

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BELIZE**

**GEORGE PRICE HIGHWAY REHABILITATION**

**BL-L1019**

**LOAN PROPOSAL**

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ELECTRONIC LINKS	
<b>REQUIRED</b>	
1.	Project Execution Plan (PEP) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38941430">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38941430</a>
2.	Monitoring and evaluation arrangements <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38941395">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38941395</a>
3.	Environmental and Social Management Report (ESMR) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38974327">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38974327</a>
4.	Procurement plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38976202">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38976202</a>
<b>OPTIONAL</b>	
1.	Economic evaluation <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38993299">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38993299</a>
2.	Logic framework <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38966804">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38966804</a>
3.	Concept design for the Rehabilitation of George Price Highway (GPH) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38993314">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38993314</a>
4.	Regional integration report <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38941431">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38941431</a>
5.	Belize Road Maintenance Strategy 2013 <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39008257">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39008257</a>

## ABBREVIATIONS

AASHTO	American Association of State Highway and Transportation Officials
AOP	Annual Operating Plan
CIF	Caribbean Investment Facility
DOE	Department of the Environment of the Ministry of Forestry and Sustainable Development
ECP	Environmental Compliance Plan
EIRR	Economic Internal Return Rate
ESA	Environmental and Social Analysis
ESG	Environmental and Safeguards Unit Group
ESIA	Environmental and Social Impacts Assessment
ESMP	Environmental and Social Management Plan
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
EU	European Union
FFF	Flexible Financing Facility
FIRII	Fund for the Financing Initiative for the Regional Integration Infrastructure
GCI-9	Ninth General Capital Increase
GCM	Grant and Co-financing Management Unit
GDP	Gross Domestic Product
GOBL	Government of Belize
GPH	George Price Highway
HDM-4	Highway Development and Management Model
IDB	Inter-American Development Bank
INE/TSP	Infrastructure and Environment Office/Transport Division
iRAP	International Road Assessment Program
IRI	International Roughness Index
IRR	Internal Rate of Return
LAC	Latin American and the Caribbean
MEP	Monitoring and Evaluation Plan
MOFED	Ministry of Finance and Economic Development
MOWT	Ministry of Works and Transport
MP	Mesoamerican Project
NPV	Net Present Value
OC	Ordinary Capital
OEL	Optional Electronic Link
PEU	Project Execution Unit
POD	Proposal for Operation Development
PSA	Partial Scope Trade Agreement
QRR	Quality and Risk Review
REL	Required Electronic Link
RF	Results Framework
RICAM	International Network of Mesoamerican Highways
RMU	Road Maintenance Unit
ROW	Right-of-Way

**PROJECT SUMMARY**  
**BELIZE**  
**GEORGE PRICE HIGHWAY REHABILITATION**  
**BL-L1019**

Financial Terms and Conditions				
<b>Borrower:</b> Belize			<b>Flexible Financing Facility*</b>	
			<b>Amortization Period:</b>	25 years
<b>Executing Agency:</b> Ministry of Works and Transport (MOWT)			<b>Original WAL:</b>	15,25 years
			<b>Disbursement Period:</b>	5 years
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Grace period:</b>	5,5 years
<b>IDB (OC)</b>	27,000,000	94%	<b>Supervision and Inspection Fee:</b>	**
			<b>Interest Rate:</b>	LIBOR
<b>Local counterpart</b>	1,528,000	6%	<b>Credit Fee:</b>	**
<b>Total</b>	28,528,000	100%	<b>Currency of Approval:</b>	USD chargeable to the Ordinary Capital (OC)
Project at a Glance				
<p><b>Project objective/description.</b> The project objective is to substantially improve the road connectivity within Belize's main districts and with Central America by rehabilitating the GPH road infrastructure between miles 47.9 in Belmopan and 67.3 in Santa Elena to national standards, decreasing travel time and costs, reducing road fatalities and injuries, and ensuring road accessibility by improving the climate change resilience of the corridor.</p>				
<p><b>Special contractual clauses.</b> In addition to the standard conditions precedent to first disbursement set forth in the General Conditions of the Loan Agreement, the Borrower through the Executing Agency shall comply with the following conditions:</p> <p><b>Condition prior to first disbursement.</b> Show evidence satisfactory to the Bank that: (i) it has established the Project Execution Unit (PEU) of the MOWT; and (ii) a project manager/engineer, a procurement officer, and a financial specialist have been contracted and assigned to the PEU (¶2.11).</p> <p><b>Special execution conditions.</b> The Borrower, through the Executing Agency: (i) shall submit final engineering designs satisfactory to the Bank prior to the call for bids for the civil works of Component 1; (ii) shall provide evidence that it has begun the call for bids for the specialized supervision firm prior to the invitation for pre-qualification for the civil works of Component 1; and (iii) Prior to beginning the civil works of Component 1, (1) shall have obtained all authorizations, licenses or permits which are necessary for the execution of the civil works, including the ownership and clearance of the right-of-way, and provide the supporting documentation to the Bank, and (2) shall provide evidence to the Bank that a specialized supervision firm has been contracted (¶2.11).</p> <p><b>Environmental and social clauses.</b> The Borrower shall comply with the environmental, social, health and safety, and labor requirements set forth in Section VI of the Environmental and Social Management Report (ESMR), and provide evidence of such compliance (<a href="#">REL#3</a>) (¶2.11).</p>				
<b>Exceptions to Bank policies and procurement.</b> None.				
<b>Project qualifies for:</b> SEQ <input type="checkbox"/> PTI <input type="checkbox"/> Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>				

(\*) Under the Flexible Financing Facility (FFF) (FN-655-1), the Borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions, in all cases subject to the final amortization date and original Weighted Average Life (WAL). In considering such requests, the Bank will take into account market conditions and operational and risk management considerations.

(\*\*) 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.

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed and justification

- 1.1 **General overview.** Belize is a small tropical country with a lightly spread population of 349,728. The country and its infrastructure, especially in the low lying coastal areas, are critically vulnerable to frequent tropical storms and hurricanes, flood damage and rising sea levels. Real GDP growth averaged 3.2% annually from 2003-2012. Per capita income, US\$4,706, is unchanged in real terms since 2004.<sup>1</sup> Poverty remains high at 41%. Belize's economy depends heavily on tourism and agriculture, which respectively account for 37%<sup>2</sup> and 12%<sup>3</sup> of GDP, and 40% and 27% of all export earnings (goods and services).<sup>4</sup>
- 1.2 Cayo district is Belize's largest district in area and second largest by population after Belize district.<sup>5</sup> It lies in the country's center between Belize district and Guatemala. The twin towns of San Ignacio and Santa Elena are the second most populated urban area in the country and home to most of Belize's inland tourism industry with a number of eco-lodges, resorts and a concentration of significant Mayan sites. The area around the community of Spanish Lookout (north-central part of the district) contains one of Belize's largest agricultural and agro-industrial areas and is home to all of the country's petroleum industry.
- 1.3 **Road transport.** Road transport is the leading transport mode for cargo and passengers in Belize and henceforth a fundamental mechanism for economic development. Of Belize's road network, there are only two land connections with neighboring countries, Guatemala and Mexico, putting significant importance on these two corridors, the George Price Highway (GPH) and the Phillip Goldson Highway, for Belize's overland trade and integration with the Mesoamerican Region.
- 1.4 **Infrastructure.** Belize's road network consists of 4,489 km of roads<sup>6</sup> of which 15% (657 km) is paved,<sup>7</sup> corresponding mainly to the primary road network. This is one of the lowest coverage rates in Latin America and the Caribbean (LAC).<sup>8</sup> Much of the network is built to inadequate standards, receives insufficient maintenance and has not seen access increase at the rate of demand.<sup>9</sup> Belize's primary highway

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<sup>1</sup> Belize Country Strategy 2013 – 2017.

<sup>2</sup> Includes both direct and indirect additions of tourism to the national GDP. World Travel and Tourism Council (WTTC). Economic Impact 2014 Belize.

<sup>3</sup> IDB calculations for 2012, based on Central Bank of Belize, Annual Report 2013.

<sup>4</sup> IDB calculations, average of 2011-2013, based on Central Bank of Belize, Annual Report 2013.

<sup>5</sup> Belize Statistical Institute 2013. Belize District Population 104,423. Cayo District Population 82,677.

<sup>6</sup> 573 km are primary roads or highways, 765 km are secondary roads and 3,151 km are rural roads.

<sup>7</sup> Based on information provided by the MOWT.

<sup>8</sup> Comparators (% of paved roads): LAC: 22.45 (2010) Suriname: 26 (2000) El Salvador: 46.9 (2006) Dominican Republic: 49.4, Jamaica: 73.3 (2005), Guyana: 7.4 (2001); Haiti: 24.3 (2001); Mexico 35.3 (2008); and Guatemala: 59.1% (2010).

