

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BELIZE**

**STRENGTHENING PUBLIC EXPENDITURE MANAGEMENT IN BELIZE**

**(BL-L1038)**

**LOAN PROPOSAL**

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REQUIRED ELECTRONIC LINKS (REL)	
REL#1	<a href="#">Pluriannual Execution Plan (PEP) / Annual Operational Plan (AOP)</a>
REL#2	<a href="#">Monitoring and Evaluation Plan (MEP)</a>
REL#3	<a href="#">Procurement Plan</a>

OPTIONAL ELECTRONIC LINKS (OEL)	
OEL#1	<a href="#">Analysis of Project Cost and Economic Viability</a>
OEL#2	<a href="#">Project Operations Manual Draft (POM)</a>
OEL#3	<a href="#">Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF)</a>

ABBREVIATIONS	
AOP	Annual Operating Plan
CARTAC	Caribbean Regional Technical Assistance Center
CITO	Central Information of Technology Office
COA	Chart Of Accounts
EA	Executing Agency
EU	European Union
FRL	Fiscal Responsibility Law
FY	Fiscal Year
GDP	Gross Domestic Product
ICAP	Institutional Capacity Assessment
LAC	Latin-American and Caribbean
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IRR	Internal Rate of Return
LM	Line Ministries
MAPS	Methodology for the Assessment of Procurement Systems
MEP	Monitoring and Evaluation Plan
MOF	Ministry of Finance, Economic Development & Investment
MPS	Ministry of Public Services, Constitutional and Political Reform
MTFF	Medium-Term Fiscal Framework
NEMO	National Emergency Management Organization
NPV	Net Present Value
PCR	Project Completion Report
PEFA	Public Expenditure Financial Assessment
PEU	Project Executing Unit
PFM	Public Financial Management
PMO	Program Management Office
PMR	Project Monitoring Report
POM	Project Operations Manual
PPU	Public Procurement Unit
PSC	Project Steering Committee
RM	Results Matrix
SEPA	Procurement Plan Execution System
TC	Technical Cooperation

**PROJECT SUMMARY**  
**BELIZE**  
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Financial Terms and Conditions				
Borrower:			Flexible Financing Facility <sup>(b)</sup>	
Belize			Amortization Period:	25 years
Executing Agency:			Disbursement Period:	5 years
Ministry of Finance, Economic Development & Investment (MOF)			Grace Period:	5.5 years <sup>(c)</sup>
Source	Amount (US\$)	%	Interest rate:	LIBOR Based
IDB (OC) <sup>(a)</sup> :	8,000,000	100	Credit Fee:	<sup>(d)</sup>
			Original WAL:	15.25 years
			Supervision and Inspection Fee:	<sup>(d)</sup>
Total:	8,000,000	100	Currency of Approval:	Dollars of the United States of America
Project at a Glance				
<b>Project Objective/Description:</b> The general objective is to promote the fiscal sustainability of Belize. The specific objective is to increase the efficiency of public resources by strengthening public financial management.				
<b>Special Contractual Clauses prior to the first Disbursement:</b> The Borrower, through the MOF, shall provide evidence that: (i) it has appointed the additional key staff for the existing Project Executing Unit (PEU), including the specific Project Coordinator for this project and a procurement specialist assistant; and (ii) it has approved the <a href="#">Project Operations Manual (POM)</a> for the project, under the terms agreed with the Bank (¶3.6).				
<b>Exceptions to Bank Policies:</b> None.				
Strategic Alignment				
<b>Challenges<sup>(e)</sup>:</b>	SI <input type="checkbox"/>		PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
<b>Cross-Cutting Issues<sup>(f)</sup>:</b>	GE <input checked="" type="checkbox"/>	and DI <input type="checkbox"/>	CC <input checked="" type="checkbox"/>	and ES <input type="checkbox"/>
				IC <input checked="" type="checkbox"/>

- <sup>(a)</sup> 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 (¶2.3).
- <sup>(b)</sup> Under the Flexible Financing Facility (document FN-655-1), the borrower has the option to request modifications to the amortization schedule, as well as currency, interest rate, catastrophe protection, and commodity conversions. In considering such requests, the Bank will take into account operational and risk management considerations.
- <sup>(c)</sup> Under the flexible repayment options of the Flexible Financing Facility (FFF), 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.
- <sup>(d)</sup> 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.
- <sup>(e)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- <sup>(f)</sup> GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, Problem Addressed, and Justification

- 1.1 Belize is a small economy centered on tourism which represents 10.3% of Gross Domestic Product (GDP), and 37.2% of GDP considering indirect spillovers to other sectors.<sup>1</sup> This sectoral concentration makes the country vulnerable to shocks in aggregate demand from its main market (the United States of America accounts for 66% of arrivals), as well as natural disasters and other domestic shocks. During the 2010-2019 period, Belize's economy grew at an annual average rate of 2.1%, below the Latin-American and Caribbean (LAC) annual average of 2.4%. Low growth led to a drop in per capita income of 0.9%, while in Central America and the Caribbean it grew at 4.9% and 1.1% respectively. In 2019 GDP per capita was US\$4,699, well below the Central America average of US\$9,292 and the Caribbean average of US\$14,895.
- 1.2 The COVID-19 pandemic constituted an unprecedented shock to the Belizean economy, with tourism inflows declining by more than 70% in 2020 and revenues from services exports (mainly tourism) down 50%. As a result, GDP fell by 14.1% in 2020, shrinking the size of the economy, in constant terms, back to the level seen in 2012. This worsened an already vulnerable fiscal position.<sup>2</sup> Tax revenues fell by 4.9% of GDP. Meanwhile, expenditures to support families and enterprises affected by the crisis increased approximately 2.6% of GDP. Per capita income fell from US\$4,699 in 2019 to US\$3,917 in 2020. Also, the primary and overall deficits reached 8.4% and 10.1% of GDP, respectively, the debt/GDP ratio rose to 127.4% and debt service was 10.1%<sup>3</sup> of GDP. Continuous deficits have been financed by external debt (which currently accounts for 70% of total debt), mainly from multilateral and bilateral partners, given the lack of access to international capital markets. At the end of 2020, major flooding from Hurricanes Eta and Iota added further pressure to the existing crisis, affecting more than 60,000 people (15% of the population), and causing economic damage equivalent to 0.4% of GDP, according to estimates by the country's National Emergency Management Organization (NEMO). International Monetary Fund (IMF) forecasts predict growth of 1.5% in 2021, a rebound of 6.2% in 2022, and growth below 3% in the medium term.<sup>4</sup>
- 1.3 Consolidation efforts to bring public finances back to a sustainable path and create meaningful fiscal space require the adoption of reforms to reduce inefficiencies in public expenditure, which amounts to 6.3% of GDP at the level of the wage bill, procurement, and transfers, the third highest in the region.<sup>5,6</sup> An increase in tax revenues is also part of the needed consolidation, as well as broadening the tax base, reducing tax expenditures and tax arrears, and modernizing the tax administration to reduce compliance costs and fight evasion. Furthermore, a proper framework for fiscal discipline, with explicit fiscal rules, medium term fiscal

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<sup>1</sup> Source: Central Bank of Belize and World and Travel and Tourism Council: [Economic Impact Reports](#).

<sup>2</sup> The fiscal figures in this paragraph correspond to those reported in [IMF Article IV, 2021](#).

<sup>3</sup> IMF Article IV 2020: Interest: 1.7%; Amortization: 8.4%.

<sup>4</sup> [IMF Article IV, 2021](#).

<sup>5</sup> In the period 2018-2020, total revenues averaged 29% of GDP, while the LAC average was 19.6% of GDP. Meanwhile, expenditures averaged 35% of GDP while the average of LAC was 28% of GDP ([IMF, 2021](#)). Current expenditures account for 80% of total expenses, of which wages, salaries/pensions, and goods and services represent the largest items, totaling 21% of GDP ([Belize Budget, 2021/2022](#)).

<sup>6</sup> [BID, 2018](#).

frameworks and independent fiscal councils is crucial to promote fiscal discipline and increase transparency, predictability, and accountability of fiscal policy.

- 1.4 To face the challenges explained above, the government is committed to implementing a comprehensive fiscal consolidation plan, with a strategy<sup>7</sup> centered on three areas:<sup>8</sup> (i) expenditure reduction;<sup>9</sup> (ii) increased revenues; and (iii) debt restructuring. Such a strategy is outlined in the Budget Speech for Fiscal Year (FY) 2021/2022,<sup>10</sup> based on the Plan Belize Manifesto<sup>11</sup> and aligned with the recommendations of the latest IMF Article IV,<sup>12</sup> with the aim of reaching a sustainable debt ratio (70% of GDP) by 2030. It includes measures to reduce expenditures, strengthen public financial management reforms, boost revenues, reduce debt, and implement explicit fiscal rules and medium-term fiscal frameworks once the crisis abates (§2.7). Even though the authorities have decided not to pursue an IMF-backed program, the IMF has highlighted the similarities of the government's fiscal strategy to what an IMF-backed program would be. In line with this strategy, the government has made official the cut to wages, salaries and goods and services, and it is advancing negotiations with the bondholders of private commercial debt ("Superbond"); a fourth debt restructuring of the instrument is expected to be finalized in August 2021. However, challenges remain, mainly regarding a sustained implementation of the fiscal plan in the context of uncertain global recovery from the pandemic.
- 1.5 To accomplish the objectives of the fiscal strategy, the Government of Belize, through the Ministry of Finance, Economic Development & Investment (MOF), and the Bank have agreed on the following activities: (i) implement an expenditure program aimed at achieving savings through efficiency gains; (ii) increase collection of tax arrears through activities of the Strengthening of Tax Administration Program ([4839/OC-BL](#)) which is in execution; and (iii) strengthen macro-fiscal sustainability.
- 1.6 To implement an expenditure program aimed at achieving savings through efficiency gains, the Government of Belize requested the Bank's technical and financial support through the implementation of a Public Financial Management (PFM) modernization program.
- 1.7 **Problems and causes.** The general problem to be addressed in this operation is the inefficient use of public resources (§1.2 and §1.3). While many factors could contribute to the problem ([IDB, 2018](#)), this project will focus on the low efficiency of financial and procurement management instruments (processes and systems) and limited human capital. More specifically, the project will address limitations in the following areas:
- 1.8 **Financial management.** The main problems identified in this area are: (i) the cash management function focuses primarily on managing payments (ex post), not on anticipating cash restrictions or analyzing cash availability (ex ante); thus the allocation of funds is mainly based on budget ceilings, resulting in commitments

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<sup>7</sup> [FY 2021/2022](#).

