

**FOR
INFORMATION**

FO/DIS/20/161

July 16, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Belize—Technical Assistance Report—Public Investment Management
Assessment**

Board Action: Executive Directors' **information**

Publication: Yes, after Thursday, July 23, 2020

Questions: Mr. Imbert, FAD (ext. 37667)

Belize

Public Investment Management Assessment

Bruno Imbert, Jean-Luc Helis, John Hooley, Arnold Ainsley, Eivind Tandberg, Joao Guilherme Morais de Queiroz, Pablo Andres Guzman Abastoflor and Eduardo Andres Estrada



Technical Report

March 2020

CONTENTS

ABBREVIATIONS AND ACRONYMS	5
PREFACE	7
EXECUTIVE SUMMARY	8
I. PUBLIC INVESTMENT IN BELIZE: CONTEXT	15
A. TRENDS IN PUBLIC INVESTMENT AND CAPITAL STOCK	15
B. COMPOSITION OF PUBLIC INVESTMENT	17
C. IMPACT AND EFFICIENCY OF PUBLIC INVESTMENT	19
II. ASSESSMENT OF PUBLIC INVESTMENT MANAGEMENT	22
A. PLANNING SUSTAINABLE LEVELS OF PUBLIC INVESTMENT	23
B. ENSURING PUBLIC INVESTMENT IS ALLOCATED TO THE RIGHT SECTORS AND PROJECTS	30
C. DELIVERING PRODUCTIVE AND DURABLE PUBLIC ASSETS	40
D. CROSS-CUTTING ISSUES	51
BOXES	
1. Belize's Climate Strategy	18
2. A Framework for Controlling the Fiscal Costs of PPPs	30
3. Maintenance Guidelines for Public Infrastructure in South Africa	38
4. Belize Procurement Notice Board	43
5. Chile: Ex-Post Reviews	46
6. Main Requirement of Cash-Basis IPSAS for the preparation of Financial Statements	50
7. Suggested Amendments to the PIM draft Legislation	54
FIGURES	
1. Summary of the Strengths and Weaknesses of PIM in Belize	9
2. Investment	16
3. Public Investment	16
4. Public Capital Stock	16
5. Public Capital Stock per Capita	16
6. Public Investment and GDP growth	17
7. Public Debt and Public Capital Stock	17
8. Public Investment by Function	19
9. Capital Expenditure	19
10. Measures of Infrastructure Access, 1990s Average	20
11. Measures of Infrastructure Access; 2017	20
12. Efficiency Frontier (2000-2017)	21
13. Infrastructure Efficiency (2017) Hybrid Indicator	21
14. Infrastructure Efficiency (2017) Physical Indicator	21

15. Infrastructure Efficiency (2017) Quality Indicator _____	21
16. PIMA Framework _____	22
17. Comparison of Budget Estimates in Subsequent Budget Years _____	32
18. Ministry of Works – Adjusted Budgets and Outturns 2016 - 2019 _____	35

TABLES

1. Proposed action plan to strengthen PIM in Belize _____	11
2. Map Summarizing the Outcomes of the PIMA in Belize _____	14
3. Budgetary Expenditure: 1- and 2- Year Ahead Forecasts and Outturns (% GDP) _____	24
4. Sectoral Development Strategies _____	25
5. Budget 2019/20 _____	31
6. Extrabudgetary and PC Capital Spending _____	34
7. Maintenance and Capital Repairs 2016 – 2020 _____	37
8. New Capital Projects in 2019 – 2020 Budget for Ministry of Works (BZ \$) _____	40
9. Number and Value (BZ \$) of Contracts for Central Government by Tender _____	42
10. SmartStream Modules Currently Being Used _____	51
11. The Legal Framework for Public Investment Management in Belize _____	53

APPENDICES

1: Fiscal risk statement _____	56
2. Effective Oversight of Public Corporations in Belize _____	59
3. PIM Process: Appraisal and Selection of Projects _____	60
4. PIMA Evaluation Scores _____	64

ABBREVIATIONS AND ACRONYMS

AGO	Auditor General Office
BEL	Belize Electricity Limited
BIL	Belize Infrastructure Limited
BSIF	Belize Social Investment Fund
BWS	Belize Water Service Limited
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Centre
CBB	Central Bank of Belize
CCJ	Caribbean Court of Justice
CCPA	Climate Change Policy Assessment
CDB	Caribbean Development Bank
CEO	Chief Executive Officer
CG	Central Government
CITO	Central IT office
CMU	Cash Management Unit
CNTMP	Comprehensive National Transportation Master Plan
COA	Chart of Accounts
CRF	Consolidated Revenue Fund
DFID	Department for International Development (UK)
DIGI	Belize Telemedia
DP	Development Partner
EBF	Extrabudgetary Fund
EME/EMDE	Emerging market economies/Emerging market and developing economies
ESS	Education Sector Strategy
FAD	Fiscal Affairs Department
FARA	Finance and Audit Reform Act
FINEX	Financing abroad/externally funded
FO	Financial Order
FRL	Fiscal Responsibility Law
FRS	Fiscal Risks Statement
FS	Financial Statement
GAMP	Government Asset Management Policy
GDP	Gross Domestic Product
GoB	Government of Belize
GSDS	Growth and Sustainable Development Strategy
HSSP	Health Sector Strategic Plan
IDB	Inter-American Development Bank
IFI	International Financial Institution
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
MED	Ministry of Economic Development
MIS	Monitoring and Information System
MLLGRD	Ministry of Labor, Local Government, and Rural Development