<sup>9</sup> Belize's low population density requires more kilometers of road per resident than many countries of the region, requiring more road investment per capita. Though Belize has a high ratio of road kilometers per capita, the quality and extent of the secondary network doesn't provide the necessary access that the road coverage ratio would seem to indicate. Source: IDB Technical Note Transport Sector in Belize.

infrastructure was mostly built in the first half of the 20<sup>th</sup> century and very limitedly rehabilitated thereafter, often not to a standard that adequately meets modern levels of safety, traffic and drainage. Primary highways require improvements to both vertical and horizontal alignments and to bridge and drainage structures to satisfy Belize's national highway standards.

- 1.5 **Insufficient maintenance.** Maintenance is insufficient causing the paved road network to deteriorate at a steep rate.<sup>10</sup> The result is deteriorated pavement and shoulders, poor marking and signing and compromised drainage. Technical analysis cites that the primary road network is 23% good, 20% regular, 35% bad and 22% very bad.<sup>11</sup> This has been mainly attributed to: (i) the Government of Belize (GOBL) being unable to secure and administrate adequate and stable flows of funds for road maintenance; (ii) a weak and poorly equipped road maintenance unit; and (iii) increased traffic levels due to an increase in the movement of goods and services and expansion in the tourism and agricultural sectors.
- 1.6 **The George Price Highway (GPH).** The GPH, formerly known as the Western Highway, is a two lane road that connects: (i) Belize City, the commercial center; (ii) Belmopan, the national capital; (iii) San Ignacio and Santa Elena; and (iv) Benque Viejo on the Guatemalan Border.<sup>12</sup> The GPH was originally built in the 1930s and last rehabilitated in the mid-1980s. The route is part of the International Network of Mesoamerican Highways (RICAM).<sup>13</sup>
- 1.7 Flooding greatly restricts mobility along the road and makes evident infrastructure vulnerabilities during extreme weather events. This is significant as the GPH is a primary evacuation route for coastal areas including Belize City.<sup>14</sup> Of particular concern is the Roaring Creek Bridge (mile 48), located near Belmopan, which has been submerged at least twice in the last ten years and frequently has water straining its superstructure. There are no alternative routes around this critical point.
- 1.8 The GPH is the only major transport artery to and from Guatemala, vital for trade and integration with Central America. Trade with Guatemala has boomed since 2003, and the introduction of a Partial Scope Trade Agreement (PSA) between Belize and Guatemala in 2010 is stimulating further growth of trade between the countries.<sup>15</sup>
- 1.9 In recent years, the GPH's pavement has deteriorated significantly, particularly in Cayo District (§1.1) from Belmopan through Santa Elena/San Ignacio to the

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<sup>10</sup> Roads rated bad or very bad have increased from 5% in 2004/05 to 57% in 2012/13. Source: Author's elaboration based on the Belize Road Maintenance Strategy and Interviews with MOWT.

<sup>11</sup> Belize Road Maintenance Strategy and Interviews with MOWT.

<sup>12</sup> Traffic survey conducted July 2014 (see conceptual designs) shows that the highest Annual Average Daily Traffic (AADT) rate is concentrated in the section between the cities of Santa Elena and Belmopan (max values: Belmopan entrance 7,022 vehicles/day; Santa Elena entrance 8,248 vehicles/day). (OEL#1).

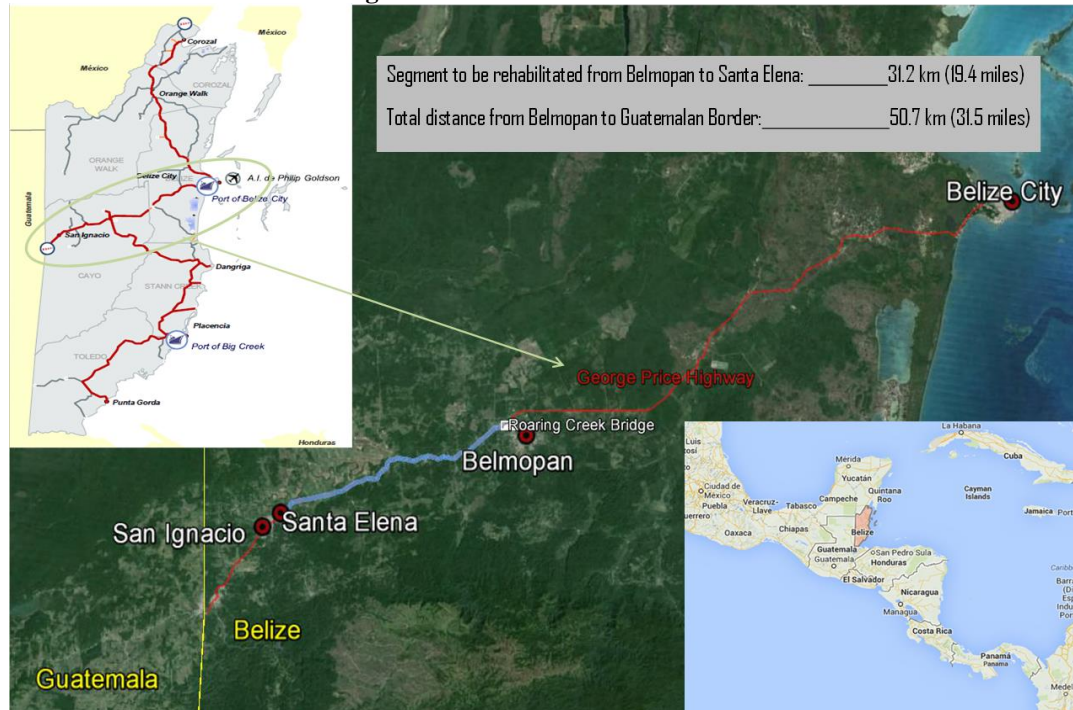
<sup>13</sup> The GPH is included as part of the RICAM tourism corridor linking Guatemala (El Ceibo – Flores) with Belize (Belmopan) and Mexico (Cancun). RICAM prioritizes that the corridor's rehabilitation be done under adequate quality and safety standards.

<sup>14</sup> The GPH is the designated national evacuation route for citizens of Belize City and northern communities to San Ignacio and Santa Elena in case of natural hazard and natural disaster usually a hurricane or tropical storm.

<sup>15</sup> Bulmer-Thomas, Victor (2013), Belize's Regional Integration Options, IDB-TN-564, Inter-American Development Bank, Washington D.C.

Guatemalan border at Benque Viejo due to: (i) inadequate design standards; (ii) an increase in trucks and buses from the expansion of the petroleum, agriculture, and tourism sectors; and (iii) limited maintenance. The pavement's poor conditions together with the absence of paved shoulders, unsafe road alignments, lack of pedestrian facilities in urban areas, and limited marking and signing add to Belize's high incidence of road fatalities. As a consequence of these issues, the GPH suffers from a decreasing level-of-service<sup>16</sup> providing a major constraint for Belize's economic and social development and integration with Central America and compromising the use of this corridor as a primary evacuation route.

**Figure 1. Location of GPH in Belize**



- 1.10 **Institutional organization.** The MOWT is mandated by the GOBL to maintain all national assets comprising the transportation network, such as roadways and bridges, with the intent to provide good riding quality, all weather road upgrading, appropriate user safety and general access to enable transit activity, urbanization, agricultural and commercial development. Within the MOWT, is the Road Maintenance Unit (RMU) in charge of implementing the recently approved Road Maintenance Strategy ([OEL#5](#)). For a significant works project, such as the one being proposed in this document, the MOWT forms a Project Execution Unit (PEU) of specialized personnel to be responsible for project execution and oversight.
- 1.11 **The problem.** The extent and condition of Belize's existing road infrastructure generally (§1.4) and the condition of the GPH in particular between Belmopan and Santa Elena (§1.9) are causing: (i) a rise in transport costs; (ii), a high incidence of

<sup>16</sup> A qualitative measure that describes traffic conditions in terms of speed, freedom to maneuver, comfort, convenience, traffic interruptions and safety, according to Highway Capacity Manual.



traffic fatalities; and (iii) unreliable connectivity due to the corridor's increasing susceptibility to climate change induced flooding.

- 1.12 **Rising transportation costs.**<sup>17</sup> Belize presents one of the highest transport costs in Central America.<sup>18</sup> The deteriorated state and limited extent of Belize's primary road infrastructure and the lack of complementary freight services raises overall logistics transport costs,<sup>19</sup> which subsequently constrains growth in exports, prevents cultivation of available land due to poor access, and limits tourism at prominent cultural and ecological sites around the country.<sup>20</sup> The resulting high logistics costs are disproportionately impactful to Cayo district's primary economic generators, which lie along the GPH in particular in the section between Belmopan and Santa Elena where the Spanish Lookout area is located (§1.1), and to potential increases in Belize's trade with Mesoamerica, which today is only 10% of exports and 25% of imports despite close proximity.
- 1.13 **High number of traffic accidents.** The poor condition of Belize's road network (§1.4) contributes to one of the highest road fatality rates in the LAC region (28.9 per 100,000 people).<sup>21</sup> Most of the project segment of the GPH received the International Road Assessment Program's (iRAP) lowest safety grade (one star out of five) in their 2012 report on the safety of Belize's primary road network and as a result has averaged around 5 fatalities and 50 severe injuries due to traffic accidents per year.<sup>22</sup> In addition, to the general deterioration of the GPH, several critical accident hotspots located mainly between Belmopan and Santa Elena were identified by the MOWT,<sup>23</sup> where the highest traffic on the corridor is concentrated.<sup>24</sup>
- 1.14 **Unreliable connectivity during extreme weather events.** The existing network of roads and bridges is severely impacted by frequent flooding. In recent years, tropical storms and hurricanes have affected the country recurrently.<sup>25</sup> Climate change and

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<sup>17</sup> According to "Doing Business," export logistics costs associated with moving cargo are 6% higher in Belize than in LAC. Internal road transport accounts for 30% of total transport cost: Belize: US\$1,355 per container; LAC: US\$1283; and Belize Internal transportation cost: US\$400.