<sup>8</sup> [IMF, 2020](#).

<sup>9</sup> FY 2021/2022 budget reduced in public sector wages by 10% and purchases of goods and services by 30% ([IMF, 2021](#)).

<sup>10</sup> [Prime Minister's Budget Speech for FY 2021-2022](#).

<sup>11</sup> [Plan Belize Manifesto](#).

<sup>12</sup> [IMF, 2021](#).

without guarantee of funds and overdrafts in the treasury account, which in turn increases short-term borrowing needs;<sup>13</sup> (ii) limited capacity to simulate scenarios to reduce debt service and the fiscal impact of new loans. The current debt unit concentrates on back-office functions of registration and payments. Front office (portfolio benchmarking) and middle office functions (debt and real economy analysis) are not prioritized;<sup>14</sup> (iii) low enforcement of internal control and internal audit resulting in expenditure leakages, arrears, and opacity, due to the almost total lack of internal control and auditing practices. There is no evidence that the Line Ministries (LM) spending units execute their procedures according to the existing guidelines and manuals;<sup>15</sup> (iv) assets are poorly managed in decentralized databases by each LM, making it difficult to reduce maintenance costs; (v) the Chart of Accounts (COA) does not have provisions to properly register and depreciate assets, which prevents this expenditure from being reported in the financial statement;<sup>16</sup> and (vi) limited information for project execution, leading to cost and time overruns. Additionally, the COA and budget classifications do not include provisions to identify climate change and gender-related expenditure, complicating decision-making to improve sectoral and fiscal management of these two areas.<sup>17</sup>

- 1.9 In the case of gender, as of 2021, the Government of Belize does not have any mechanisms to track expenditure related to gender-related programs, which hinders their capacity to track performance, and in turn design and adjust public policies to close those socio-economic gaps.<sup>18</sup> Incorporation of gender considerations into the budget such as a gender statement, gender classifiers, gender statistics, and gender assessment is critical as the government has committed to close those gaps as part of the [United Nations Sustainable Development Goals](#) related to gender (objective number five).<sup>19</sup> However, this will entail an enormous policy effort as Belize is one of the countries in the Latin American and Caribbean region with the largest socio-economic gender gap, with a ranking of 90 out of 156 in the [World Economic Forum Gender Gap Index](#).
- 1.10 **Procurement.** Regarding institutional structure, public procurement in Belize currently follows a decentralized model, carried out by more than 60 procuring entities comprised of ministries, departments, statutory bodies, and municipalities. Each entity has been carrying out public procurement in their own manner, with limited guidance and oversight from the central government. While a Public Procurement Unit (PPU) was created in 2017<sup>20</sup> to address these challenges, it needs to be strengthened as the current framework does not promote economies of scale, value for money, price standardization, competitiveness and consolidated

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<sup>13</sup> In the FY 2019/2020 the payment on overdraft was 2.3% of recurrent expenditures ([Belize Budget, 2021/2022](#)).

<sup>14</sup> Deputy Chair report - analyzing scenarios to support debt reschedule/renegeotiate. The debt service represents 11% of recurrent expenditures ([Belize Budget, 2021/2022](#)).

<sup>15</sup> [EU, 2019](#) for main control issues; [EU, 2020](#) for current situation. [IMF, 2020](#) recommends setting up an internal audit unit. Only the MOF has preliminary internal control activities.

<sup>16</sup> [IMF, 2020](#).

<sup>17</sup> The [IMF](#) recommended reforming budget classification and COA, to identify disaster- and climate-related spending, in alignment with the chart of accounts.

<sup>18</sup> The National Women's Commission, committed to develop a clear multi-sectoral strategy for implementing gender budgeting within the new public sector three-year budgeting cycle (The Revised National Gender Policy, 2013, p.13).

<sup>19</sup> [Goal 5 Targets](#).

<sup>20</sup> Head of PPU's information provided during identification mission.



- information for decision making.<sup>21,22</sup> In addition, public procurement is constrained by the lack of a consolidated stand-alone procurement law that sets out key principles such as value for money and transparency. Instead, public procurement is governed by four outdated and dispersed legal instruments.<sup>23</sup>
- 1.11 There is limited specialization and certified personnel among procurement officers to collect and disseminate tender invitations, request proposals, and gather contract award information.<sup>24</sup> Additionally, the license for the use of the e-procurement system Proactis has been out of date since 2013.<sup>25</sup> All these factors generate waste<sup>26</sup> and a lack of transparency.<sup>27</sup> Public procurement is an area in critical need of reform and modernization, to bring the country up to international good standards. With the support of the European Union (EU) and the Bank, the Government of Belize, through technical assistance and Technical Cooperation (TC) (ATN/OC-17590-BL) respectively, has prepared a draft procurement law, expected to be approved in 2022.
- 1.12 **Technological Infrastructure (TI).** The Central Information Technology Office (CITO) is the government entity responsible for managing the entire government datacenter, including hardware, support software,<sup>28</sup> and telecommunication. Their datacenter infrastructure is currently sufficient to handle the government systems and to store their information. However, with the implementation of the new proposed systems in this operation for Procurement, Internal Audit, Cash Management, and Debt Management, as well as two SmartStream systems,<sup>29</sup> Integrated Financial Management Information System (IFMIS) (¶1.16) - modules for assets and project management, the datacenter infrastructure will need to be expanded to guarantee that in the future the new systems will have the same response times users experience now.<sup>30</sup> According to CITO's evaluation of the capacity of the current datacenter to implement the new systems, the datacenter could safely support the new demand; however, as some equipment will reach the end of its lifetime before the end of the project execution (5 years), it is necessary to update the datacenter to prevent future problems.

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<sup>21</sup> [IMF, 2020](#). Belize: Technical Assistance Report-Public Investment Management Assessment.

<sup>22</sup> Framework agreement and price catalogs ([Harper, Calderon and Muñoz, 2016](#)).

<sup>23</sup> Financial Orders (1965), Stores Orders (1968), Contractor General Act (2000) and financial and Audit reform act (2010).

<sup>24</sup> Methodology for the Assessment of Procurement Systems (MAPS), Belize. February 28, 2014, IDB.

<sup>25</sup> There are arrears of approximately US\$480,000 to reactivate the software, therefore the government will be acquired a new e-procurement software, through a competitive tender.

<sup>26</sup> Only 20.72% of the total of common goods and services that are widely used by the government are procured using standardized prices (government procurement database 2017-2020). [Bandiera et al., 2009](#) identified that reference prices are critical to avoid waste when purchasing common goods. [Dezolt and Munõz, 2020](#) informed that reference price is mandatory for all procurement processes in Brasil.

<sup>27</sup> Transparency International estimates that damage related to lack of transparency ranges from 10% to 25% of the contract value worldwide ([Government at a Glance, Organization for Economic Co-operation and Development, 2014](#)).

<sup>28</sup> Operating system, database, programming languages, access, security, backups, contingency, among others.

<sup>29</sup> SmartStream is the Enterprise Level Application (of-the-shelf) used for its finance, accounting, personnel, and payroll processes. The system has a unique enterprise design, which encapsulates individual tasks associated with a business process into configurable workflows and enable an institution to efficiently automate its processes.

<sup>30</sup> CITOS's information provided during identification mission: Datacenter capacity: CPU:100.56 GHz; memory: 382.62 GB; and storage: 209.69 TB. Future needs: CPU: 150GHz; Memory: 765.24 GB; and Storage: 524.23 TB.