MOF	Ministry of Finance
MTFF	Medium-Term Fiscal Framework
NAFP	National Agriculture and Food Policy
NCCPSAP	National Climate Change Policy, Strategy and Action Plan
NCRIP	National Climate Resilience Investment Plan
NSTMP	National Sustainable Tourism Master Plan
PCs	Public corporations
PEFA	Public Expenditure and Financial Accountability
PFRAM	Public-Private Partnerships Fiscal Risk Assessment Model
PIs	Public institutions
PIE	Public Investment Efficiency Index
PIM	Public investment management
PIMA	Public Investment Management Assessment
PIU	Project Implementation Unit
PPP	Public-Private Partnership
PPP\$	US Dollars adjusted by Purchasing-Power Parity
PSIP	Public Sector Investment Program
PU	Procurement Unit
PUC	Public Utilities Commission
SB	Statutory Body
SES	Sustainable Energy Strategy
SIF	Belize Social Investment Fund
SNGs	Sub-national governments
SO	Store Order
SS	SmartStream
TA	Technical assistance
TD	Treasury Department
TSA	Treasury Single Account
VCC	Village/Community Council
WB	World Bank

PREFACE

At the request of the authorities of Belize, a technical assistance mission from the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF), including experts from the World Bank, visited Belmopan from January 15-28, 2020 to conduct an evaluation of the public investment management system using the PIMA (*Public Investment Management Assessment*) methodology. The mission, led by M. Bruno Imbert (Economist, FAD), included MM. Jean-Luc Helis and John Hooley (both Economist, FAD), Arnold Ainsley (Advisor, Caribbean Regional Technical Assistance Centre — CARTAC), Eivind Tandberg (Expert, FAD), and MM. Joao Guilherme Morais de Queiroz, Pablo Andres Guzman Abastoflor and Eduardo Andres Estrada (Procurement and Public sector Specialists, World Bank).

At the start and at the end of its work, the mission met with Mr. Joseph Waight, Financial Secretary of the Ministry of Finance (MOF), accompanied by Ms. Yvette Alvarez (Special Advisor at the MOF), Mr. Marion Palacio (Deputy Financial Secretary) and Ms. Yvonne Hyde, Chief Executive Officer (CEO) of the Ministry of Economic Development (MED). The mission also met with Ms. Joy Grant, Governor of the Central Bank of Belize (CBB) and her staff. During its stay the mission conducted meetings with the departments and services involved in investment management within the MOF and the MED: the Budget Unit, the Treasury Department, the Central IT office, the Policy and Planning Unit, the Belize Social Investment Fund (SIF). Working sessions were also conducted with line ministries (Ministry of Health, Ministry of Education, Ministry of Agriculture, Ministry of Works and Ministry of Local Government and Rural Development). Likewise, the mission met with the CEO of Belize Water Service Limited (BWS), the Public Utility Commission (PUC), the Secretariat for the Economic Development Council, Belize Infrastructure Limited (BIL). Working meetings were also organized with the Auditor General (AGO), the Mayors' Association and the Works Committee of the National Assembly of Belize. Finally, the mission met with the Inter-American Development Bank (IDB) Country Representative Ms. Cassandra Rogers and her staff, as well as with the Representative of the European Union (EU) Technical Office in Belize.

Two plenary sessions, served to present and share the mission's approaches, recommendations and options, in the presence of key stakeholders, who provided useful feedback on the mission's findings. At the end of its stay, the mission presented its conclusions and recommendation to the FS and his collaborators.

The mission would like to express its gratitude to authorities of Belize for their warm welcome, the organization and the frank discussions, and warm welcome. The mission is particularly grateful to Ms. Yvette Alvarez, focal point of the mission, for her constant support and useful advices.

EXECUTIVE SUMMARY

The level of public investment in Belize has varied over the past years in the context of existing constraints. The sharp increase in public debt has limited available fiscal space.¹ This has resulted in an increase in externally financed investments as a share of the capital budget and a growing interest in public private partnerships (PPPs) to help achieve the government of Belize's national strategy objectives.² However, the correlation between Belize's public investment and GDP growth remains weak, and the public capital stock as a ratio to GDP shows a sharp deterioration, possibly pointing to investment inefficiencies.

The PIMA evaluation highlights some existing good practices mostly related to budget preparation. The strongest practices relate to budget unity and comprehensiveness with (i) strong integration of public investment in the budget process; (ii) comprehensive budget documents which provide a consolidated overview of current and capital spending; (iii) fairly comprehensive, detailed, updated and monitored Public Sector Investment Program (PSIP) and related project database. Also, the assessment noted a good correspondence between the national strategy (GSDS) and the line ministries' and sub-national governments' strategies as well as the inclusion of general guidelines for project selection in the GSDS. The authorities publish a fair amount of documentation that is accessible to the public (national strategy, some sectoral strategies, budget documents, PSIP, etc.).