<sup>18</sup> Recent studies developed by the IDB (Technical Note IDB-TN-511, "Transporte automotor de carga en Belice, Centroamérica y República Dominicana") demonstrate that the average transport cost for a 40 foot container in Belize is 2.6 US\$/Km, the second highest after Honduras (3.3 US\$/Km). The average value for the Central American Region is 1.85 US\$/Km.

<sup>19</sup> Logistics costs are defined as the cost associated with all procedures required to export goods, including costs for documents, administrative fees for customs clearance and technical control, management fees, and customs charges for terminal handling and transport inside the country.

<sup>20</sup> In the agricultural sector, the constraint to expansion is limited infrastructure (inadequate transportation, electricity and irrigation networks). In the tourism industry, the small number of paved roads leading to tourism sites results in an uneven distribution of tourism flows in the country, causing overcrowding at some sites and underutilization of those without adequate access.

<sup>21</sup> Traffic fatalities per 100,000 people in the region (IDB): LAC avg. (16.2), Central American avg. (14.6) and Caribbean avg. (17.8). Belize: 28.9; El Salvador: 21.5; Honduras: 17.8; Nicaragua: 12; Guatemala: 12; Costa Rica: 12.6; Dominican Republic: 25.3; Suriname: 19.7; Bahamas: 19.2; Guyana: 19.1; Trinidad & Tobago: 15.5; Barbados: 12.8; and Jamaica: 12.7.

<sup>22</sup> As tallied by the MOWT.

<sup>23</sup> Miles 59, 60, 49, 52, 53, 54, 56, 57, 58, 61, 62, 67 are identified by the MOWT as critical road safety hotspots.

<sup>24</sup> Traffic survey conducted July 2014 (see conceptual designs) shows that the highest AADT rate is concentrated in the section between the cities of Santa Elena and Belmopan (max values: Belmopan entrance 7,022 vehicles/day; Santa Elena entrance 8,248 vehicles/day).

<sup>25</sup> Tropical depressions, tropical storms, or hurricanes have been recorded in 1931, 1955, 1961, 1971, 1974, 1978, 2000, 2001, and 2007, by the US National Weather Service.

climate variability are likely to increase rainfalls and raise sea levels, worsening the impacts of severe weather events.<sup>26</sup> This scenario is especially significant for the GPH, which is the primary evacuation route for residents of Belize City and environs to the high ground around San Ignacio/Santa Elena. However, the highway in its current condition is susceptible to flooding, in particular in the section between Belmopan and Santa Elena<sup>27</sup> where the most vulnerable infrastructure, the Roaring Creek Bridge is located (§1.7). Loss of access to the bridge cuts off this critical evacuation route and severely damages trade with Guatemala and tourism to important sites in Western Belize.

- 1.15 **The operation.** Attending the GOBL's request and priorities, this operation will address the problems put forth above (§1.11-§1.14) by financing the rehabilitation and maintenance of the GPH between Belmopan (mile 47.9) and the beginning of the Santa Elena/San Ignacio bypass (mile 67.3), the replacement of the Roaring Creek Bridge (mile 48) and institutional strengthening of the PEU to be formed within the MOWT and the proper administration and supervision of the project's execution. Specifically, the operation will rehabilitate the road infrastructure to national standards based on that used by RICAM (§1.6) increasing the quality of one of Belize's main highways which will contribute to improve the country's competitiveness;<sup>28</sup> past IDB road rehabilitation projects have repeatedly shown an improvement in competitiveness for the beneficiary country. The direct beneficiaries of GPH rehabilitation are the Cayo and Belize districts population which represent almost 50% of the country's population.<sup>29</sup> The following benefits are expected.
- 1.16 **Reduction in transport costs.** Transportation costs will be reduced by implementing modern and internationally accepted standards for the roadway and preserving them through adequate maintenance. The economic evaluation of the project estimates that road users will see a US\$53 million decrease in their economic costs of using the roadway over the next 20 years<sup>30</sup> due to the rehabilitation.
- 1.17 To ensure that the rehabilitated roadway doesn't return rapidly to a deficient state, routine maintenance has been included in the operation to make the road investment sustainable.<sup>31</sup> Since the constructor will be responsible for the maintenance of the roadway, there is incentive to build a quality road to minimize future maintenance costs. The GOBL is highly committed to the implementation of an effective road

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<sup>26</sup> Climate change projections predict increased hurricane/storm activity and intensity to magnify the US\$136 billion in losses from 165 storm events between 1990 and 2008 for 14 Caribbean countries according to the Economic Commission for the LAC region.

<sup>27</sup> The MOWT estimates that the project section floods on average 15 days of the year, 3 to 4 days result in the road being impassable.

<sup>28</sup> The Project section represents about 5% of Belize's primary road network (573 km). The road rehabilitation is expected to improve the Global Competitive Index for Belize from 3.0 in 2013 to 3.2 in 2019. ([Annex II - Result Framework](#)). A similar improvement in competitiveness was seen in Project NI-L1006 – *Acoyapa - CR border Road Integration Program* in Nicaragua that also improved a highway vital for regional integration and part of the greater RICAM network and not only reduced travel times and transport costs but produced significant increases in economic activity between Costa Rica and Nicaragua along the corridor.

<sup>29</sup> Belize Statistical Institute 2013. Belize District Population 104,423. Cayo District Population 82,677.

<sup>30</sup> Economic feasibility study for the GPH Rehabilitation Project. Dollar values are determined for a net present value based on a 12% discount rate ([OEL#1](#)).

<sup>31</sup> Performance based road maintenance contracts as part of reconstruction projects improve the quality of the final product. This method has been successful in previous Bank projects such as EC-L1065 and PE-L1058.

maintenance system, as they recognize the fact that maintenance has a higher economic rate of return than new infrastructure investments.<sup>32</sup> Therefore, as per the GOBL's request, the operation will finance capacity building for the RMU to better implement the road maintenance strategy, ensuring that routine and periodic maintenance is systematized, so that it continues well beyond the completion of project implementation. The IDB has already contributed to improve Belize's road maintenance practices by providing technical assistance and advisory services,<sup>33</sup> whose lessons have been taken into account in the project design.<sup>34</sup>

- 1.18 **Reduction in the accident rate.** The infrastructure improvements will take into account the recommendations made by iRAP, best international practices, and critical accident hotspots (§1.13). Road safety will be improved through the provision of better pavement conditions, improved drainage, pedestrian facilities, a paved shoulder and increased signing and marking (§1.20).<sup>35</sup>
- 1.19 **Increase in the roadway's climate change resilience.** The rehabilitated roadway will be designed to withstand an increased incidence of severe weather due to climate change.<sup>36</sup> This will result in bridges designed to remain above flood levels and sufficient drainage and elevation of the roadway to prevent localized flooding. After rehabilitation the roadway will be able to reliably perform as the primary evacuation route for Belize City during severe weather events (§1.14).
- 1.20 **Link to national policies and related projects.** The GPH Rehabilitation Project is one of the GOBL's highest priorities.<sup>37</sup> In Belize's Medium-Term Development Strategy (2010–2013), a short-term strategy towards meeting the goals of the National Development Plan 2010–2030, efficient transport services were declared crucial for economic development. In response, nine road projects including the GPH Rehabilitation and two strategies/programs were identified as key interventions towards achieving the strategy's prerogatives. Other active projects that are complementary to this operation's objectives within the GPH corridor are a bypass and new bridge around San Ignacio/Santa Elena (US\$40 million) and a program to increase road safety (US\$10 million) between Belize City and Belmopan both funded by the Caribbean Development Bank. The Bank's operation, Flood Mitigation Program for Belize (BL-L1013, 2566/OC-BL), which includes similar road and drainage works, is being successfully executed by the MOWT. This has

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<sup>32</sup> Belli, P. 2010. "Formulating an Effective Public Sector Investment Program." Belmopan, Belize: GOBL.

<sup>33</sup> The TC/Intra BL-T1070 financed technical visits of key government officials to learn from successful road maintenance funds/units in Nicaragua and Jamaica. Additional advisory services from both IDB's specialist and international experts has been provided.

<sup>34</sup> Nicaragua's Road Maintenance Fund has focused on financing a limited number of roads that meet a minimum quality criteria in order to keep their road maintenance efforts within the realm of their financing. Jamaica has chosen to try and maintain nearly all of their roads through a road maintenance that is insufficiently financed for the amount of maintenance work that needs to be completed.