Additionally, the datacenter has limited consolidated information (data warehouse) and analytic tools necessary to analyze data and improve PFM spending quality and efficiency.<sup>31</sup>

- 1.13 **Institutional capacity.** Lack of specialized personnel delays the modernization of Public Financial Management.<sup>32</sup> The Ministry of Public Services, Constitutional and Political Reform (MPS), which oversees all government human resource management, including personnel hiring and development, has limited capacity to provide training and disseminate knowledge regarding PFM<sup>33</sup> (§1.17).
- 1.14 **Justification.** PFM and procurement play a key role in the allocation and use of public resources. The activities financed by the program aim to increase the efficiency in the use of public resources, which will help the government to improve its fiscal deficit and public debt indicators, which have deteriorated over the last 10 years and worsened with the pandemic crisis. Progress to improve the institutional, functional, and technological frameworks of PFM systems in LAC countries has been significant, as governments seek to achieve greater coverage, reliability, and timeliness of financial information. Significant progress has also been made to streamline procedures and implement more sophisticated models and technologies in national treasuries, debt management offices, accounting departments, and budget, purchasing and contracting agencies ([Pimenta and Pessoa, 2016](#)). According to [IMF Article IV, 2021](#), Belize has high expenditures, especially in purchases of goods and services, which account for 5.3% of GDP, one of the largest among peer countries. Thus, this operation will leverage the significant opportunities to streamline management and increase efficiency of expenditures related to the procurement of goods and services.
- 1.15 Also, it will build on ongoing PFM modernization efforts oriented towards identifying and mitigating expenditure inefficiencies (waste), which can generate savings in the short and medium-term, allowing for a faster recovery from the pandemic.
- 1.16 Belize follows the same PFM model as most Caribbean countries, which have adopted the IFMIS – SmartStream model to support their budget preparation, execution, and reporting. The proposed modernization program aims to fine tune some current functions, such as cash and debt management; to complement the information from assets and project management; to improve procurement by implementing a more centralized model, which can promote value for money and economies of scale; as well as to provide the PFM personnel with the necessary knowledge to carry out processes and operate systems in an efficient and effective manner. Additionally, as explained, (§1.12) investment in hardware is needed to expand current capacity, in order to guarantee the continuity and sustainability of the current technological infrastructure.
- 1.17 **Coordination with government institutions.** Budget formulation and execution in Belize is led by the MOF and executed by 18 LM, which carry out activities related to budget, procurement, treasury, accounting, and reporting. The MPS oversees all government human resource management and will be responsible for the training and certification of personnel. The government information technology management is carried out by CITO, which will be responsible for the expansion

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<sup>31</sup> [CITO's information](#). CITO has implemented tools for cybersecurity.

<sup>32</sup> [EU, 2019](#). There are other partners providing technical assistance in PFM including EU/CARTAC/ UNDP/ OAS.

<sup>33</sup> [EU, 2019](#).

of the technological infrastructure and the implementation of the PFM data warehouse and the analytic infrastructure tools.

- 1.18 **Coordination with international organizations.** This project considers recommendations from the IMF's Article IV, which also provided inputs for the project's economic background and fiscal situation. It also includes information from the reports and diagnostic assessments prepared by the EU. Regarding technical assistance, the Caribbean Regional Technical Assistance Center (CARTAC) has supported the MOF by providing technical assistance in several PFM areas, such as strengthening cash management and medium-term budgeting, and presenting a state of Fiscal Responsibility Legislation ([CARTAC, 2019](#)). In addition, the EU has provided technical assistance to the Government of Belize to implement the Public Financial Management Support Program, which consists of activities supporting areas such as internal audit and procurement, among others ([EU, 2020](#)). Future coordination is expected to continue during project implementation as EU and CARTAC are providing technical assistance to MOF in areas that complement and reinforce the Bank's project. Additionally, the Bank has been working on areas related to PFM, especially in procurement, through the participation in studies and publications, such as Public Expenditure Financial Assessment (PEFA), Procurement Plan Execution System (SEPA), and the Public Procurement Procedures Handbook.
- 1.19 **Internal and external validity.** Empirical evidence demonstrates the need to establish strong fiscal institutions to consolidate an environment that promotes efficiency and fiscal sustainability. [Banerjee et al., 2017](#) find reductions in the execution costs of a public program when the government relies on an electronic platform to manage its public resources. [Dhaliwal and Hanna, 2014](#) find that automated programs for process monitoring, associated with personnel skills strengthening, can improve efficiency in the use of public resources and improve the quality of public services. [Arenas de Mesa, 2016](#) summarizes evidence that shows that fiscal management, together with transparency and fiscal responsibility, contribute to the strengthening of fiscal institutions.
- 1.20 From the point of view of operational efficiency, the literature is extensive stating that standardization and simplification of operational procedures, as well as reducing the number of transactions and complexity, are good practices in treasury management [Miller and Hadley, 2016](#); Babatz, 2013; and [Varea and Arosteguiberry, 2015](#)). Likewise, reducing the costs of banking services in the collection, payment, and maintenance transactions of bank accounts in entities has been widely approached as a challenge in Latin America ([Varea and Arosteguiberry, 2015](#)), Albuquerque et al., 2020). [Humphrey and Hunt, 2013](#) showed that in the case of the United States Federal Reserve, switching to electronic payments instead of physical checks reduced processing costs by 70%. In addition, collection and payment times were drastically reduced for collecting banks and beneficiaries, which indirectly implied savings in working capital for the latter (Humphrey et al., 2012). In the case of public procurement, [Izquierdo; Pessino and Vuletin, 2018](#) estimated that the total average amount of waste of public resources due to technical inefficiencies in the region is 4.4% of GDP and about 16% of average government spending, using a conservative estimate of inefficiencies.<sup>34</sup> [Yolanda Tayler and Nataliya Langburd Wright,](#)

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<sup>34</sup> Inter-American Development Bank, 2018. [Better Spending for Better Lives. How Latin America and the Caribbean Can Do More with Less.](#)

[2018](#) shows the possibilities and advantages of digitalizing procurement processes and information.

- 1.21 **Bank experience in the sector and lessons learned.** The Bank has ample knowledge and experience in PFM, which will guide the design and implementation of the current operation.<sup>35</sup> One example is the Bank's Macroeconomic and Public Financial Sector Reform Program in 2006 ([1817/OC-BL](#)) to restore Belize's macroeconomic and financial stability. The current project took into account lessons of a similar Modernization of the Public Financial Administration System in Peru in 2010 ([2445/OC-PE](#)) regarding: (i) prioritization of process reengineering before automation. Prior to implementation, all systems will have a conceptual design with a clear definition of modules, functionalities, roles, and activities; a critical element to ensure that the tools support the procedures and analog inefficiencies are not transferred to digital processes (Subcomponent 1.1 - products (i), (ii) and (iii), Subcomponent 1.2 - product (iii)); (ii) involvement of other key government entities to increase sustainability. In this regard, the project includes the participation of CITO, which will be responsible for the expansion of the technological infrastructure and the implementation of the PFM data warehouse and the analytic tools to improve PFM efficiency (Subcomponent 1.3 - all products); and (iii) an appropriate governance structure to avoid problems related to delays in execution, as well as resistance from the LM personnel involved in the modernization process. To address change management, the project will use the same organizational structure as the Project Executing Unit (PEU) that is executing the Strengthening of Tax Administration Program ([4839/OC-BL](#)), which is currently performing in a satisfactory manner. Additionally, the project includes a specific activity to implement a change management program to limit staff resistance (Subcomponent 1.4 - product (iv)).
- 1.22 In the area of public procurement, the project considered lessons from Modernization of the Barbados National Procurement System ([2099/OC-BA](#)), regarding the importance of on-going technical support and training. It also considered recommendations from [Harper and Sanchez, 2017](#) regarding the development of electronic government procurement.<sup>36</sup> The project also includes the participation of the Ministry of Public Services, which will be in charge of carrying out the e-learning training and certification program, and is considered one of the highest priorities of this modernization program by the government.
- 1.23 The project also considered recommendations from the PFM publications in LAC [Pimenta and Pessoa, 2015](#) and Guidelines for IFMIS [Pimenta and Seco, 2021](#) regarding the priority areas that should be strengthened in a PFM modernization program, such as cash management, debt management, procurement and institutional capacity. For these recommendations, the project has specific interventions, such as the new cash and debt management models; and an entire subcomponent dedicated to modernizing procurement, including the new centralized model, implementation of e-procurement tools, reference pricing, and modalities of contracts to promote economies of scale (Subcomponent 1.2 - product (iii)). Additionally, the project includes a dedicated subcomponent to improve staff knowledge, by implementing an e-learning training

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<sup>35</sup> The Bank supported these operations: [5236/OC-JA](#); [4112/OC-SU](#); [4807/OC-ES](#); and [2445/OC-PE](#).

<sup>36</sup> [IGI Global, 2017](#).

and certification program, which will increase the capacity to carry out procedures and operate systems in an efficient and effective manner

- 1.24 **Technical Cooperation.** A TC is being prepared to support the government in the implementation of the Medium-term Fiscal Framework (MTFF) and set the ground for a Fiscal Responsibility Law (FRL), among other requests for technical assistance as agreed by the government and the Bank (§1.3). The MTFF set the basis for a more sustainable fiscal and economic environment, and the FRL supports the implementation of activities related to e-procurement contemplated in the current operation.
- 1.25 **Complementarity with other operations.** The current project is complementary with the Strengthening of Tax Administration Program ([4839/OC-BL](#)), which is under execution,<sup>37</sup> (approved in July 2019) with the aim of increasing revenue collection, and the TC Support Strengthening of Tax Administration,<sup>38</sup> as both contribute to Belize's fiscal sustainability, which is this project's main objective. In addition, the Strengthening of Public Procurement TC ([ATN/OC-17590-BL](#)) is currently under execution to support the development of the new procurement law that is being drafted. The current project will be executed by the same PEU executing the program [4839/OC-BL](#) (with an additional Project Coordinator to be designated for the current project, and a procurement specialist assistant). This arrangement will benefit from the existing experience of the PEU staff, considering the similarities of products and activities contemplated in both operations (hiring of consultancies, systems, equipment, and training), as well as the fiduciary and procurement aspects, and the economy of resources by avoiding establishing a new PEU with similar organizational and human resources structures.
- 1.26 **Strategic alignment.** The program is consistent with the Second Institutional Strategy Update (ISU) (AB-3190-2), and the development challenge of Productivity and Innovation, through the use of technology to improve the efficiency and effectiveness of PFM and the public sector by strengthening of procurement processes. It is also aligned with the cross-cutting areas of: (i) Gender Equality, by introducing specific budget classifiers allowing the identification of gaps in gender-related subjects, as well as the corresponding mitigations (§1.29 a - Subcomponent 1.1 (v) and (vi)); (ii) Climate Change, by adding climate change budget classifiers, energy efficient equipment and green procurement guidelines (§1.29 a - Subcomponent 1.1 (v)).<sup>39</sup> According to the [Joint Methodology of the Multilateral Development Banks](#) approach on climate finance tracking, 7.8% of total IDB funds for this operation results in climate change mitigation activities. The operation contributes to the IDB's climate finance goal of 30% of annual approved amount; and (iii) Institutional Capacity and the Rule of Law, by improving the efficiency of the public sector to manage the public sector budget and provide greater transparency through the publication of information on public internet portals (§1.29 a and b - Subcomponent 1.1 - product (iii), and Subcomponent 1.2 - product (ii), (iii) and (iv)). It will also contribute to the Corporate Results Framework (CRF) 2020-2023 (GN-2727-12) through the indicators: (i) agencies with strengthened digital technology and managerial

