audited financial statements and one final audited financial statement at the end of the project. The financial statements will be audited by a firm of independent public accountants acceptable to the Bank. The firm for the auditing of the project will be selected according to the Bank's procedures for the contracting of external audit services.
- 6.7 **Financial supervision plan.** The initial financial supervision plan of the project will focus on: (i) activities related to the implementation and follow-up of arrangements and systems being implemented for the fiduciary management of the project; (ii) follow-up on the implementation status of risk mitigating measures; and (iii) capacity building of PMU personnel in the Bank's procedures and requirements.
- 6.8 **Execution mechanism.** The MOW will be the EA for the loan. The EA will utilize the project execution mechanism (PMU exclusively dedicated to Bank projects) to which the GOBL and the IDB have previously agreed. The PMU will be responsible

- for the fulfillment of technical, administrative and financial management related to execution, as well as the planning, monitoring, supervision and evaluation functions. For the PMU to adequately perform its function, the EA will ensure that the key personnel identified are in place at the PMU.
- 6.9 The composition of the PMU is as follows: (i) a project coordinator; (ii) a project manager specific to each of the Bank loan operations (the project manager will be the same as 3344/OC-BL); and (iii) a coastal engineer. The PMU also has the specialists in each of these areas: (i) financial management; (ii) procurement; (iii) monitoring and evaluation; (iv) social; and (v) environmental. The PMU is also staffed with an administrative assistant that supports the other projects and will also support this project.
- 6.10 The project coordinator has oversight responsibility for all the operations under the PMU and reports to the CEO of the MOW as well as to a Project Steering Committee (PSC). This PSC will consist of key implementing agencies and stakeholders and will be chaired by the Ministry of Economic Development and Petroleum, Investment, Trade and Commerce (MEDPITC). The PSC will be responsible for the monitoring, and strategic advice for the project. The PSC will be integrated by the MOW, Ministry of Labour, Local Government and Rural Development, Ministry of Finance and Natural Resources, Ministry of Tourism and Civil Aviation (MTCA), Coastal Zone Management Authority and Institute (CZMAI), the ministry responsible for the National Emergency Management Organization (NEMO), and the Ministry of Agriculture, Fisheries, Forestry, the Environment, Sustainable Development and Immigration (MAFFESDI).

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/18

Belize. Loan ___/OC-BL to Belize. Additional Financing
for George Price Highway Rehabilitation Project

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Belize, as Borrower, for granting it additional financing for the execution of the George Price Highway Rehabilitation Project, approved by Resolution DE-167/14. Such financing will be for the amount of up to US\$7,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on __ _____ 2018)