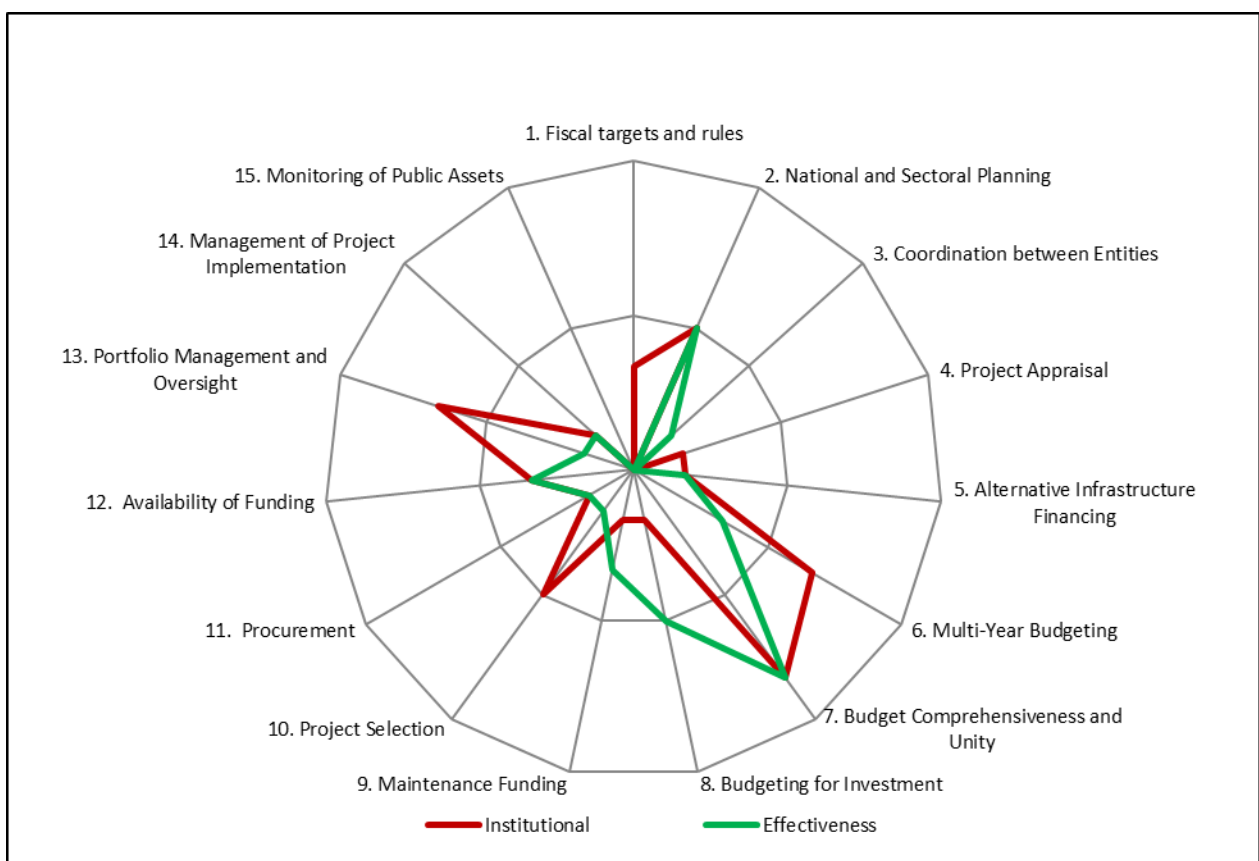
Despite these positive elements, the PIMA reveals structural weaknesses that hinder the quality and efficiency of public investment management (Figure 1 and Table 2). The process needs to be reorganized starting with (i) enhanced and harmonized strategies including sound costing and performance frameworks to guide future decisions; (ii) revised appraisal and selection processes and methods; and (iii) preparation of timely government financial statements. Oversight of major risks and coordination between public entities is poor and needs to be reorganized and strengthened, especially regarding public corporations which implement a significant share of public investment, as well as the follow-up and recording of existing liabilities and guarantees. Budget documentation could benefit from the disclosure of this information and from the inclusion of the PSIP in the budget law, and the strengthening of maintenance and repairs cost methodologies. The institutional framework for procurement is weak and its effectiveness mainly relies on the rules of development partners for the externally financed projects. Even though authorities do not seem to experience payment delays, systematic cash management practices are missing, and the availability of funds mostly relies on overdraft

¹ Under a 2017 restructuring agreement with private external bondholders, the authorities committed to maintain a primary surplus of 2 percent of GDP.

² Growth and Sustainable Development Strategy (GSDS) adopted in 2016 covering 2016-2019 period.

facilities with the central bank rather than on effective and reliable cash flow forecasts and efficient commitment control. External ex-post reviews and audits of projects are not routinely undertaken, financial statements are not produced on time and public assets are not recorded, which affect the capacity of authorities to monitor the quality and performance of the investment and to perform necessary controls. Lastly, (i) the legal framework for public financial management (PFM) and public investment management (PIM) is largely outdated and would benefit from a general update; (ii) the IT systems lack a strategy in terms of needs, necessary technological evolution and interfacing between systems, including at line-ministry level; and (iii) there is a crucial need for capacity development particularly regarding the inevitable new challenges authorities are likely to face in the future (e.g., public-private partnerships - PPPs).