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<sup>37</sup> Project Monitoring Report (PMR) March 30<sup>th</sup>, 2021. Classification: Satisfactory.

<sup>38</sup> [ATN/OC-17671-BL](#).

<sup>39</sup> Green procurement is defined as the acquisition of goods, works, services or consultancies whose results have the least possible harmful effects on the environment, human health and safety when compared to other competing and similar acquisitions or, those that make a positive impact on the environment.



capacity; (ii) agencies with strengthened transparency and integrity practices; and (iii) institutions with practices reinforced with transparency and integrity. In addition, the operation is aligned with the Strategy on Institutions for Growth and Social Welfare (GN-2587-2), and is consistent with the Fiscal Policy and Management Sector Framework Document (GN-2831-8), particularly through increasing efficiency in the use of public resources, and with the Climate Changes Sector Framework (GN-2835-8), through the reduction of CO2 emissions, with the Transparency and Integrity Sector Framework Document (GN-2981-2), through strengthening internal auditing activities, and with the Gender and Diversity Sector Framework (GN-2800-8), Update of the Gender Action Plan for Operations 2020-2021 (GN-2531-19 paragraph 3.5) by introducing specific classifiers in the budget allowing the identification of gender-related expenditure. The program is aligned with the updated IDB Group Country Strategy Update with Belize 2020-2021 (GN-2746-3),<sup>40</sup> through the objective of fostering export-led growth and greater trade integration by strengthening the economic efficiency and simplicity of the tax system and reducing non-tax barriers. The program is also aligned with IDB strategic objective of Strengthening of fiduciary country systems, by improving the procurement system (Subcomponent 1.2). Finally, the program is included in the Update of the Annex III of the 2021 Operational Program Report (GN-3034-2).

- 1.27 **Innovations and additionalities.** The project includes important innovations, which promote value for money and economies of scale, such as the use of a reference price model in public procurement and contract modalities that favor the aggregation of demand such as framework agreements and tools to analyze data. The project also includes specific activities to improve the identification of information related to gender and climate change. Finally, the project is being supported in procurement subjects by the TC [ATN/OC-17590-BL](#), and in macro-fiscal subjects by the TC in preparation.

## **B. Objectives, Components and Cost**

- 1.28 **Objectives.** The general objective is to promote the fiscal sustainability of Belize. The specific objective is to increase the efficiency of public resources by strengthening public financial management. The program is comprised of a single component with four subcomponents that will achieve the objective.
- 1.29 **Component 1. Strengthening Financial Management (US\$7.18 million).** This component will finance:
- a. **Subcomponent 1.1. Financial Management (US\$2.79 million).** Improve the efficiency of key expenditure functions by: (i) establishing a new cash management business model, to better manage and allocate financing resources; (ii) reorganizing the structure of the debt unit and implementing a new public debt business model,<sup>41</sup> with capacity to quantify the fiscal impact of acquiring new debt and to simulate scenarios to optimize the country's debt management; (iii) supporting the establishment of an internal audit unit within the MOF to strengthen the internal control model currently in use, and its expansion to all LM by: (a) implementing an off-the-shelf audit/control application; (b) designing and implementing a transparency portal to publish relevant information and audit reports; (c) implementing a control dashboard to

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<sup>40</sup> Approved on December 18, 2013, extended until December 31, 2019 (GN-2746-2), and until December 31, 2021 (Country Strategy update GN-2746-3).

<sup>41</sup> For most products, the business model includes re-engineering of processes, software, and training.

monitor the implementation of recommendations that may result from the audit findings; and (d) proposing a strategy to enhance budget transparency and civil society participation; (iv) acquiring two SmartStream new modules to support asset and project management; (v) providing assistance to modify the budget classification and the COA to enable asset registration and tracking of climate change and gender-related expenditures; and (vi) developing a needs assessment and methodology to register and evaluate gender programs, and implement such a program in one LM.<sup>42</sup> Consulting services and services different than consulting will be financed.

- b. **Subcomponent 1.2. Procurement (US\$2.28 million).** Improve efficiency by promoting economies of scale and competitiveness among suppliers in the acquisition of all goods and services,<sup>43</sup> by: (i) technical assistance to operationalize the centralized procurement entity activities, including the reference price, supplier registry, and business intelligence units, as well as the corresponding logistics (equipment, furniture, and small remodeling);<sup>44, 45</sup> (ii) implementation of a new e-procurement software<sup>46</sup> and its integration with the public financial management software SmartStream, thereby allowing automatic commitments and payments;<sup>47</sup> (iii) technical assistance for the preparation of the reference price conceptual model, a software to determine the reference prices, and a portal to make the information accessible to all LM;<sup>48</sup> and (iv) preparation of the rules and procedures to perform the new contract modalities, and the format samples for the contracts and all documents involved in the contract processes along with the corresponding operating manuals to implement contract modalities that favor centralized purchasing and the aggregation of demand such as framework agreements and collaborative procurement. Consulting services, software, and services different than consulting will be financed.
- c. **Subcomponent 1.3. Technological Infrastructure (US\$0.65 million).** Promote a more sustainable technological infrastructure enabling processes to be more reliable and faster, by: (i) expanding the MOF datacenter hardware capability for processing and storage;<sup>49</sup> and (ii) implementing a basic data warehouse and analytics tools to take advantage of information and improve PFM efficiency. Consulting services, equipment, and services different than consulting will be financed.

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<sup>42</sup> The IDB will provide supplemental support with resources from the technical assistance in preparation to assist the country with the preparatory work for gender budgeting.

<sup>43</sup> The program is designed in a way that the critical activities related to public procurement, do not require the procurement law to be in effect. This includes the establishment of a centralized procurement unit; creation of the e-GP system (information on interactive modalities); implementation of a reference price methodology to standardize prices among all LM; implementation of modalities that favor centralized purchasing and the aggregation of demand; capacity building; and change management. The law is required to fully utilize the transactional features of the e-GP system; however, it is not necessary for the design, development and rollout of it.

<sup>44</sup> [Harper, Calderon and Muñoz, 2016.](#)

<sup>45</sup> According to the finding and recommendations from [Harper, Calderon, and Munoz, 2016.](#)

<sup>46</sup> The project will finance the acquisition of a new e-procurement software.

<sup>47</sup> Green procurement procedures will be used.

<sup>48</sup> The Procurement unit will be responsible for maintaining a database updated with the most frequently purchased government goods and services best prices in the market and making sure that the procurement entities are using these reference prices.

<sup>49</sup> The acquisition of high energy efficiency equipment that complies with national or international standards, following CITO's cybersecurity protocols.

- d. **Subcomponent 1.4. Strengthening Capacity Building (US\$1.46 million).** Improve institutional capacity for personnel to carry out processes and operate systems efficiently by: (i) technical assistance, equipment, furniture, and small infrastructure to establish an e-Learning Training Unit in the MPS; (ii) evaluation of the PFM knowledge level of staff members; (iii) carrying out personnel training and certification<sup>50</sup> in the PFM; and (iv) dissemination and communication services to establish a change management plan<sup>51</sup> for the PFM modernization. Consulting services and services different than consulting will be financed.
- 1.30 **Project administrative costs (US\$0.82 million).** Including: (i) PEU (US\$0.52 million); (ii) evaluation (US\$0.2 million); and (iii) audit (US\$0.1 million).
- 1.31 **Beneficiaries.** The main beneficiaries will be the general population of Belize. The users will be central government entities of which key ones are listed in ¶1.17. As a result of the implementation of more efficient instruments (processes, systems, and training) to manage public resources, the government will have more information for decision making, faster processes, and the availability of more financial resources to implement public policies for the population.
- C. Key Result Indicators**
- 1.32 **Impact and outcomes.** The general objective will be verified by the reduction of fiscal deficit / GDP. The specific objective will be verified by: (i) Line ministries with budget execution reports audited / all line ministries; (ii) Value of goods purchased using RP / Total value of goods purchased; and (iii) public servants certified through the e-learning training program/total public servants involved in PFM subjects.
- 1.33 **Economic Analysis.** The Bank's project team conducted a study to estimate the economic benefits that the project would generate with the implementation of a reference price model for procurement. The model promotes the standardization of goods prices in all LM, using the average price as a reference for the purchasing of all goods. The information to calculate the average price will be provided by a specific application (system) accessing the SmartStream purchasing order database. It was estimated that in 2032 (10 years after the beginning of the project implementation), using a discount rate of 12%, the project will be generating a Net Present Value (NPV) of US\$1.1 million, and an Internal Rate of Return (IRR) of 20%. See [Analysis of Project Cost and Economic Viability](#).
- 1.34 Two sensitivity scenarios were also projected: (i) one was based on the Risk Matrix regarding a delay in project execution. In this case, if the project's benefits are delayed by one year, it will present a NPV of US\$76,139 at the end of 2032, and an IRR of 12%; and (ii) it was also estimated the minimum percentage of goods purchased using the reference price model for the project to still present an IRR equal or higher than 12%, in which case the project would still present an IRR equal to or higher than 12%. In this scenario, even if only 70% of the goods are

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<sup>50</sup> A partnership with the University of Belize can provide a training certification. This will improve the incentives of the personnel working in PFM subjects and provide specialization to carry out their activities better, reducing the risks of delays in implementing the project activities.