<sup>35</sup> The improvement of the road design as well as improved marking and signing lowers accident rates, creating significant economic benefits. Projects where this can be seen are EC-L1065 and PE-L1058.

<sup>36</sup> The Project ES-L1071- *Comprehensive Fiscal Sustainability & Climate Change Adaptation Program for El Salvador* showed that transport infrastructure that is not climate change resilient causes severe economic costs when storm events render the infrastructure impassable.

<sup>37</sup> As stated by the MOWT officials during the Bank's special mission in September 2013.

allowed the MOWT to become more acquainted with Bank procurement processes and benefit from substantial fiduciary training provided to the executing units.

- 1.21 **Strategic alignment.** The GPH Rehabilitation is consistent with the Bank's 2013-2017 Belize Country Strategy in meeting its goal to "improve ease of transport of goods and people" whose intent is to strengthen sector planning and support the sector's contribution to trade and tourism. The project will achieve this by fostering trade and integration and improving access to tourism sites, while giving due attention to climate resilience and road safety standards. Additionally, this project is aligned with three of the four lending program priorities of the Ninth General Increase in Resources (GCI-9) (AB-2764): (i) small and vulnerable countries; (ii) climate change adaptation (§1.19); and (iii) regional cooperation and integration (§1.22). It will also contribute to the regional development goals of "paved road coverage", and "countries with planning capacity in mitigation and adaptation of climate change", as well as to the Bank's outputs "km of inter-urban roads build or maintained or upgraded, "regional and subregional integration agreements and cooperation initiative supported" as defined in the Results Framework.
- 1.22 Following the Bank's alignment for the guidelines for the classification and validation of operations eligible for the GCI-9 regional cooperation and integration lending priority (GN-2733), this operation meets two of the four criteria of the Bank's Sector Strategy to Support Competitive Global and Regional Integration (GN-2565-4): (i) cross-country focus and (ii) national subsidiarity. This infrastructure project contributes to a cross-country focus, as it is a national project that has a direct effect on bettering accessibility standards by improving the country's highway link with Central America. The project also contributes to national subsidiarity by being part of a regional integration initiative. The road section is part of the Mesoamerican Project's RICAM that prioritizes the most relevant road links to foster a commercial dynamic in the region and with the rest of the world ([OEL#4](#)). Additionally, the operation is aligned with the Bank's Infrastructure Strategy, Sustainable Infrastructure for Competitiveness and Inclusive Growth (GN-2710-5) and the Transport Sector Framework because it provides access to infrastructure and services, foment regional and global integration, and supports the construction and maintenance of sustainable infrastructure. Moreover, the project fully incorporates the areas of knowledge of the transport division such as: Freight Logistics, as it addresses the problem of high direct costs in the transportation of goods between nodes of production and consumption; road safety as the operation will reinforce the GPH safety standards; and climate change as it incorporates design parameters to improve adaptability to extreme weather events.
- 1.23 The Bank is supporting this loan with three Technical Cooperations (TC): (i) Project Preparation Studies for the George Price Highway Rehabilitation ([BL-T1063](#)), has determined project feasibility through the completion of technical and economic feasibility studies and the Environmental and Social Impact Assessments (ESIA); (ii) Engineering Studies for the George Price Highway Rehabilitation ([BL-T1066](#)), approved on October 2014, will produce high quality infrastructure designs; and (iii) TC-Intra Strengthening Road Maintenance Management in Belize ([BL-T1070](#)) took members of the MOWT and MOFED to learn proper maintenance mechanisms to sustain the quality of road infrastructure.

## **B. Objective, components and cost**

- 1.24 The project objective is to substantially improve the road connectivity within Belize's main districts and with Central America by rehabilitating the GPH road infrastructure between miles 47.9 in Belmopan and 67.3 in Santa Elena to national standards, decreasing travel time and costs, reducing road fatalities and injuries, and ensuring road accessibility by improving the climate change resilience of the corridor. To meet this objective the following components must be completed.
- 1.25 **Component 1. Civil works & maintenance (US\$25.5 M).** This component will finance: (i) the civil works for the rehabilitation of the GPH from mile 47.9 (Belmopan) to 67.3 (Beginning of Santa Elena Bypass); (ii) the civil works for the replacement of the Roaring Creek Bridge (mile 48);<sup>38</sup> (iii) the supervision of the civil works; (iv) two years maintenance of the civil works once concluded; and (v) land acquisition, compensation, and utilities relocation required to execute the civil works. The civil works will include the above mentioned measure to address road safety, and climate change resiliency issues (¶1.18-1.19).
- 1.26 **Component 2. Institutional strengthening (US\$0.4 M).** This component will finance activities to strengthen the MOWT, and particularly the PEU and the RMU in the following areas, among others: (i) structuring of performance-based contracts for maintenance; (ii) environmental safeguards application in accordance with the Bank's policies; (iii) utilization of national standards or another preferred highway design and testing code<sup>39</sup> by staff and/or training/studies in other related areas; and (iv) training in the use of HDM-4.<sup>40</sup>
- 1.27 **Component 3. Engineering and administration (US\$2.6 M).** This component will finance activities that support the administration of the project, including: (i) the contracting of PEU's key personnel fully dedicated to the project which are a project manager/engineer, a financial specialist, a procurement officer, and an administrative assistant; (ii) renting and furnishing office space for the PEU; and (iii) acquisition of equipment for project execution and oversight. This component will also finance: (iv) sector studies, environmental and social studies, technical studies, and additional engineering designs related to the project; (v) monitoring and evaluation; and (vi) financial audits.
- 1.28 **Costs.** The total cost of the project will be US\$28,528,000, as detailed in Table 1, to be financed by the present operation as follows: US\$27,000,000 from IDB's Ordinary Capital (OC) and US\$1,528,000 as local counterpart.

## **C. Key results indicators**

- 1.29 The expected results are: (i) physical: the rehabilitation of 19.4 miles to national standards providing a more reliable connectivity between the Belize's main district and the rest of Central America, preventing the severing of a critical evacuation

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<sup>38</sup> The replacement for the Roaring Creek Bridge will be placed immediately upstream of the current bridge. The current bridge will continue to be used and will be only limitedly affected by the construction of the new bridge.

<sup>39</sup> National standards are based on American Association of State Highway and Transportation Officials (AASHTO).

<sup>40</sup> Highway Development and Management Model.

route during severe storm events; (ii) operational: reduction in vehicle operating costs and travel times and increased accessibility; (iii) road safety: reducing the number of accidents; and (iv) institutional strengthening. The expected impact indicator for the operation is an increase in Belize's quality of roads based on the Quality of Roads Index from the Global Competitiveness Report. The complete set of outputs, results and indicators is shown in the Results Framework; ([Annex II](#)).

**Table 1. Detailed budget by activity**

Component	IDB	Local	Total	%
	(US\$000)	(US\$000)	(US\$000)	
<b>Component 1. Civil works &amp; maintenance</b>	<b>23,954</b>	<b>1,528</b>	<b>25,482</b>	<b>100%</b>
Replacement of Roaring Creek Bridge including approaches	3,476		3,476	14%
Rehabilitation of GPH and environmental and social mitigation measures	18,522		18,522	73%
Construction supervision	1,800		1,800	7%
2 years maintenance	156	156	312	1%
Land acquisition and utilities relocations	0	1,372	1,372	5%
<b>Component 2. Institutional strengthening</b>	<b>400</b>	<b>0</b>	<b>400</b>	<b>100%</b>
MOWT strengthening	400		400	100%
<b>Component 3. Engineering &amp; administration</b>	<b>2,646</b>	<b>0</b>	<b>2,646</b>	<b>100%</b>
Administration (PEU Staff )	1,747		1,747	66%
Studies and designs	449		449	17%
Monitoring & evaluation	350		350	13%
Financial audits	100		100	4%
<b>Total</b>	<b>27,000</b>	<b>1,528</b>	<b>28,528</b>	

1.30 **Technical and economic feasibility.** An independent expert after extensive fieldwork created a conceptual design and budget – corroborated by the feasibility studies (¶1.23) – for the project's civil works ([OEL#3](#)). A cost-benefit analysis ([OEL#1](#)), conducted using HDM-4, determined that the project has a Net Present Value (NPV) of US\$38.59 million (discount rate of 12.0%) and an Economic Internal Rate of Return (EIRR) of 36.2%. Even when the length of rehabilitated road was reduced from 31.5 miles (50.7 km) to 17.8 miles (23.8 km) the project still had positive economic results. Sensitivity analyses were made for scenarios that increased costs and reduced benefits by 30%. An additional scenario that excluded accident costs' reduction as a benefit was also considered. All scenarios gave an EIRR above 12%. Final engineering designs will be elaborated under TC [BL-T1066](#) which was approved on October 2014. The costs determined by the final engineering designs will be corroborated with an additional cost-benefit analysis in HDM-4.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

2.1 This operation will be a specific investment loan with an execution period of five years. It is expected that the loan will be disbursed in five years as shown in Table 2. The GOBL requested the use of the Flexible Financing Facility (FFF).<sup>41</sup>

<sup>41</sup> Under the Flexible Financing Facility (FFF) (FN-655-1), the Borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions, in all cases subject to the final amortization date