Figure 1. Summary of the Strengths and Weaknesses of PIM in Belize



Source: PIMA mission

Based on these findings and existing constraints, the mission proposes an action plan (Table 2) which presents strategic recommendations and activities according to three categories:

- *First category - Nine immediate actions to be conducted within 2020:* these actions, which are reachable for the authorities in terms of skills and capacities, would strengthen core PFM

institutions and constitute a sound base for future improvements on PIM. These nine actions are the following:

1. Collect existing data on PPPs, Public Corporations (PCs), SNGs and statutory bodies;
 2. Disclose government guarantees and the level of exposure;
 3. Include the PSIP as an appendix to the budget documents and ensure consistency (bridge table, common classification);
 4. Issue a policy on the preparation and oversight of PPPs;
 5. Adopt the existing draft legislation and regulation for procurement;
 6. Improve public access to procurement information and complaints (e.g., CARICOM website);
 7. Prepare a provisional government financial statement (FS) for FY2019/20;
 8. Take stock of public accounts outside the treasury single account (TSA);
 9. Prepare an annual cash plan to be attached to the 2020/21 budget law.
- *Second category – Revamping PIM processes and tools to be implemented in the short-medium term (2020-2022):* building on the previous actions, authorities could start implementing reforms that focus on PIM and strengthen processes, tools and capacities. Some of these reforms are already underway and implementation could start by 2020 with a completion horizon by 2022 for some of the more complex ones. Examples of these actions include (i) elaboration of a more comprehensive PSIP (including PCs/SNGs); (ii) disclosure of extended information in the budget (PCs, PPPs, liabilities); (iii) elaboration of a fiscal risk statement, identifying mitigation actions and assessing the level of exposure; (iv) develop appropriate tools for cash management; (v) revamp the PIM process with a focus on projects appraisal and selection; and (vi) passing the necessary pending legislation on PIM as well as the related regulation.
 - *Third category- Developing more elaborate practices, over a longer run (horizon 2025):* as authorities intend to perform more advanced investments (e.g., complex PPPs), and implement projects using domestic resources, implementation of these actions is necessary to guaranty an adequate level of oversight and control and avoid financial risks. These actions will require more time to be implemented and comprise, for example: (i) systematic ex post reviews and audits; (ii) implementation of asset management standards; (iii) use of national PIM procedure for donors; (iv) elaborate relevant missing pieces of legislation consistent with international good practices (e.g., PPPs); and (v) creation of contingent funds/mechanisms for guarantees and liabilities in the budget.

The action plan also identifies three key strategic cross-cutting recommendations that will support the implementation of the above-mentioned actions: (i) identification of the necessary evolution of the legal and regulatory framework; (ii) elaboration of an IT master plan; and (iii) elaboration of a capacity development strategy.

Table 1. Proposed Action Plan to Strengthen PIM in Belize

PFM functions	Recommended actions and timeframe			PIMA	KS	TA
	Strengthening PIM through sound PFM functions Priority actions – Year 2020	Revamping PIM processes and tools Short-Medium term - 2020-2022	Moving toward more elaborate practices Longer run actions - 2021-2025			
Planning and national strategies	-	Develop common guidelines for formulation of sectoral strategies (e.g., MED circular)	Prepare a comprehensive manual on how to elaborate sectoral strategies (including harmonized templates and performance framework)	2	MED	X
	-	Develop a manual on costings of the strategies	-	2	MED MOF LM	
	-	Include indicative financial envelopes and costing of major projects in the new GSDS	-	2	MED MOF	
Budget and risks	Collecting data on PPP, PC/SOEs, SNG, statutory bodies	Include sections on investment by PCs, SNGs and extra budgetary funds (BSIF) in the budget	Setting up of a PCs oversight central unit within the MOF and publish an annual and consolidated PCs report	3, 5, 6, 7	MOF	
	Disclose government guarantees and disclose the level of exposure	Elaborate fiscal risk statements, assess the level of exposure and identify mitigation actions (to be included in the budget law)	-	1, 3, 5	MOF CB	
	Include the PSIP as an appendix to the budget and ensure consistency (bridge table, common classification)	Include sections on investment by PCs, SNGs and extra budgetary funds (BSIF) in the PSIP	-	3, 6, 7	MED	
	Issue a policy on the preparation and oversight of PPPs	-	Prepare and adopt legislation on PPPs and supporting regulation	5	MOF BIL	
	-	Introduce a transparent rule based fiscal framework based on the debt anchor	-	1	MOF	
	-	Improve reporting on maintenance in the budget (including capital repairs)	Develop a standardized maintenance methodology for government	9	MOF LM	