<sup>51</sup> The plan will include aspects related to the ongoing evolution of technology, internal reviews of processes, crisis response, users demand changes, competitive pressure, acquisitions and mergers, and organizational restructuring, reducing the risks of delays in implementing the project activities.



purchased using the reference price model, at the end of 2032 the project will be presenting a NPV of US\$4,768 and an IRR of 12%.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing Instruments

- 2.1 The project budget is estimated at US\$8 million, which will be financed by the Bank's Ordinary Capital through a specific investment loan. According to the operation's lending modality based on the criteria described in the regulation PR-201, the investment loan instrument is suitable because it is designed to finance a specific project that is wholly defined at the time the Bank's loan is approved. Table 1 provides a breakdown by components and subcomponents and the source of financing:

Table 1. Project budget (US\$)

Components	BID	%
<b>1. Direct Costs</b>	<b>7,178,000</b>	<b>89.73</b>
<b>Component 1. Strengthening Financial Management</b>	<b>7,178,000</b>	<b>89.73</b>
Subcomponent 1.1 Financial Management	2,791,660	34.9
Subcomponent 1.2 Procurement	2,275,526	28.44
Subcomponent 1.3. Technological Infrastructure	650,708	8.13
Subcomponent 1.4. Strengthening Capacity Building	1,460,106	18.25
<b>2. Project Management</b>	<b>822,000</b>	<b>10.27</b>
PEU	522,000	6.52
Evaluation	200,000	2.50
Audit	100,000	1.25
<b>Total</b>	<b>8,000,000</b>	<b>100.00</b>

- 2.2 **Disbursement timetable.** The disbursements will be carried out in a five-year period according to Table 2.

Table 2. Project disbursement schedule (US\$)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	669,025	1,615,743	1,694,715	3,252,162	768,355	8,000,000
%	8.36	20.20	21.18	40.6	9.60	100.00

- 2.3 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 Board of Executive Directors approves the loan operation. These limits 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 of the same in writing.

### B. Environment and Social Safeguard Risk

- 2.4 In accordance with the Environment and Safeguards Compliance Policy (OP-703) and the Safeguards Filters Results, this project is classified as Category "C". The project will support the strengthening of PFM and public procurement, and will not finance infrastructure or civil construction, consequently there are no negative social or environmental risks associated with the proposed activities.

## C. Fiduciary Risk

- 2.5 During the project risk management workshop, carried out with the participation of the main project stakeholders, a medium-high risk was identified related to internal processes: if the Project Coordinator, procurement and fiduciary staff of the PEU have insufficient expertise in the execution of projects, especially related to: (i) leadership; (ii) monitoring and evaluation; (iii) planning; and (iv) acquisitions, it is possible that the processes will not be effectively managed and will delay the physical and financial schedule of the operation. This risk will be mitigated by using the same PEU that is executing the Strengthening of Tax Administration Program ([4839/OC-BL](#)), which will take advantage of the existing synergies and create an efficient cost structure regarding fiduciary and procurement costs. An additional Project Coordinator and procurement specialist assistant will be hired by the current project to ensure that the unit is sufficiently staffed.

## D. Other Risks and Key Issues

- 2.6 The following risks have been identified:
- a. **Economic and financial environment (medium-high):** if a slow recovery for the main drivers of economic growth occurs due to the escalation of the pandemic crisis or because of natural disasters, it will impact revenue collections, raise pressure to increase spending commitments and affect project objectives. Although this risk cannot be fully mitigated, the Bank will provide technical assistance to strengthen Belize's macro-fiscal management, which will help the government improve its capacity to anticipate and adjust to new fiscal and economic scenarios.
  - b. **Legal environment (medium-high):** if the procurement law is not approved during the first three years of project execution, due to difficulties in reaching a consensus with the main stakeholders, it could affect the implementation of the functionality in the e-procurement system related to carrying out electronic bidding under Subcomponent 1.2. In this event, other critical activities related to public procurement will not be impacted, as they do not require the approval of the procurement law. This risk is partially mitigated as it is expected that the draft law will be ready in September 2021 and submitted to the Cabinet by the end of 2021. Belize is a signatory of the 2019 CARICOM Public Procurement Protocol agreement, under which countries committed to update their national legislation to be compatible with the procurement protocol (for example, allowing for electronic transactions, which are key for this project). In addition, the Strengthening of Public Procurement TC ([ATN/OC-17590-BL](#)) is currently under execution to support the development of the new procurement law that is being drafted.
  - c. **Institutional environment (medium-high):** (i) if there is insufficient specialized technical knowledge available in the government in the areas relevant to this project, due to difficulties in assigning the relevant personnel, it could delay the implementation of some products. This risk will be mitigated through two activities: (a) the project will finance specialized experts in the areas to be modernized, to assist in the development and implementation of all project products; and (b) the project includes a specialized training and certification program, which will increase the institutional capacity of PFM personnel (§1.29 (d)); and (ii) if there is resistance from the LM staff to adopt the new processes and systems, it could delay the implementation of the

products. This risk will be mitigated through the inclusion of a specific product related to change management in each of the project products, in addition to activities related to training and certification (¶1.29 (d)), which will provide incentives to the LM staff to adapt to the changes.

- d. **Technological sustainability (medium-high):** if the budget for the maintenance of project technological infrastructure and capacity building is not appropriately allocated after the end of the program due to conflicting priorities with crisis recovery spending, it could undermine the long-term sustainability of the project. This risk is partially mitigated, as: (i) the equipment will be purchased with an extended warranty; (ii) the main e-procurement system will include a medium term (10 years) clause for maintenance paid in advance; and (iii) the training will be institutionalized in the MPS, which will guarantee its continuity.

- 2.7 **Sustainability.** The current project is part of the government's effort to achieve economic and fiscal sustainability. Belize has been modernizing its fiscal areas (tax revenue and expenditure) since 2010, receiving technical assistance from the Bank, CARTAC, EU and IMF<sup>52</sup> in most of the areas that are being addressed by this project. In the context of the pandemic, the current project plays an essential role in consolidating in a broader scope and institutional way all the efforts and progress achieved by strengthening and building the technical, technological tools and human capabilities to meet the government's commitment to achieving fiscal consolidation in a medium-term. Issues such as cash and debt management, internal audit and control, procurement and capacity building have already seen improvements, and the project's interventions will consolidate them allowing full implementation. Additionally, it is important to mention that according to the IMF Article IV 2021, if Belize implements all fiscal consolidation and structural reforms, of which the current project is a part, the fiscal deficit may improve from -10.1% in 2020 to 0.7% of GDP in 2025. However, the project team recognizes that slow progress in ending the pandemic crisis could delay the estimated achievements. (See estimated impact in the Results Matrix). The project expresses the government's political commitment to consolidate and maintain public spending management and fiscal adjustment improvements. Sustainability will be supported by improving the institutional capacity, training, technology, and change management activities associated with the outputs of this project.

### III. IMPLEMENTATION AND MANAGEMENT

#### A. Summary of Implementation Arrangements

- 3.1 **Project execution.** The project execution scheme has been discussed and validated by the MOF. The Executing Agency (EA) for this project is the Ministry of Finance, Economic Development & Investment. The Project Executing Unit under the MOF will also be responsible for executing the new program. An Institutional Capacity Assessment (ICAP) conducted during the project preparation, concluded that the MOF has the competent and experienced fiduciary staff, as well as adequate systems in place to effectively administer the project with the additional support of a Project Coordinator and a procurement specialist

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<sup>52</sup> Although only the Bank has a formal commitment with the government for the achievement of fiscal sustainability, through the Strengthening of Tax Administration Program ([4839/OC-BL](#)) and the Strengthening of Public Procurement TC ([ATN/OC-17590-BL](#)).

Assistant. This arrangement will take advantage of the institutional capacity built in execution of the Strengthening of Tax Administration program (4839/OC-BL). Furthermore, Subcomponent 1.4 includes activities to improve institutional capacity for personnel to carry out processes and operate systems efficiently.