**Table 2. Estimated schedule of disbursements (US\$000)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>IDB</b>	288	5,472	10,082	10,456	701	27,000
%	1%	20%	37%	39%	3%	100%
<b>GOBL</b>	572	500	300	31	125	1,528
%	37%	33%	20%	2%	8%	100%
<b>Total</b>	<b>860</b>	<b>5,972</b>	<b>10,382</b>	<b>10,487</b>	<b>826</b>	<b>28,528</b>
%	<b>3%</b>	<b>21%</b>	<b>36%</b>	<b>37%</b>	<b>3%</b>	<b>100%</b>

- 2.2 The project allows for co-financing arrangements in accordance with applicable Bank rules and procedures. The GOBL is applying for a €5 million grant from the Caribbean Investment Facility (CIF) from the European Union (EU) to support the project. Provisional approval was given on October 10, 2014. The grant, if approved, would contribute to the financing of the works under Component 1. The final decision from the CIF board is expected in early 2015.<sup>42</sup>

## **B. Environmental and social safeguard impacts and risks**

- 2.3 The potential negative impacts of the project associated with highway construction and operation, are expected to be moderate, and as such the project is classified Category “B” under Bank Policy OP-703. The project’s civil works and maintenance aspects will likely have significant positive social and economic benefits. The negative impacts from the Project’s construction activities are relatively minor and readily susceptible to known mitigation measures and means of addressing risks due to the fact that it is a rehabilitation project of an existing road.
- 2.4 The proposed rehabilitation activities will temporarily impact residents along the Right-Of-Way<sup>43</sup> (ROW) and road users. It will also require the acquisition of small strips of private properties in the Roaring Creek Area. The GOBL will cover the expenses of land acquisition, compensation and utilities relocation that will be done following IDB policies. An evaluation of alternatives was undertaken covering a range of economic, social, and environmental considerations associated with the various available options, inclusive of the ‘No Action Alternative’. Information was specifically obtained to address the most critical issues, while planning for projected climate change impacts and disaster risk planning for impacts associated with current climate variability and the consequences of future climate change.
- 2.5 The expected results will be monitored and evaluated using ex-post and ex-ante methodologies such as an ex-post cost-benefit analysis. The Environmental and Social Impact Assessment (ESIA) provides fully costed abatement measures that are tailored to reduce potential adverse impacts to the point of insignificance or within acceptable limits through an Environmental and Social Management Plan (ESMP). The ESMP involves the close integration of an environmental impact mitigation plan (to prevent adverse impacts from occurring and keep those that do occur within an

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and original WAL. In considering such requests, the Bank will take into account market conditions and operational and risk management considerations.

<sup>42</sup> The EU may provide grant financing to support the project; the Bank may establish the commitment from the EU through an administrative agreement. The resources would be administered by the Bank. The use of such EU resources would be subject to the Bank’s formalization of all internal approvals necessary.

<sup>43</sup> ROW: the public dominium along the road reserved for the purposes of maintenance or expansion of existing services.

acceptable level) and an environmental monitoring program (providing information that can enable more-accurate prediction of the associated impacts and the necessary feed-back mechanism essential in adjusting the ESMP). The monitoring program will also provide the basis for conducting an environmental audit.

- 2.6 The project will finance the strengthening of the MOWT through training in environmental and social safeguards in accordance with GOBL and Bank policies and guidelines. The Department of the Environment (DOE) is expected to play a lead role in training MOWT staff, on-site engineers and contractors.

### **C. Fiduciary risk**

- 2.7 Based on the results of the assessment of the Country Systems the project's legal framework was ranked as having a medium level of risk probability. Additionally, the Bank's Office for Institutional Integrity risk establishes that the project has a medium integrity risk probability due to the lack of formal procedures to safeguard the integrity of procurement processes and limited human resources. Weaknesses in the institutional arrangements of the MOWT were also identified.
- 2.8 A PEU will be formed within the MOWT with dedicated staff who will be responsible for the project management and administration of both the supervision and construction contracts. Due to limited MOWT resources, the project will finance the PEU and the recruitment of key personnel: project manager/engineer, financial specialist, procurement officer, and administrative assistant.
- 2.9 The Bank will design specific training programs for the MOWT with a particular focus on the PEU in an effort to strengthen their procurement and financial knowledge of the Bank's procedures. In addition, the Bank recommends: (i) that the MOWT conducts a market study aimed at gaining a holistic overview of the size and capabilities of the firms in the local construction market; (ii) the PEU personnel be trained in Bank procurement rules so as to identify suspicious activities; and (iii) adoption of a system that encourages competition and the establishment of a public procurement authority, as well as a competition law that seeks to prohibit collusion and anti-competitive practices - the Bank and the CDB are supporting GOBL in this endeavor. In order to mitigate fiduciary risks, once the PEU has been established, an assessment of the capabilities and internal controls of the financial management system(s) will be conducted by a financial consultant under the supervision of an IDB financial specialist, and subsequent recommendations for further improvements will be made, if necessary. In case deficiencies or weaknesses are observed, a strengthening plan will be agreed with the MOWT.

### **D. Other key issues and risks**

- 2.10 **Risks during project execution and cost overruns.** Risks in the civil works execution are low due to: (i) the works do not present a particularly high technical complexity; (ii) MOWT has experience in the development of similar projects like the San Ignacio/Santa Elena bypass currently under construction and funded by the Caribbean Development Bank (¶1.20); and (iii) the ready availability in the region of specialized construction and supervision firms with experience in similar projects. The risk probability of cost overruns is medium due to the lack of final designs and



the uncertainty of the Belizean construction market. In order to mitigate this risk probability the following measures were identified: (i) the final designs for the civil works will be financed by the Bank's TC [BL-T1066](#) (§1.23); (ii) the design process will be closely overseen by Bank specialists and the MOWT's PEU; (iii) a contingency factor of 13% was built into the project civil works cost estimation<sup>44</sup>; and (iv) a specialized supervision firm will be contracted under Component 1 to oversee the designs' execution.

- 2.11 In addition to the standard conditions precedent to first disbursement set forth in the General Conditions of the Loan Agreement, the Borrower through the Executing Agency shall comply, *inter alia*, with the following special conditions. **Prior to the first disbursement: show evidence satisfactory to the Bank that (i) it has established the PEU of the MOWT; and (ii) a project manager/engineer, a procurement officer, and financial specialist have been contracted and assigned to the PEU.** Special execution conditions: the Borrower, through the Executing Agency, (i) shall submit final engineering designs satisfactory to the Bank prior to the call for bids for the civil works of Component 1; (ii) shall provide evidence that the MOWT has begun the call for bids for the specialized supervision firm prior to the invitation for pre-qualification for the civil works of Component 1; and (iii) prior to beginning the civil works of Component 1, (1) shall have obtained all authorizations, licenses or permits which are necessary for the execution of the civil works, including the ownership and clearance of the right-of-way, and provide the supporting documentation to the Bank, and (2) shall provide evidence to the Bank that a specialized supervision firm has been contracted. Environmental and social conditions: the Borrower shall comply with the environmental, social, health and safety, and labor requirements set forth in Section VI of the ESMR, and provide evidence of such compliance.
- 2.12 **Implementation risk.** The weaknesses identified in the institutional framework could constrain effective project implementation, resulting in a slower than anticipated implementation. The creation of a fully dedicated PEU active during the implementation period of the project will mitigate this risk. The Bank also will continue assessing this risk and mitigating it through frequent supervision visits and periodic review meetings. Resources for training initiatives have also been integrated into the operations to facilitate training on demand.
- 2.13 **Sustainability risks.** Inadequate maintenance has negatively affected the level-of-service of the road (§1.9), therefore the risk impact of inadequate maintenance upon project completion is medium. The GOBL wants to sustainably maintain their roads (§1.17) as evidenced by their efforts to implement the road maintenance strategy (e.g. set-up the RMU, implementation of performance based maintenance contracts and creation of a Road Maintenance Fund). To mitigate this risk the operation will support the GOBL's efforts by: (i) strengthening the RMU through Component 2 to support the systematization of routine and periodic maintenance so that it continues

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<sup>44</sup> Based on the concept designs elaborated by an independent consultant and the feasibility report cost estimation, and considering the low level of complexity of the project, the experience of the MOWT in similar projects and the availability of specialized firms in the country, 13% contingency has been estimated adequate.

well beyond the completion of project implementation; and (ii) including two years of regular and periodic road maintenance in the rehabilitation contract of which the GOBL will contribute 20% of maintenance costs in the first year and 80% in the second year. Upon completion of these two years maintenance, the Bank will require an annual report on the status of works and equipment for a period of 5 years. Additionally, the IDB has already contributed to improve Belize's road maintenance practices by providing technical assistance and advisory services, whose lessons have been taken into account in the project design (§1.17).