PIM process	-	Adopt a PIM law (including provisions related to financial aspects) and develop supporting regulation	-	8	MED	X
	-	Develop a manual on project appraisal	-	4	MED	X
	-	Define criteria for project selection	-	10	MED MOF	
	-	Provide training to line ministries on how to apply the new framework	-	4, 10	MED	
	-	Develop standardized guidelines for project management	-	3	MED	X
	-	-	Issue a strategy to encourage donors to use national procedures (e.g., procurement, project appraisal, cash management, etc.)	4, 10, 11, 12, 13	MED	
Procurement	Adopt the draft legislation and regulation for procurement	-	-	11	CG MOF	
	Improve the public access to procurement information and complaints (e.g., CARICOM website)	Develop a procurement monitoring system for all public entities at the centralized level	Develop an e-procurement system	11	CG MOF LM	
	-	Develop standard bidding documents	Prepare framework agreements	11	MOF CG	
	-	Prepare procurement plans	-	11, 12	MOF LM	
Accounting and cash management	Prepare a provisional government financial statement (FS) for FY2019-20	Progressively produce government FS for previous years and re-establish entry balances	Progressively consolidate in the government FS all extra-budgetary public entities as required by IPSAS	14, 15	TD AGO	X
	Take stock of public accounts outside the TSA	Periodically update the list of government accounts, and request information on the balances of these accounts to commercial banks.	-	12	TD	

	Prepare an annual cash plan to be attached to the budget law	Prepare monthly cash-flow plans	-	12	TD	X
	-	Develop regulation and guidelines on cash management and commitment control, and the use of SmartStream modules	-			
Control and audit	-	Develop methodologies and guidelines for ex-post evaluation and audit	Set up an internal audit unit in the MOF	13	MED MOF	
Asset management	-	-	Issue a government asset management policy (GAMP) and use the asset management module of SmartStream across the ministries and public entities.	15	TD	
Cross-cutting issues	Conduct a review of the existing PFM legislation and identify needs for harmonization and improvement			All	MED	X
	Prepare and implement a capacity building strategy			All	MOF	X
	Prepare an IT master plan on PFM and PIM systems (including those at line-ministry level)			All	LM	X

KS: Key stakeholders / **TA:** Technical assistance (need for)

TD: Treasury Department (including Accounting Department) / **MOF:** Ministry of Finance / **CG:** Contractor general / **LM:** Line Ministries / **AGO:** Auditor General Office

Table 2. Map Summarizing the Outcomes of the PIMA in Belize

PIMA Institutions		Institutional Design	Effectiveness	Reforms priority
1	Fiscal targets and rule	Medium: Fiscal policy is guided by a debt target and commitment to a floor for the primary balance but these are not formalized in legislation a. A medium-term fiscal framework is published and fiscal forecasts are included in the budget call.	Low: The fiscal and debt targets are not binding and the primary balance floor was missed in the most recent year. Fiscal forecasts lack credibility.	**
2	National and sectoral planning	Medium: National and sectoral development plans exist and are published. There are no guidelines for the preparation of development strategies and only a few contain costings and/or measurable targets for outputs and outcomes.	Medium: There is a degree of harmonization of sectoral strategies with the priorities of the GSDS. Follow up on performance of sector strategies against intended outputs and outcomes is limited.	***
3	Coordination between entities	Low: There is no formalized process for coordination of SNG investment plans with central government and transfers are not determined by formula. There is no requirement for other government entities to report contingent liabilities.	Low: SNG investment plans are reviewed by central government in practice but on an ad-hoc basis. There is no systematic collection of data on contingent liabilities from other government entities.	***
4	Project appraisal	Low: There is no project appraisal requirement. Some elements are outlined in the national development strategy but no guidelines have been issued on appraisal methodology, including for the assessment of risks.	Low: Appraisals for externally-funded projects are conducted by the development partner. The 'prioritization framework' outlined in the national strategy has not been operationalized.	***
5	Alternative infrastructure financing	Low: Major utilities markets are governed by contestable in principle. There is no legal framework governing the oversight of PPPs or PCs.	Low: There is no centralized oversight of fiscal risks from PPPs or PCs and there is no systematic collection of data. Preparation and selection of PPP projects is decentralized and the process is not subject to MoF control.	***
6	Multi-year budgeting	Medium: The budget process includes medium-term projections and indicative capital spending ceilings, and there are projections for total project costs in the PSIP.	Medium: Budget documents are transparent but there are sizable deviations between projections and actual outcomes.	*
7	Budget comprehensiveness and unity	High: Budget documents provide comprehensive, consolidated overview of current and capital spending, except capital spending by public corporations and PPPs.	High: Public corporation capital spending is significant (57 percent of capital budget last 5 years) whereas extrabudgetary capital spending is modest (7 percent).	*
8	Budgeting for investment	Low: Virements from capital to current spending require MOF approval, but there is no other formal protection of capital projects during budget implementation.	Medium: In practice, medium-term budget estimates and PSIP total cost estimates provide some predictability, and annual virements are limited.	**
9	Maintenance funding	Low: There are no standardized methodologies for assessment of current maintenance and capital repair needs, but allocations can be identified in the budget.	Medium: Actual allocations for maintenance and capital repairs amounted to 0.88 and 0.07 percent of capital stock last three years, which is too low to retain asset value.	***
10	Project selection	Medium: There are some mechanisms in place to guide project selection, but guidelines are not very specific.	Low: Project selection mechanisms are rarely applied in practice and are not effective.	***
11	Procurement	Low: The regulatory framework for procurement is incomplete. There is no comprehensive procurement database and complaints procedure is not always publicly available.	Low: A significant amount of tenders are still directly awarded. The system to control, monitor or audit procurements and complaints is not operational. There are no reports produced from the procurement database.	***
12	Availability of funding	Medium: No payment delays but no commitment or cash flow plans are prepared. A TSA system is in place covering most of externally financed projects but government accounts are held in commercial banks with no available information.	Medium: Commitments for PI spending are not based on reliable cash flows forecasts. Cash management relies on extensive use of overdraft at CBB. TD and CBB do not maintain a comprehensible list of all government accounts opened in commercial banks.	***
13	Portfolio management and oversight	Medium: PSIP is a fairly comprehensive database. Rules exist for re-allocations between domestically-financed projects. No guidelines for ex-post reviews of major projects	Low: Ex-post reviews are mainly performed by IFIs and DPs. Funds cannot be re-allocated from externally-financed project. Internal ex-post evaluation capacities are limited and internal audit function does not exist.	**
14	Management for project implementation	Low: The quality of project management varies considerably both within and across ministries. There are no standardized rules, procedures or guidelines for project adjustments. The Auditor General Office has limited capacities to perform ex-post audits.	Low: Capacities remain limited in most of the ministries and public entities. Projects generating negative returns to continue to be executed. External ex-post audits of capital projects are not routinely undertaken.	**
15	Monitoring of public assets	Low: The scope and procedures for the management of non-financial assets are incomplete. Value of fixed assets is not included in the government's financial statements. There are no accounting rules on the depreciation of nonfinancial public assets.	Low: An updated and substantially complete registry of fixed assets is not available. The absence of audited government financial statements limits asset management.	**