- 3.2 The current PEU carries out the following activities: (i) planning; (ii) financial management; (iii) procurement and contract administration; and (iv) monitoring of progress and results. The PEU comprises a Project Coordinator, a financial specialist, a procurement specialist, a monitoring and evaluation specialist, and a project assistant. This staff has already acquired skills in the execution of projects; nevertheless, the staff will be complemented by one Project Coordinator specific for this new project and one procurement specialist assistant who will support the activities of the procurement specialist to ensure that the unit is sufficiently staffed to execute the two projects.
- 3.3 **Interinstitutional coordination.** A Project Steering Committee (PSC) is already established to facilitate coordination among the agencies involved as part of the project execution mechanism, and to provide strategic advice and monitoring. The PSC is chaired by the MOF (Financial Secretary) and comprised of representatives from the Project Management Office (PMO), the tax departments and CITO. It also includes other government agencies, including the Ministry of Economic Development, the MPS, the Central Bank of Belize, the Public Service Union, and private sector representatives including business associations.
- 3.4 Among other duties, the PSC<sup>53</sup> carries out the following responsibilities: (i) provide the strategic framework, guidance and direction for program execution; (ii) facilitate and provide for the necessary inter-institutional coordination and collaboration; (iii) monitor the effective attainment of the strategic objectives; (iv) assess implementation of the various project's activities vis-à-vis the strategic and operational plans; (v) provide project management updates related to the government's policies and priorities that may impact the strategic direction and/or implementation of the project; (vi) ensure the timely allocation of financial resources for project implementation; and (vii) be aware of any obstacles that may arise during project implementation, and contribute to decision making on corrective actions as necessary.
- 3.5 **Project Operations Manual (POM).** The [POM](#) will guide all matters related to the standards and procedures of the execution of the projects. The POM includes the definition of the role of the PSC and the staff of the PEU. The POM will be a condition to be met prior to the first disbursement. The POM includes the administrative, procurement, financial management (budgeting, cash management, payment/disbursement, procedures to ensure proper operation and maintenance of the Bank-financed assets, accounting, and reporting), policies, procedures, and other internal control requirements to define overall project management.
- 3.6 **Special contractual clauses prior to the first disbursement. the Borrower, through the MOF, shall provide evidence that: (i) it has appointed the additional key staff for the existing PEU, including the specific Project Coordinator for this project and a procurement specialist assistant; and (ii) it has approved the [POM](#) for the project, under the terms agreed with the Bank.**

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<sup>53</sup> No memorandums of understanding are required for the establishment of the PSC.

These conditions are essential to ensure the timely execution of the project, as they will guarantee the definition of detailed governance arrangements and regulations on operational and fiduciary issues, including the roles and responsibilities of the PEU key staff.

- 3.7 **Retroactive financing.** The Bank may retroactively finance from the resources of the loan, up to the sum of US\$669,025 (8.36%) of the proposed loan amount, eligible expenses incurred by the Borrower prior to the date of approval of the loan provided that all requirements are substantially similar to those set out in the loan contract. The eligible expenses will mainly relate to staffing and office equipment for the PEU. Such expenses must have been incurred from July 26, 2021 (date of approval of Project Profile), but under no circumstances will expenses incurred more than 18 months before the loan approval date be included.
- 3.8 **Procurement.** Procurement of goods works and consulting services to be financed with resources of the program will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-15); and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-15) both of January 2020. Annex III includes details on program procurement.
- 3.9 **Direct contracting.** Two direct contracts are expected in this operation, to acquire the two SmartStream modules for project (US\$250,000) and asset (US\$350,000) management. The SmartStream system is an off-the-shelf product by SmartStream Technologies, and the two modules are integrated with all other system modules already installed. Both direct contracts are justified according to ¶3.7 (c) of the Bank's Procurement Policy (GN-2349-15), which allows direct contracting when the required good is proprietary and obtainable only from one source. Annex III includes details on program procurement.

## **B. Summary of Arrangements for Monitoring Results**

- 3.10 **Monitoring and reporting.** The Bank and the MOF have agreed to use the Results Matrix (RM) and the [Monitoring and Evaluation Plan \(MEP\)](#) the principal elements for monitoring the program. The program supervision and monitoring system will include: (i) analysis of the technical and financial reports; (ii) annual monitoring meetings; and (iii) midterm and final evaluations. In addition, the system will include routine inspection visits normally carried out by the IDB Belize Country Office. The MOF will present semiannual technical and financial progress reports. In addition, it will present annually: (i) an assessment of the [Annual Operation Plan \(AOP\)](#) for the year; (ii) the AOP for the upcoming year; and (iii) audited financial statements.<sup>54</sup> The information from these documents will serve as input for the annual monitoring meetings and inspection visits.
- 3.11 **Evaluation.** The project will be evaluated according to the annual goals and indicators of the results and products presented in the RM of the project, by comparing the results before and after. The MEP contemplates an intermediate and final independent evaluation. The borrower will prepare and send to the Bank a mid-term evaluation report, 90 days from the date on which 50% of the resources

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<sup>54</sup> Annual Financial Statements may be carried out by the Auditor General's Department or an external audit firm. The financial statements audited will be presented to the Bank within 120 days after the closing of each FY of the EA. The last of these reports will be submitted within 120 days following the date stipulated for the final disbursement of the financing.

have been disbursed or when 40 months of execution have passed, whichever event happens first. It will also prepare and send to the Bank within 3 months from the date of the last disbursement, a report of the final evaluation that will be used for the Project Completion Report (PCR), which will be due 6 months after project closure. Likewise, the project contemplates a Difference-in-Differences impact evaluation, which estimates the impact generated by the implementation of a new reference price model (see [MEP](#) for details).

Development Effectiveness Matrix		
Summary		BL-L1038
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	Agencies with strengthened digital technology and managerial capacity Agencies with strengthened transparency and integrity practices Institutions with practices reinforced with transparency and integrity	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2746-3	Fostering export-led growth and greater trade integration by strengthening the economic efficiency and simplicity of the tax system and reducing non-tax barriers
Country Program Results Matrix	GN-3034-2	The intervention is included in the 2021 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		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		8.8
5.1 Monitoring Mechanisms		2.8
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury.
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	A technical cooperation in preparation, will support the Institutional Strengthening of the Government of Belize in implementing essential activities to increase the collection tax arrears, strengthen Macro-Fiscal sustainability, and improve a specific area of expenditure quality control.

**Evaluability Assessment Note:**

The main goal of the operation is to promote the fiscal sustainability of Belize. To achieve this end, the project aims to complement the Ministry of Finance, Economic Development, and Investment fiscal strategy in one specific area. It proposes the specific objective to increase the efficiency of public resource spending by strengthening public financial management.

The project proposal diagnoses a primary balance as a share of the State PIB of 8.3 percent in 2020 (IMF, 2021). BID (2018) estimates inefficiencies in public expenditure of 6.3 percent, which position the country as the third with the highest value in the region. The diagnosis identifies needs to improve the efficiency of financial management and procurement processes as well as strengthening technological infrastructure and personnel capacity. The gaps for these needs are estimated based on the Belize Budget report 2021/2022.

The economic analysis provides a cost-benefit analysis estimating savings in the price of public purchases over a 10-year period. It incorporates all project costs. The analysis concludes the project has a net present value of US\$1.1 million and an IRR of 20 percent.

Monitoring relies on reports by the Ministry of Finance and the Ministry of Public Service. The financial annual targets listed in the monitoring and evaluation plan are not consistent with physical annual targets. The ex post evaluation plan includes an impact evaluation to identify the effects of the provision of market price reference values on the volume and paid price of purchased public goods. The evaluation relies on a differences-in-differences approach. The plan also proposes to carry out a before-after comparison for two out of three outcome indicators.

The project identifies seven risks out of which six are classified as medium-high and one as medium-low. The risks classified as medium-high include the adverse effects of COVID-19 on the country economy, the non-approval of the procurement law which allows for e-bidding, insufficient specialized technical knowledge, resistance from staff, insufficient management expertise, and diversion of resources for technological infrastructure due to crisis recovery change of priorities.



## RESULTS MATRIX

<b>Project Objective:</b>	The specific objective is to increase the efficiency of public resources by strengthening public financial management. The general objective is to promote the fiscal sustainability of Belize.
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### GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of Measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Means of Verification	Comments
<b>General development objective:</b> Promote the fiscal sustainability of Belize											
Fiscal deficit / GDP.	%	10.1	2020	9.7	6.6	4.2	4.1	4.0	4.0 <sup>1</sup>	IMF Article IV	<b>Calculation:</b> <b>Baseline (2020): 10.1%</b> Fiscal deficit = BL\$173 million GDP = BL\$ 3,705 million.

### SPECIFIC DEVELOPMENT OBJECTIVES <sup>2</sup>

Indicator	Unit of Measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification	Comments <sup>3</sup>
<b>Specific development objective:</b> To increase the efficiency of public resources by strengthening public financial management.											
Line ministries with budget execution reports audited / all line ministries.	%	0	2020	0	0	20	30	50	50	Internal Audit System, Ministry of Finance (MOF) Office of Internal Audit	<b>Calculation:</b> <b>Baseline (2020): 0%</b> Line ministries with budget executing reports audited = 0 all line ministries = 18.
Value of goods purchased using RP / Total value of goods purchased.	%	20.72	2020	30 <sup>4</sup>	50	80	80	80	80	Reference Price system, MOF- Public Procurement Unit (PPU)	<b>Calculation:</b> <b>Baseline (2020): 20.72%</b> Value of goods purchased using RP = BZ\$ 45,6 million Total value of goods purchased = BZ\$ \$220,3 million.