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

#### **A. Summary of implementation arrangements**

- 3.1 **Borrower and executing agency.** The Borrower will be Belize, and the Executing Agency will be the Ministry of Works and Transport. The PEU will be responsible for the fulfillment of technical, administrative and financial procedures related to the execution of the project, as well as planning, supervision, and monitoring and evaluation.
- 3.2 A project operations manual will not be required given the straight forward nature of the project and that well established operations procedures are inherent in the supervision and construction of civil works. Accordingly, the PEU will have the following responsibilities during project implementation: (i) prepare and obtain Bank approval for all bidding documents required to hire the civil work contractors and consulting services; (ii) carry out, control and register all administrative and accounting procedures needed; (iii) coordinate the bidding processes according to the Bank and GOBL rules;<sup>45</sup> (iv) monitor the civil works and construction contracts through the supervisory consultants; (v) maintain adequate accounting and financial controls and appropriate support documentation and filing systems for verification by the Bank and the external auditing firm; (vi) prepare and submit to the Bank disbursement requests and corresponding justification of expenses; (vii) prepare and submit to the Bank semi-annual reports on project execution including preparation and updates of the Annual Operating Plan (AOP), audited financial reports, and other financial reports as required by the Bank; (viii) record and control the results of the project through the agreed indicators with the support of the supervisory consultant; and (ix) address and resolve contractor claims and related contract adjustments according to GOBL regulation and Bank policies.<sup>46</sup> In addition, the PEU will maintain separate files for the operations of the project, and allow for financial and accounting monitoring of the Bank resources, and the local counterpart.
- 3.3 The bidding documents for each civil work and the respective final contracts signed shall incorporate the following requirements: (i) the final engineering designs; and (ii) the Environmental Compliance Plan (ECP). Prior to the beginning of civil works, the MOWT through the PEU will demonstrate that it has: (i) access to the land on

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<sup>45</sup> GOBL rules would apply for contracts financed with the local contribution, so long as GOBL rules meet the IDB's general standards.

<sup>46</sup> GOBL rules would apply for contracts financed with the local contribution, so long as GOBL rules meet the IDB's general standards.

which the project is to be constructed; and (ii) has selected and hired the firm to supervise the civil works (§2.11). The supervision firm and the PEU will review all technical documentation at the beginning of the works' contracts and at regular intervals throughout the project execution to ensure the adequacy of the programming of work. The supervision firm will submit monthly reports to the PEU outlining progress in the works carried out by the contractors and will prepare as-built drawings for all work performed upon the completion. A dedicated DOE technician will carry out the supervision of the environmental and social aspects of the civil works.

- 3.4 **Procurement.** Procurement of goods and works and of consulting services to be financed with project resources will be carried out by the Executing Agency in accordance with the Policies for the Procurement of Works and Goods Financed by the IDB (GN-2349-9); and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-9) both of March 2011. The procurement plan ([REL#4](#)) includes details on project procurement. The Executing Agency will update the procurement plan in the course of its semi-annual reports and its AOP.

**B. Summary of arrangements for monitoring results**

- 3.5 The Monitoring and Evaluation Plan (MEP) ([REL#2](#)) will be carried out during project execution in agreement with the goals and performance indicators identified in the RF. The supervision firm, in addition to its role of supervision, will monitor progress against the project's indicators, establish a monitoring system to verify the progress and impact of the program activities, and train staff of the PEU to collect the required data. The PEU will: (i) collect periodically the information about physical progress (activities) and financial progress (available and invested funds); and (ii) keep updated and accessible the relevant information about the execution of the operation activities and its resources.
- 3.6 The expected results will be evaluated using ex-post and ex-ante methodologies such as an ex-post cost-benefit analysis. The evaluation will be based on the use of the HDM-4 to estimate the costs and benefits. The ex-post cost benefit analysis will replicate the model used for the ex-ante analysis, held as part of the technical feasibility studies. The ex-post analysis will be conducted for two scenarios: (i) Measuring and updating the expected benefits and costs of the intervention, holding constant the conditions and prices considered in appraisal; and (ii) the second scenario will consider both the benefits and the actual project costs, updated to current prices, thus obtaining an update on whether the project results are an economically worthwhile investment given the real costs and benefits. This analysis permits isolation of an exogenous increase in costs that may effect changes in the benefits achieved.

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Lending Program		(i) Lending to small and vulnerable countries; ii) Lending to support climate change initiatives, renewable energy and environmental sustainability; and iii) Lending to support regional cooperation and integration.		
Regional Development Goals		(i) Paved road coverage, and (ii) Countries with planning capacity in mitigation and adaptation of climate change.		
Bank Output Contribution (as defined in Results Framework of IDB-9)		(i) Km of inter-urban roads build or maintained/upgraded, and (ii) Regional and subregional integration agreements and cooperation initiative supported.		
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix		GN-2746	Rehabilitated/upgraded road infrastructure including climate resilience and road safety standards.	
Country Program Results Matrix		GN-2756-2	The intervention is included in the 2014 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Evaluable	Weight	Maximum Score
		8.6		10
3. Evidence-based Assessment & Solution		8.4	33.33%	10
3.1 Program Diagnosis		3.0		
3.2 Proposed Interventions or Solutions		2.4		
3.3 Results Matrix Quality		3.0		
4. Ex ante Economic Analysis		10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0		
4.2 Identified and Quantified Benefits		1.5		
4.3 Identified and Quantified Costs		1.5		
4.4 Reasonable Assumptions		1.5		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		7.5	33.33%	10
5.1 Monitoring Mechanisms		2.6		
5.2 Evaluation Plan		5.0		
III. Risks & Mitigation Monitoring Matrix				
Overall risks rate = magnitude of risks*likelihood		Low		
Identified risks have been rated for magnitude and likelihood		Yes		
Mitigation measures have been identified for major risks		Yes		
Mitigation measures have indicators for tracking their implementation		Yes		
Environmental & social risk classification		B		
IV. IDB's Role - Additionality				
The project relies on the use of country systems				
Fiduciary (VPC/PDP Criteria)		Yes	Financial Management: (i) Budget, and (ii) Treasury.	
Non-Fiduciary				
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality				
Labor				
Environment		Yes	The operation will finance capacity building in the PEU and RMU to improve its environmental management of roads.	
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		Yes	BL-T1070 TC-Intra Strengthening Road Maintenance Management in Belize.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan				

The POD presents the problems to be addressed through the project as well as their magnitudes and the factors that contribute to the problems. The proposed interventions are linked to the problems identified in the diagnosis.

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

The project was analyzed using a cost-benefit analysis. The economic benefits were adequately quantified and the costs reflect real resource costs to the economy. The assumptions used were presented and a sensitivity analysis was performed.

The project has a monitoring and evaluation plan. The evaluation plan follows the DEM guidelines. The operation will be evaluated using an ex-post cost-benefit analysis.

## RESULTS MATRIX

**Objective:** The project objective is to substantially improve the road connectivity within Belize's main districts and with Central America by rehabilitating the GPH road infrastructure between miles 47.9 in Belmopan and 67.3 in Santa Elena to national standards, decreasing travel time and costs, reducing road fatalities and injuries, and ensuring road accessibility by improving the climate change resilience of the corridor.

### Expected impacts

Indicators	Unit	Baseline FY 2012/13	Goals FY 2019	Means of verification	Observations
<b>Impact 1. Increased quality of roads – Global competitiveness index for Belize</b>					
Belize's Quality of roads <sup>1</sup>	index	3,0	3.2 <sup>2</sup>	The Global Competitiveness Report – World Economic Forum	The index varies from 1 – 7 (poor – excellent). The goal was estimated by comparison with the index for the Bank's D countries within the region

<sup>1</sup> The Global Competitiveness Report is a yearly report published by the World Economic Forum. Since 2004, the Global Competitiveness Report ranks countries based on the Global Competitiveness Index. The different aspects of competitiveness for each country are captured in 12 pillars, which compose the Global Competitiveness Index. Quality of roads index is part of the second Pillar, infrastructure. This project will contribute to the improvement of the Belize's Quality of roads index. 13% of the total road network in Belize corresponds to major highways. This is equivalent to a total of 573 km. The upgrading of the George Price Highway for example (31.2km or 19.4 miles) would represent 5% of the primary network,

<sup>2</sup> The goal was estimated by comparison with the index for the Bank's C&D countries within Central American region : Honduras=3.4, Nicaragua=3.3, Guatemala=3.1.