*** high priority, ** medium priority, * low priority

I. PUBLIC INVESTMENT IN BELIZE: CONTEXT

1. This chapter provides a comparative overview of public investment trends in Belize.

Section A describes recent trends in public investment and in capital stock, Section B examines the composition of public investment and Section C assesses its impact and efficiency.

A. Trends in Public Investment and Capital Stock

2. Public investment increased over the past decade but remains below its pre-2000 levels.

During 2001-2005 there was a sharp decline in public investment, from 13 to 5 percent of GDP (Figure 2).³ Public investment has since recovered somewhat (a rapid increase during 2010-2014, partially offset by a softening during 2015-2017) but at 6 percent of GDP, it remains below its pre-2000 level. Total investment has remained robust at around 21 percent of GDP since 2015, however, since the cuts to public investment were offset by stronger private investment. Looking forward, the medium-term outlook for public investment could be challenging, with a slowdown in economic activity and continued need for fiscal consolidation.

3. **Recent levels of public investment in Belize have been higher than in comparators.** Despite the recent decline in public investment in Belize, its level still compares well among a selected group of regional comparators and EMDEs (Figure 3). Average public investment over the past 3 years was 7 percent of GDP in Belize, compared to 6 percent in CARICOM countries and in EMDEs and 4 percent in Central America.

4. **Public investment has also been more volatile.** Between 1990 and 2017, the average annual change in investment was 1.5 percent of GDP in Belize, more than 3 times higher than in comparator groups (CARICOM: 0.4; Central America: 0.3; EMDEs: 0.2). The relatively high public investment volatility in Belize largely reflects investment surges in the early 1990s and early 2000s which were followed by sharp declines. These large swings in public investment have been negatively correlated with movements in private investment, suggesting that public investment has not played a major catalytic role in stimulating additional private investment, as it does in some countries.

³ Part (but not all) of the decline in public investment during this period may be due to the privatizations of public utility companies.

Figure 2. Investment
(Nominal, percent of GDP)

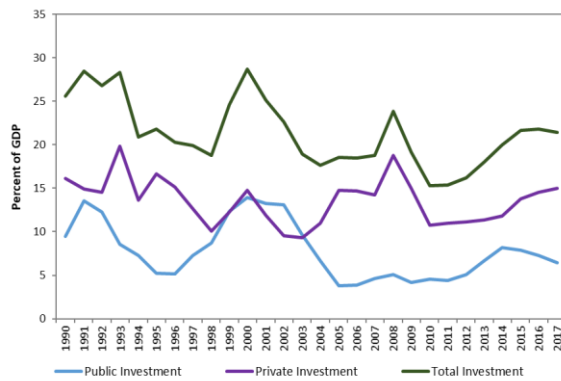
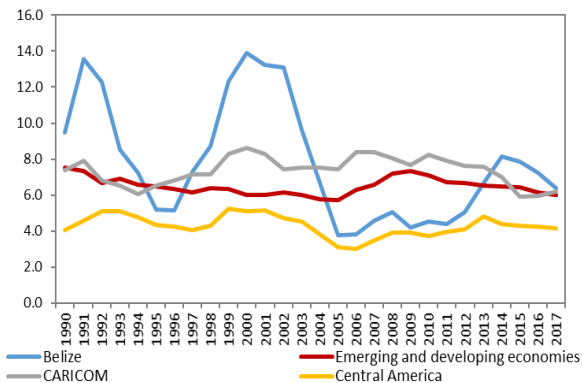


Figure 3. Public Investment
(Nominal, percent of GDP)



Sources: World Economic Outlook and IMF staff estimates

5. Belize's public capital stock has been declining and its ranking vis-à-vis peers has fallen.

The stock of public capital in Belize rose steadily during the 1990s and early 2000s to almost 120 percent of GDP in 2014, driven by relatively high public capital expenditure (average of 10 percent of GDP between 1990 and 2004). The capital stock has since declined as a share of GDP, falling to 87 percent in 2017, as lower public investment levels (average of 5 percent of GDP since 2004) did not keep pace with depreciation and economic growth (Figure 4). As a result, the level of Belize's public capital stock no longer compares well with peers, standing at around \$US 5.5 thousand per capita, compared to an average of \$US 11.6 thousand for the group of countries in Figure 5.