<sup>1</sup> The target was estimated based on the [IMF Article IV](#) baseline scenario – current policies (PAGE 13); however, being more conservative considering that the negative fiscal impact generated by the COVID-19 could demand more time to recover. Since the IMF estimated a deficit of 3.0% of GDP for FY 2025 in the baseline scenario and 0.7% of GDP if the country implements all fiscal consolidation and structural reforms, the 4% of GDP is considered a very conservative estimation.

<sup>2</sup> The expected results are cumulative.

<sup>3</sup> See [MEP](#) for additional information on outputs and milestones.

<sup>4</sup> It is expected to reach results in the first year because a preliminary application in Python using the procurement information for FY2017-2020 was developed for the preparation of the economic analysis, aiming to estimate the savings that could be generated in case the procurement for goods has been performed based on the average price. This application will be used on a pilot basis to provide the average price of goods, while a definitive application integrated with SmartStream is developed and implemented for other Line Ministries.



Indicator	Unit of Measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification	Comments <sup>3</sup>
Public servants certified through the e-learning training program / total public servants involved in PFM subjects.	%	0	2020	0	10	20	40	60	60	Certification Report, Ministry of Public Service, Constitutional and Political Reform (MPS)	<b>Calculation:</b> <b>Baseline (2020):</b> 0% Public servants certified through the e-learning training program = 0 Total public servants involved in PFM subjects = 120.

### OUTPUTS<sup>5</sup>

Indicator	Unit of Measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification	Comments <sup>6</sup>
<b>Component 1. Strengthening Financial Management (US\$7,18 million)</b>											
<b>Subcomponent 1.1. Financial Management (US\$2.79 million)</b>											
1.1.1 New cash management business model implemented.	Model <sup>7</sup>	0	2020	0	1	0	0	0	1	Cash management system, MOF Accountant General Department	The new cash management business model is considered implemented when the first commitment is issued based on the CM funds allocation.
1.1.2 New public debt business model implemented.	Model	0	2020	0	0	0	1	0	1	Public debt system, MOF Public Debt Unit	The model is considered implemented when the first debt scenario simulation is performed.
1.1.3 Internal control model strengthened.	Model	0	2020	0	0	0	0	1	1	Internal audit system, MOF Internal Audit Unit	The model is implemented when at least one LM presents a report based on the model guidelines.
1.1.4 Two new SmartStream modules implemented.	Software	0	2020	0	0	1	1	0	2	Technological infrastructure inventory system, MOF CITO	The modules are considered implemented when the first user operates the modules and certifies their correct operation. Year 3= implementation of Asset Management Module; Year 4=

<sup>5</sup> The results are annual.

<sup>6</sup> See [MEP](#) for additional information on outputs and milestones.

<sup>7</sup> Model in most of the cases includes the new processes, software systems, and training.

Indicator	Unit of Measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification	Comments <sup>6</sup>
											implementation of Project Management Module.
1.1.5 Document of budget classifier and COA to enable asset registration and tracking of climate change and gender-related expenditures approved.	Document	0	2020	0	1	0	0	0	1	COA approved, MOF Budget Directorate	Pro gender indicator. The document will be approved when the first balance statement is prepared including classifiers of assets depreciation, climate change and gender-related expenditures.
1.1.6 Document with needs assessment and methodology to register and evaluate gender programs developed and implemented in one LM approved. <sup>8</sup>	Document	0	2020	0	0	1	0	0	1	Report, MOF Budget Directorate	Pro gender indicator. The document will be approved when the LM presents a report informing that the pilot was successfully implemented.
<b>Subcomponent 1.2. Procurement (US\$2.28 million)</b>											
1.2.1 Package to strengthen the procurement agency housed at the MOF to monitor and oversee procurement delivered.	Package	0	2020	0	0	1	0	0	1	Report provided by external consultancy, MOF - Public Procurement Unit (PPU)	The package consists of technical assistance, equipment and furniture, and small infrastructure remodeling. The PPU is considered delivered when the first e-tender process is carried out.
1.2.2 E-procurement management software implemented. <sup>9</sup>	Software	0	2020	0	0	0	1	0	1	E-procurement system report, MOF - PPU	The system is considered implemented when the first user operates the system and certifies their correct operation.
1.2.3 Reference price model implemented.	Model	0	2020	0	0	1	0	0	1	Reference Price system report, MOF - PPU	The model is considered implemented when the first Line Ministry makes a purchase using the reference price.
1.2.4 Documents defining the procurement modalities that favor aggregation of demand approved.	Document	0	2020	0	0	1	1	0	2	Contract documents, MOF - PPU	The documents will be approved when the first purchase using one of the modalities occurs. Examples of modalities

<sup>8</sup> The IDB will provide supplemental support with resources from the technical assistance in preparation to assist the country with the preparatory work for gender budgeting.

<sup>9</sup> Green procurement guidelines.

Indicator	Unit of Measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification	Comments <sup>6</sup>
											include framework agreements and collaborative procurement.
<b>Subcomponent 1.3. Technological Infrastructure (US\$0.65 million)</b>											
1.3.1 MOF datacenter hardware capacity expansion implemented. <sup>10</sup>	Hardware	0	2020	0	0	1	0	0	1	Report provided by external consultancy, MOF - CITO	The hardware is considered implemented when the first system operates under the new hardware infrastructure.
1.3.2 Data warehouse platform implemented.	Platform	0	2020	0	0	0	1	0	1	Report provided by external consultancy, MOF - CITO	The platform is considered implemented when the first user operates the tools and certifies their correct operation. A platform is the software and hardware systems necessary to provide the base for data mining software to run. The software will include data mining tools.
<b>Subcomponent 1.4. Strengthening Capacity Building (US\$1.46 million)</b>											
1.4.1 Package to establish an e-Learning training unit delivered.	Package	0	2020	0	1	0	0	0	1	Report provided by external consultancy, MPS	The package consists of technical assistance, equipment and furniture, and small infrastructure remodeling. The e-learning package is considered delivered when the first user accesses a training course.
1.4.2 MPS' personnel evaluation services to assess PFM knowledge implemented.	Person	0	2020	0	60	60	0	0	120	Evaluation's report, MPS	The evaluation is considered implemented when any person is evaluated.
1.4.3 Personnel training and certification services implemented.	Person	0	2020	0	30	30	30	0	90	Certification's reports, MPS	The training is considered implemented when any person finishes one of the courses available and receives the corresponding certification.

<sup>10</sup> Following the acquisition of high energy efficiency equipment that complies with national or international standards.

Indicator	Unit of Measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification	Comments <sup>6</sup>
1.4.4 Services to establish a change management plan for the PFM modernization delivered.	Services	0	2020	0	0	0	0	1	1	Report provided by external consultancy, MOF	A service consists of dissemination and communication activities to establish the change management plan. It is considered delivered when the last event of dissemination is performed.

Country: Belize

Division: IFD/FMM

Operation No: BL-L1038

Year: 2021

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

**Executing Agency (EA):** Ministry of Finance, Economic Development & Investment (MOF)

**Operation Name:** Strengthening Public Expenditure Management in Belize

### I. FIDUCIARY CONTEXT OF EXECUTING AGENCY

#### 1. Use of country system in the project<sup>1</sup>

<input checked="" type="checkbox"/> Budget	<input type="checkbox"/> Reports	<input type="checkbox"/> Information System	<input type="checkbox"/> National Competitive Bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input type="checkbox"/> Accounting	<input type="checkbox"/> External Control	<input type="checkbox"/> Individual Consultants	

**Applicable Laws and Regulations:** The Constitution of Belize is based on the Westminster parliamentary model and was last updated March 2017. It defines the legislature as the National Assembly with authority to approve laws, including the national budget. Additionally, it defines the mandate of the Auditor General to hold the government accountable for its stewardship of public funds.

The five laws and regulations that provide guidelines for PFM are: (i) Finance and Audit (Reform) Act of 2005, last amended in 2011; (ii) Financial Orders; (iii) Stores Orders; (iv) Control of Public Expenditure Handbook; and (v) Fiscal Transparency and Responsibility Regulation, 2010.

#### 2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Particularities of the Fiduciary Execution	The EA will be the MOF, and the PEU within the MOF that is currently administering the loan operation in execution (4839/OC-BL), will be responsible for the fiduciary management of this project. The PEU is staffed with both a financial specialist and a procurement specialist who, along with the Project Coordinator and the other members of the PEU team, will execute the fiduciary activities of the project.
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#### 3. Fiduciary capacity

Fiduciary Capacity of the EA	Based on the ICAP conducted in July 2021, the MOF and the existing PEU have adequate capacity to execute the fiduciary activities of this program. The ICAP found that the PEU has competent and experienced staff as well as adequate systems, including internal controls, to effectively administer the project, with the additional support of a Project Coordinator and a procurement specialist assistant.
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#### 4. Fiduciary risks and risk response

Risk Taxonomy	Risk	Risk Level	Risk Response
Internal Processes	If the Project Coordinator, procurement and fiduciary staff of the PEU have insufficient expertise in the execution of projects, especially related to: (i) leadership; (ii) monitoring and evaluation; (iii) planning; and (iv) acquisitions, it is possible that the processes will not be effectively managed and will delay the physical and financial schedule of the operation.	Medium-High	This risk will be mitigated by using the same PEU that is executing the Strengthening of Tax Administration Program (4839/OC-BL), which will take advantage of the existing synergies and create an efficient cost structure regarding fiduciary and

<sup>1</sup> Any system or subsystem that is subsequently approved could be applicable to the operation, in accordance with the terms of the validation conducted by the Bank.