## Expected results - Outcome indicators

Indicators	Unit	Baseline FY 2013/14	Goals FY 2019/20	Means of verification	Observations
Result 1. Decrease the Vehicle Operating Cost (VOC)					
Vehicle operating cost – GPH project section	USD/km	2014 Annual Average Vehicle Operating Cost per veh-km	2019 Annual Average Vehicle Operating Cost per veh-km	Ex-post economic evaluation to be carried out by the Bank during the Project Completion Report (PCR)	Highway Development and Management 4 (HDM-4) will be the tool to perform this analysis  VOC – is an indicator that estimates the cost in USD that the owners of vehicles pay per kilometer to operate their vehicles based on the condition of the roads
		01 Car, Utilities 4WD (BEL) 0.14	01 Car, Utilities 4WD (BEL) 0.14		
		02 Bus 35+ passenger (BEL) 1.41	02 Bus 35+ passenger (BEL) 1.30		
		03 Truck Med (BEL) 0.80	03 Truck Med (BEL) 0.75		
		04 Truck Heavy (BEL) 1.12	04 Truck Heavy (BEL) 1.05		
		05 Motorcycle (BEL) 0.17	05 Motorcycle (BEL) 0.16		
		Total 3.63	Total 3.41		
		Result 2. Reduction in travel time			
Average travel times along the GPH project section	minutes	2014 Average Travel Time	2019 Average Travel Time	Ex-post economic evaluation to be carried out by the Bank during the Project Completion Report (PCR)	Field Survey
		01 Car, Utilities 4WD (BEL) 23.25	01 Car, Utilities 4WD (BEL) 19.94		
		02 Bus 35+ passenger (BEL) 29.93	02 Bus 35+ passenger (BEL) 28.67		
		03 Truck Med (BEL) 29	03 Truck Med (BEL) 26.61		
		04 Truck Heavy (BEL) 28.37	04 Truck Heavy (BEL) 26.29		

Indicators	Unit	Baseline FY 2013/14		Goals FY 2019/20		Means of verification	Observations
		05 Motorcycle (BEL)	22.16	05 Motorcycle (BEL)	20.62		
<b>Result 3. Improve the overall safety of the motorists who utilize this road segment</b>							
Reduction in the number of accidents per year on the GPH project section:  • Fatalities • Severely injured victims	No. of annual average Fatalities  No. of annual average Severely injured victims	5.1  51.4		4.26  42.64		Official report from the Ministry of Works and Transport (MOWT) through the Project Execution Unit (PEU)	Baseline: National information is derived from the 2012 iRAP report. An assumption has been made that the number of fatalities and accidents on the project section is proportional to the relative length of the intervention corridor against the total trunk network
<b>Result 4. Increased accessibility</b>							
Number of days in which the road is impassible due to a flooding event	Days per year	3-4		0-1		Reports by the MOWT	Project scope includes the improvement of the drainage system considering the effects of climate change with design allowance for a 20 year storm for the road system and 100 year storm for the Roaring Creek Bridge.

Result 5. Institutional strengthening					
MOWT strengthened in:					
• Structuring of performance based contracts		0	12		
• Environmental safeguards application in accordance to IDB policies	Public employees trained	0	20	Reports by the MOWT	
• AASHTO HDM-4 highway design and testing codes		0	20		

## Expected outputs

Expected outputs												
Output indicator	Unit	Baseline		Annual output					Target		Means of verification	Observations
		Value	Year	1	2	3	4	5	Value	Year		
Component 1. Civil works and maintenance												
Bridge constructed/rehabilitated	Square yards	0	2014		1778	1052			2830	2017		
Miles of a regional integration road rehabilitated <sup>3</sup> to national standards (includes the following milestones)	Miles	0	2014			19.4			19.4	2017	Report from the PEU based on the certificate of completion issued by the supervision firm	The road section is part of the regional integration initiative Mesoamerican Project's RICAM that prioritizes the most relevant road links to foster a commercial dynamic in the region and with the rest of the world (OEL#5)
a) Miles of road signed and marked (vertical and horizontal) following international road safety standards	Miles	0	2014			19.4			19.4	2017		
b) Provide and install new culverts complete with end	Feet	0	2014		2000	700			2700	2017		

<sup>3</sup> The rehabilitation of roads can include works such as: routine shaping and spot treatment/repair of the road surface, paving, cleaning and/or maintenance of drainage structures, vertical and horizontal alignments improvements, signaling and marking.



structures and upgrade existing culverts.												
c) Sidewalks provided in the urban areas.	Square yards	0	2014			9800			9800	2017		
d) Due diligence of the intervention completed: Land acquisition and utilities relocations	%	0	2014	100					100%	2019		
<b>Miles of Roads Maintained after completion of works</b>	Miles	0	2014					19.4	19.4	2019	Report by the PEU	
<b>Component 2. Institutional strengthening</b>												
Training events in structuring of performance based contracts	No.	0	2014	0	1	0	0	0	12	2016	Report by the MOWT	
Training events in environmental safeguards application in accordance to IDB policies	No.	0	2014	1	0	0	0	0	20	2015		
Training events in AASHTO HDM4 highway design and testing codes	No.	0	2014	0	0	1	0	0	8	2017		

## **FIDUCIARY ARRANGEMENTS**

<b>Country</b>	Belize
<b>Name</b>	George Price Highway Rehabilitation
<b>Project</b>	BL-L1019
<b>Executing agency</b>	Ministry of Works and Transport (MoWT)
<b>Fiduciary team</b>	Andres Suarez (FMP/CCR) and John Primo (CID/CBL)

### **I. EXECUTIVE SUMMARY**

- 1.1 Program BL-L1019 will provide a US\$27 million loan from the Ordinary Capital (OC) resources to finance the rehabilitation of the George Price Highway from mile 47.9 to mile 67.3, and the replacement of the Roaring Creek Bridge at mile 48. The program will be executed by the Ministry of Works and Transport (MoWT) through a Project Execution Unit (PEU).
- 1.2 IDB's Office for Institutional Integrity (OII) conducted an integrity risk assessment of the MoWT in June 2014 to assess the MoWT's overall management capabilities. The assessment indicates that there are weaknesses in the legal framework that may affect the program, such as a lack of formal procedures to safeguard the integrity of procurement processes and limited human resources. The assessment also identified weaknesses in the institutional arrangement of the MoWT, which would benefit from the institutional strengthening component of the program. The assessment concludes that the integrity risk and associated reputational risks are medium. Based on the assessment and the magnitude of the program, it is recommended that additional support be hired for prior and financial management to enable timely execution of activities. The IDB's policies and procedures will be applicable to procurement and financial management overall. The use of country systems is not yet available for the procurement of goods, consulting or non-consulting services for the program. However, the Bank is currently assisting the Government with modernizing and strengthening its procurement and financial systems so that they advance towards the increased use of country systems.
- 1.3 The last Public Expenditure and Financial Accountability Assessment (PEFA) for Belize took place in 2013, and some progress has been made in strengthening the Public Financial Management (PFM) systems since the 2008 PEFA assessment. The areas of strengthened performance include budget preparation and the controls over budget execution, in-year budget performance reporting, and development of a tax audit function, debt recording, and reporting.
- 1.4 PFM in Belize comprises most of the main functions for budget formulation, budget execution, cash management, accounting, and external control; however, internal audit functions are non-existent and the procurement system not adequately developed. The Government of Belize (GOB) is aware of these deficiencies and has expressed its commitment to improving its PFM functions and systems. In this regard, over the last 10 years, the International Monetary Fund (IMF), the Caribbean Regional Technical Assistance Centre (CARTAC), the World Bank, the Supporting Economic Management

in the Caribbean (SEMCAR), and the IDB, have been providing, substantial Technical Assistance (TA) in PFM areas; nevertheless, important challenges remain.

- 1.5 Additionally, another important cause for the problem is the lack of personnel and institutional capacity of the officers in charge of managing the PFM systems; all of them are public servants under the same rules of the Ministry of Public Service (MPS) and there is no specific career stream or regular training program for specific a PFM profile.
- 1.6 For this project, the Bank is recommending the use of the national financial system, Smart Stream (SS) for the financial administration of the project, by the PEU, and an off the shelf accounting package to assist with the financial reporting. A firm of independent public accountants acceptable to the Bank is recommended as the external auditor.

## **II. EXECUTING AGENCY'S FIDUCIARY CONTEXT**

- 2.1 The result of the assessment indicates that the MoWT does not have the necessary institutional capacity to effectively implement this program. However, there is a team of dedicated professionals committed to achieving optimal results for the program. Additionally, a PEU will be formed with dedicated staff who will assume responsibility for the implementation of this program.
- 2.2 It is recommended that the MoWT: (i) uses SS for the financial administration of the project; (ii) submits semi-annual progress reports to the Bank, including information on the execution of the budget by category and source of funding; and, (iii) ensures that annual financial statements of the program audited by a firm of independent public accountants eligible to the Bank be prepared for presentation to the Bank.
- 2.3 While SS will be used for the overall financial administration of the program, it is recommended that an off-shelf accounting program be used as a parallel system in the interim until the use of SS can be reviewed after the presentation of the first audited financial statements.

## **III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS**

- 3.1 The project team, in consultation with various stakeholders, has identified the major risks that are likely to affect the proposed program. A risk assessment matrix; which outlines the necessary mitigation actions to be taken, has been developed. A joint review of the matrix will be undertaken on an annual basis and any necessary additional mitigation actions will be adopted.
- 3.2 Based on the integrity risk assessment, is considered that the MoWT has the necessary experience and is committed to the execution of this program. Nevertheless, it lacks the human capacity needed to execute the new loan together with its other commitments. Based on the results of the assessment of country systems, undertaken by the Bank in 2013, and the 2014 integrity assessment of the MoWT, the fiduciary risk probability has been identified as medium. A new PEU will be created for the execution of the program. The program envisions the recruitment of key personnel including a: (i) project manager/engineer, (ii) financial specialist; (iii) procurement officer; and (iv) administrative assistant, among others. In order to mitigate fiduciary risks, once the PEU has been established, an assessment of the capabilities and internal controls, specific

to the fiduciary management of the program, will be conducted through Bank inspection visits, with the aim of making recommendations for actions for further improvement, if deemed necessary.