Figure 4. Public Capital Stock
(Nominal, percent of GDP)

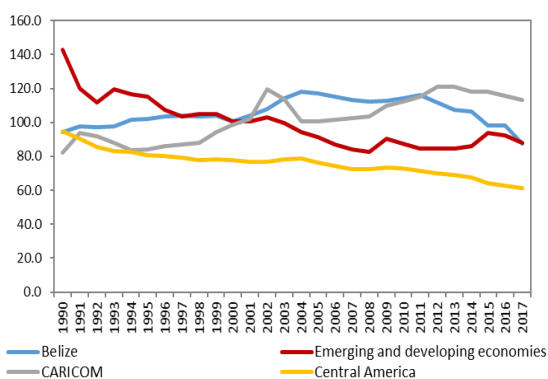
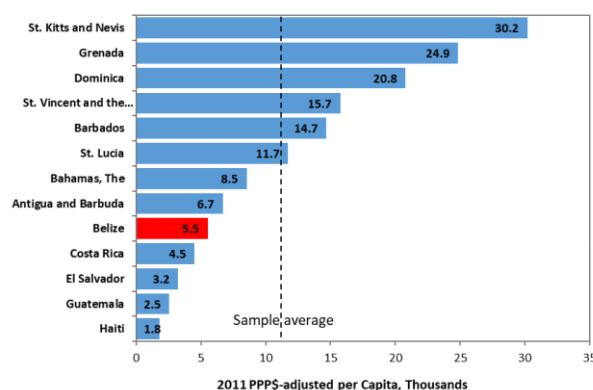


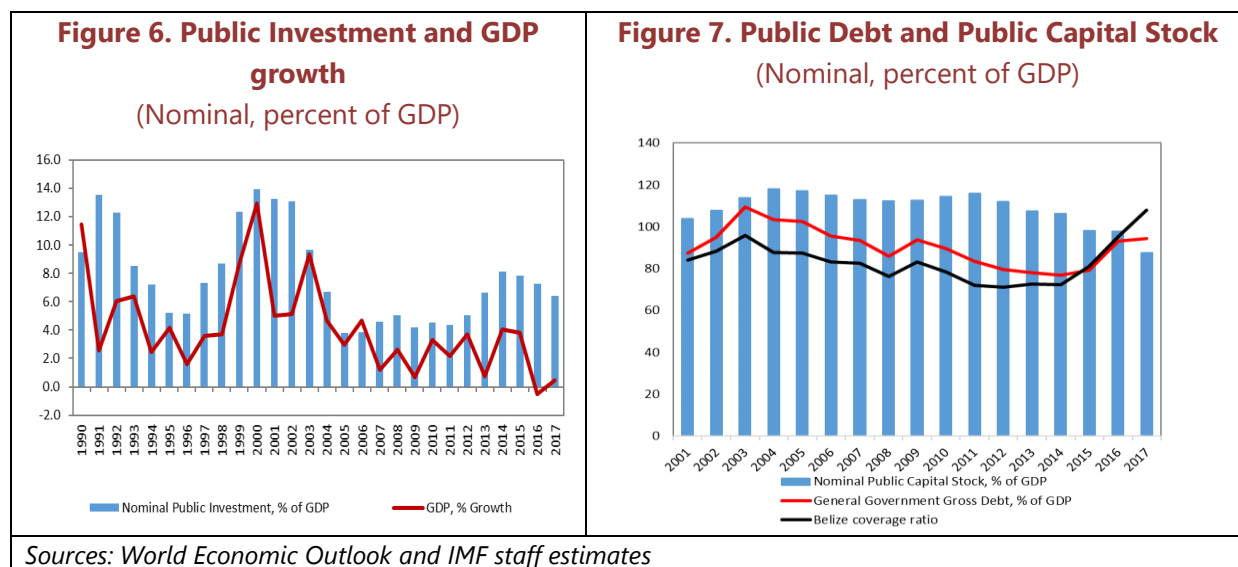
Figure 5. Public Capital Stock per Capita
(PPP\$-adjusted, thousands)



Sources: World Economic Outlook and IMF staff estimates

6. Recent increased levels of public investment in Belize have not been accompanied by stronger growth, in contrast to previous episodes. Several empirical studies present evidence of a link between public investment and economic growth (IMF, 2014). The correlation between Belize's

public investment and GDP growth was strong in the past but has weakened since 2006-7 as increases in investment were not accompanied by stronger growth outcomes (Figure 6), possibly pointing to a decline in investment efficiency. Despite recent lower levels of public investment, public debt has increased sharply, from 76 percent of GDP in 2014 to 94 percent of GDP in 2017, leading to a deterioration in the coverage ratio of public debt to capital, following a decade of previous improvement (Figure 7).