Risk Taxonomy	Risk	Risk Level	Risk Response
			procurement costs. An additional Project Coordinator and procurement specialist assistant will be hired by the current project to ensure that the unit is sufficiently staffed.

#### 5. Policies and guides applicable to operation:

The procurement processes financed in full or in part by Bank resources will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-15), or those in effect at the time of project execution.

### II. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF THE LOAN AGREEMENT

**Exchange Rate:** The exchange rate applicable to justify expenses is the exchange rate in force on the date of payment of the expenditure in local currency of the Borrower as indicated in (b)(ii) of Article 4.10 of the General Conditions. Also, this agreed exchange rate will be the exchange rate as published in the Central Bank of Belize (CBB) on the effective date on which the Borrower, the EA, or any other person or legal entity in whom the power to incur expenditures has been vested makes the related payments to the beneficiary.

**Type of Audit:** Throughout the loan disbursement period, the EA will submit to the Bank annual audited financial statements within 120 days after the close of the fiscal year, March 31st. The audit will be conducted by a Bank eligible independent audit firm. The audit's scope and related considerations will be governed by the Financial Management Guidelines (document OP-27312) and the Guide for Financial Reports and Management of External Audit. Audit costs will be financed with project resources.

### III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding Documents	For procurement of Works, Goods and Services Different of Consulting executed in accordance with the Procurement Policies (document GN-2349-15), subject to International Competitive Bidding (ICB), the Bank's Standard Bidding Documents (SBDs) or those agreed between EA and the Bank will be used for the particular procurement. Likewise, the selection and contracting of Consulting Services will be carried out in accordance with the Policies for the Selection and Contracting of Consultants (document GN-2350-15) and the Standard Request for Proposals (SRP) issued by the Bank or agreed between the EA and the Bank will be used for the particular selection. The revision of the technical specifications, as well as the terms of reference of the procurements during the preparation of selection processes, is the responsibility of the sectorial specialist of the project. This technical review can be ex ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Complementary Procurement Support	Yes, if necessary.
<input checked="" type="checkbox"/>	Direct Contracting and Single Source Selection	The following direct contracting and single source selections have been identified: (i) Acquisition of the project management SmartStream module, will be directly contracted from SmartStream, because the system is an off-the-shelf product, and this module is integrated with all other system modules. US\$350,000. (ii) Acquisition of the asset management SmartStream module, will be directly contracted from SmartStream, because the system is an off-the-shelf product, and this module is integrated with all other system modules. US\$250,000. These direct contracting are justified according to 3.7 (c) of the Bank's Procurement Policy (GN-2349-15), that allows direct contracting when the required good is proprietary and obtainable only from one source.
<input checked="" type="checkbox"/>	Recurrent Expenses	The recurrent expenses required to put the project into operation, must be approved by the Project Team Leader, and will be made following the EA's administrative procedures. Such procedures will be reviewed and accepted by the Bank, provided that they do not violate the principles of value for money, economy, efficiency, equality, transparency and integrity.

<input checked="" type="checkbox"/>	Advanced Contracting Retroactive Financing	The Bank may retroactively finance from the resources of the loan, up to the sum of US\$669,025 (8.36% of the proposed loan amount), eligible expenses incurred by the Borrower prior to the date of approval of the loan, provided that all requirements are substantially similar to those set out in the loan contract. The eligible expenses will mainly relate to staffing and office equipment for the PEU. Such expenses must have been incurred from July 26, 2021 (date of approval of Project Profile), but under no circumstances will expenses incurred more than 18 months before the loan approval date be included.								
<input checked="" type="checkbox"/>	Procurement Supervision	<div>The method of supervision shall be ex ante to the procurement processes executed by the EA.</div> <table><tr><th>Works</th><th>Goods/Services</th><th>Consulting Services</th></tr><tr><td>0</td><td>3,714,773</td><td>US\$1,472,327 Firms US\$2,812,900 Singles</td></tr></table>			Works	Goods/Services	Consulting Services	0	3,714,773	US\$1,472,327 Firms US\$2,812,900 Singles
Works	Goods/Services	Consulting Services								
0	3,714,773	US\$1,472,327 Firms US\$2,812,900 Singles								
<input checked="" type="checkbox"/>	Records and Archives	Records and files will be managed in accordance with the terms of the loan contract.								

### Main Procurements

Description of the Procurement	Selection Method	Estimated Date	Estimated Amount US\$
Acquisition and implementation of E-procurement system	ICB	September 30, 2023	608,773
Acquisition and implementation of an of the shelf (OTS) debt management system	ICB	April 30, 2024	400,000
Acquisition of an off the shelf audit/control application	ICB	September 30, 2022	400,000
Hardware expansion (servers)	ICB	June 30, 2022	400,000
Acquisition of the project management SmartStream module	Direct Contracting	March 31, 2024	350,000
Acquisition of the asset management SmartStream module	Direct Contracting	June 30, 2024	250,000
Acquisition and implementation of a datawarehouse platform including data mining tools	ICB	March 31, 2024	200,000
Support equipment for the Entity operation (furniture and equipment), including the Reference price, supplier registration, and business intelligence units	ICB	June 30, 2022	150,000
License Plataforma e-learning (LMS) for 120 users x US2 month by user for 72 months	ICB	September 30, 2023	150,000
Support equipment for the Unit operation (servers and workstations)	ICB	March 31, 2022	100,000
Workshops to disseminate the modernization	ICB	October 31, 2022	150,000
Logistic support to carry out the eLearning training and certification	ICB	June 30, 2023	100,000
International Technical assistance to carry out the evaluation of the level of the personal involved in the PFM operations	QCBS	March 31, 2023	244,253
International Technical assistance to define the training and certification scheme and prepare the didactic material for training and certification	QCBS	June 30, 2023	244,253

Description of the Procurement	Selection Method	Estimated Date	Estimated Amount US\$
International Technical assistance to implement a cash management model, including the specification for the development of an application to support the mode	QCBS	September 30, 2022	162,835
International Technical assistance to coordinate the implementation of the activities being carried by the donors and the establishment of the internal audit office in the MOF	QCBS	September 30, 2022	162,835
International assistance to develop and perform an action plan for the implementation of e-procurement system	QCBS	June 30, 2023	162,835
International Technical assistance to support the harmonization the Chart of accounts with the Asset module.	QCBS	June 30, 2022	122,126
Local Technical assistance to implement and operationalize the centralized procurement entity activities, including the Reference price, supplier registry, and business intelligence units	IC	June 30, 2022	532,800
Project Manager	IC	January 31, 2022	300,000
Procurement Expert	IC	January 31, 2022	222,000
Local Technical assistance to implement and operationalize the eLearning Unit activities	IC	June 30, 2022	177,600
Local assistance to populate the information related to government assets	IC	June 30, 2024	133,200
International Technical assistance to adopt modalities that aggregate demand	IC	June 30, 2022	110,000

See the [PA](#).

#### IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

<input checked="" type="checkbox"/>	Programming and Budget	The budget preparation process begins each year with the budget call whereby the MOF distributes a circular outlining the procedures, timelines and forms to be completed by each ministry, department and agency of the Government of Belize. This process is applicable to external financing, including IDB resources and the resources of this project. The Government of Belize has committed to allocate for each fiscal year of the project, adequate fiscal space to guarantee the timely execution of the project. As such, no bottlenecks regarding fiscal space and the budget process are anticipated for the project.
<input checked="" type="checkbox"/>	Treasury and Disbursement Management	In accordance with the norms of Government of Belize, a bank account within the CBB will be designated for the project to receive disbursements of project resources. Payments of project expenses in local currency will be made from the Consolidated Revenue Fund account which will then be reimbursed with resources from the designated account at the CBB for those local payments. For foreign currency payments, the PEU will request to the CBB to make those payments directly from the designated project bank account.  In accordance with the disbursing norms for loan operations 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 80% of the total accumulated balance pending justification has been submitted and accepted by the Bank. The other disbursement methods that may be used includes the Reimbursement of payments made and Direct Payments to Supplier.



<input checked="" type="checkbox"/>	Accounting, Information Systems and Reporting	Accounting of the project will be facilitated through SmartStream which is the Government's national financial management system, in accordance with cash-basis international public-sector accounting standards (cash-IPSAS). Additionally, QuickBooks accounting software will be used to complement SmartStream for financial reporting purposes.
<input checked="" type="checkbox"/>	Internal Control and Internal Audit	The Internal control system of Government of Belize is weak and though an Internal Audit Unit was established at the MOF in September 2020, no internal audits have been conducted so far. To ensure the internal control systems applicable to the project is adequate, there will be a Project Operations Manual outlining the required systems of internal controls to ensure the effective fiduciary management of the project.
<input checked="" type="checkbox"/>	External Control: External Financial Audit and Project Reports	Given the capacity constraints of the Office of the Auditor General, a private audit firm considered eligible by the Bank will be hired to conduct the annual and final financial statement audits of the project. The EA will select and contract the services of an eligible auditor, in accordance with the Terms of Reference agreed with the Bank.
<input checked="" type="checkbox"/>	Project Financial Supervision	The 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 PEU personnel in the Bank's procedures and requirements. Disbursements will be reviewed on an ex post basis.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/21

Belize. Loan \_\_\_\_/OC-BL to Belize  
Strengthening Public Expenditure  
Management in Belize

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 the purpose of granting it a financing to cooperate in the execution of the project "Strengthening Public Expenditure Management in Belize". Such financing will be for the amount of up to US\$8,000,000 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 \_\_\_\_ 2021)