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

- 4.1 The following fiduciary arrangements that must be considered for including in the special conditions:
- a. **Prior to the first disbursement.** The EA will present to the Bank evidence that: (i) the MoWT has established the PEU; and, (ii) it has contracted the Project Manager/Engineer (PM), Procurement Specialist, and Financial Specialist (FS).
  - b. **Rate of exchange agreed with the Executing Agency (EA).** The application of the exchange rate has been agreed with the EA as follows: (i) reimbursement of expenses made: the effective rate of exchange on the date of payment of each expenditure, as published by the Central Bank of Belize; (ii) reporting on accounts or justification of the advance of funds: the effective rate of exchange used in the conversion of the currency of the operation to the local currency; and (iii) disbursements in alternate currencies from the US Dollar and the Belize Dollar: in cases of direct payment and reimbursement of a guarantee of letter of credit, the equivalent of the currency of the operation will be fixed in accordance with the amount effectively disbursed by the Bank.
  - c. **Financial statements and reports, audited or unaudited.** (i) semi-annual financial reports are to be included in the semi-annual progress report which will be submitted by the PEU to the Bank; (ii) annual financial statements of the project, audited by a firm of independent public accountants acceptable to the Bank, are to be submitted to the Bank within 120 days at the end of each fiscal year, beginning with the fiscal year in which the first project expenditures are incurred; and, (iii) final financial statements, audited by a firm of independent public accountants acceptable to the Bank, are to be submitted to the Bank within 120 days following the last disbursement date of the program.

#### V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities in the project.
- 5.2 **Procurement execution.** Procurements for the proposed project will be carried out in accordance with Document GN-2349-9 ("Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank") dated on March 2011; Document GN-2350-9 ("Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank") dated on March 2011, as well as the provisions established in the loan contract and the Procurement Plan (PP). In addition, for all projects, the Borrower is required to prepare and submit to the Bank a draft General Procurement Notice (GPN).
- a. **Procurement of works, goods and non-consulting services.** The Procurement Plan (PP) for the program, covering the duration of project execution, can be accessed through the following [Link](#). The PP indicates the procurement method to be used for

the acquisition of goods and the contracting of works or non-consulting services. The review of technical specifications in all cases, during the process of selection is the responsibility of the sector specialist of the operation.

- b. **Procurement of consulting services.** The PP for the operation, covering the duration of project execution, can be accessed through the following [Link](#). The PP indicates the procurement method to be used for the selection and contracting of consulting services. The Borrower is responsible for preparing and implementing the project; and therefore for preparing the Terms of References (ToRs), short lists, selecting the consultants, and awarding and subsequently administering the contract.
- **Selection of individual consultants.** Individual consultants are employed on assignments for which: (i) teams of personnel are not required; (ii) no additional outside (home office) professional support is required; and (iii) the experience and qualifications of the individual are the paramount requirement. Individual consultants are selected on the basis of their qualifications for the assignment. Advertisement is not required and consultants do not need to submit proposals. Consultants shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Borrower. Individual consultants may be selected on a sole-source basis with due justification in exceptional cases. This is to be carried out in accordance with Section V (Selection of Individual Consultants) of GN-2350-9 in Paragraphs 5.1- 5.4.
  - **Training.** The detailed PP indicates to which consultancy services training and workshops are applicable per GN-2350-9 if the assignment includes an important component for training or transfer of knowledge to Borrower staff or national consultants, the TOR shall indicate the objectives, nature, scope, and goals of the training program, including details on trainers and trainees, skills to be transferred, time frame, and monitoring and evaluation arrangements. The cost for the training program shall be included in the consultant's contract and in the budget for the assignment.
- c. **Recurrent expenses.** Include payment of utilities and other office operating expenses of the PEU, if any.
- d. **Domestic preference.** Determining whether it is appropriate and necessary to use domestic preference in the evaluation of bids should be guided by Appendix 2 of GN-2349-9 Paragraph 1- 6.
- e. **Other.** Use of national or other documents than the Bank standard documents for competitive bidding: none.

**Chart 1 - Thresholds (in US\$)**

International competitive bidding threshold*		National competitive bidding range ** (complex works and non-common goods)		Consulting services
Works	Goods	Works	Goods	International short list
>1,000,000	>100,000	100,000 – 1,000,000	25,000 - 100,000	>200,000

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

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

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

## VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and budget.** The Borrower has committed to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution of the project; as determined by normal operative instruments such as the project execution plan, the financial plan and the procurement plan.
- 6.2 **Accounting and information systems.** Project accounting will be performed using the Government's financial management system – SS, in accordance with international financial and reporting standards and international public sector accounting standards when applicable. SS will be supplemented with the use of another appropriate accounting system such as QuickBooks to facilitate reporting under the project. Such parallel system will be in place for the first year of project execution in order to test and validate SS functionality and capacity to respond to project reporting demands. It will be the responsibility of the IDB financial specialist to assess the performance of SS and determine whether to discontinue the use of the parallel accounting system. It is expected that SS will: (i) facilitate the recording and classification of all financial transactions according to source of funding and categories of investment; and (ii) provide information related to, planned versus actual financial execution of the project, commitments made under the project, the financial plan for a six months period, financial statements, performance reports and any other reports that may be required from time to time by the MoWT and/or the IDB.
- 6.3 **Disbursements and funds flows.** The EA will be responsible for the submission of all disbursement requests to the Bank. Resources requested from Bank financing are payable according to the advance of funds for up to 180 days. The funds will be deposited into a special account, denominated in US Dollars, established exclusively for the program, at the Central Bank of Belize.
- 6.4 The PEU will be responsible for the maintenance of adequate and original documentation to support disbursement requests. Such documentation include, accounting receipts, cancelled invoices, payment receipts, employment contracts, customs duties certificates, certificates of works, shipping, unloading and storage documents, goods/services received reports and any other payment support document acceptable by the Bank.
- 6.5 The PEU commits to maintain strict control over the utilization of the funds advanced so as to ensure the easy verification and reconciliation of balances between the Agency's records and the records of the Bank (LMS1 Report).

- 6.6 The PEU will provide adequate control over the utilization of all advance of funds balance, whenever 80% of said balance has been spent. Advances will normally cover a period not exceeding 180 days.
- 6.7 In order to request disbursements from the Bank, the EA will present the following forms and supporting documents:

**Chart 2 - Forms and supporting documents**

Type of disbursement	Mandatory forms	Optional forms/information that can be requested by the Bank
Advance	Disbursement request Financial plan	List of commitments Physical / financial progress reports
Reimbursements of payments Made	Disbursement request Project execution status Statement of expenses	List of commitments Physical / financial progress reports
Direct payment to supplier	Disbursement request Acceptable supporting Documentation	List of commitments Physical / financial progress reports

- 6.8 Generally, supporting documentation for justification of advances and reimbursement of payments made will be kept at the office of the EA. Support documentation for direct payments will be sent to the Bank for processing. Disbursements' supporting documents may be reviewed by the Bank on an ex-post basis. These reviews do not entail a blanket approval, based on the samples reviewed, of the whole universe of expenditures.
- 6.9 **Internal control and audit.** The PEU will assume the responsibility for designing and implementing a sound system of internal control for the project. The system to be established should provide reasonable assurance that (in) project funds are used for its intended purpose.
- 6.10 **External control and reporting.** For each fiscal year during project execution, MoWT will be responsible to produce semi-annual financial reports for the project, annual audited financial statements and one final audited financial statement at the end of the project. The financial statements will be audited by a firm of independent public accountants acceptable to the Bank. The firm for the auditing of the program will be selected according to the Bank's procedures (Document AF-200).
- 6.11 **Financial supervision plan.** Financial supervision will be developed based on the initial and subsequent risk assessments carried out for the MoWT. Financial, accounting and institutional inspection visits will be performed annually, covering the following: (i) review of the reconciliation and supporting documentation for advances and justifications; (ii) compliance with procedures; (iii) conducting ex-post review of disbursements.
- 6.12 **Execution mechanism.** The MoWT is named as the Executing Agency (EA) for this project and will be supported by a PEU, which will depend on the Ministry's institutional financial structure and processes for the operation of the project, and will consist of the following minimum personnel: a program manager, a financial specialist, a procurement specialist and an administrative assistant. The PEU, will be responsible for project implementation and the administration of all components of the loan, including supervision, disbursements, and all reporting to the Bank.

- 6.13 **External control and reports.** For each fiscal year during project execution, the MoWT through the PEU will be responsible of producing semi-annual unaudited financial reports for the project, annual audited financial statements and one final audited financial statement at the end of the program. The financial statements will be audited by a firm of independent public accountants acceptable to the IDB. The firm will be selected according to IDB's procurement procedures for audit firms (Document AF-200).
- 6.14 **Designated account.** The program will have a designated account in the Central Bank of Belize. For day-to-day operations the PEU will make payments from the Ministry's account (consolidated account) and on submission of a memo to the Ministry of Finance and Economic Development (MFED), the funds are then reimbursed from the Central Bank Account to the consolidated account.