B. Composition of Public Investment

7. The Government of Belize has an ambitious public investment program. Belize's national development strategy (set out in two policy documents: Horizon 2030 and the Growth and Sustainable Development Strategy (GSDS)) places emphasis on improvements in transport infrastructure, education, health, and the environment. The government also has a climate strategy (National Climate Change Policy, Strategy and Action Plan (NCCPSAP)) which informs investment projects across all sectors and in 2018, the IMF and World Bank conducted a Climate Change Policy Assessment (CCPA) which reviewed Belize's plans to manage its climate response (see Box 1).

Box 1. Belize's Climate Strategy

Belize is highly exposed to climate change and natural disasters risks. A Climate Change Policy Assessment (CCPA) conducted in 2018 by the IMF and World Bank in collaboration with the Government of Belize found that among small states, Belize ranks 3rd for risk from natural disasters, and 5th for risk from climate change. The primary impact of climate change is expected to be large-scale inundation from sea-level rise and from more severe storm surges. Belize's major infrastructure such as public buildings, health, commercial and transportation facilities are located on or near the coast which makes them extremely susceptible to sea level rise. Besides potential destruction of life and property, and disruption of linkages, sea-flooding and more.

The country is already undertaking a significant program of resilience-building investments.

According to the Government of Belize, resilience-related spending is about one-third of the capital budget, with allocations of around 1.7 percent of FY2018–19 GDP (BZ\$66 million, or US\$25 million). Resilience-building so far has been concentrated in physical infrastructure and relies heavily on international support. The predominance of physical infrastructure projects reflects the sequencing preferred by stakeholders during the government's climate planning process, during which they identified the need to reinforce access linkages as Belize's most urgent priority.

The CCPA made several recommendations to further strengthen Belize's climate response. The government's plans are articulated in the National Climate Resilience Investment Plan (NCRIP, 2013) and a National Climate Change Policy, Strategy and Action Plan (NCCPSAP, 2014). The CCPA found that Belize has advanced planning for climate change but that improvements were needed to support effective implementation, including reform of the institutional and legal framework for investment and procurement, development of risk financing instruments and further expansion of renewable energy. The CCPA also recommended a greater focus on ecosystem resilience-building - essential for a country such as Belize that is heavily dependent on its natural resources.

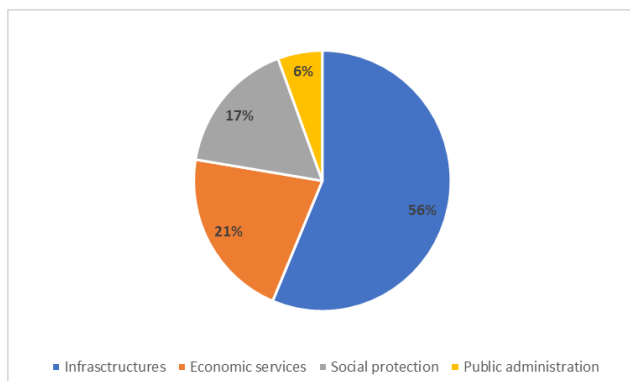
Source: CCPA report, PIMA mission

8. The current composition of public investment is focused on infrastructure.⁴ Over half of public investment is allocated to infrastructure in Belize (Figure 8), a higher share than in EMEs. The remainder is split equally between investment on social protection (which includes health and education projects) and economic services (agriculture, tourism, business development). This reflects the government's investment priorities, which have largely focused on the development of the road network in recent years.

9. Public investment in Belize is mainly externally financed. Within overall public investment, the majority is externally financed (7.7% of total spending in 2017 compared with 5.9 percent for domestically financed capital expenditure) (Figure 9). Externally-financed investment mainly relates to large projects financed by multilateral development institutions, whereas domestically-financed investment relates to smaller projects, though this category also includes counterpart funding for externally financed projects. Externally financed investment has significantly outpaced domestically financed investment over the past decade, increasing threefold since 2005 (compared to a 22 percent increase for domestically-financed).

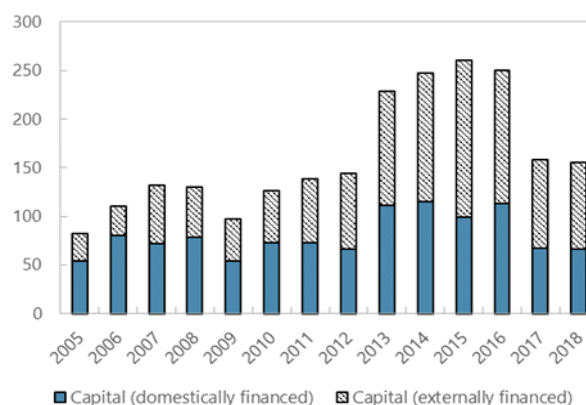
⁴ Data provided by the authorities based on budget information.

Figure 8. Public Investment by Function
(2019, Percent of total public investment)



Source: National Authorities and PSIP

9. Capital Expenditure
(2009-19, BZ\$ million)



Source: National Authorities and Budget Documents

10. Public investment spending is executed by central government, sub-national governments (SNGs) and public corporations (PCs). In 2017, the central government's investment spending accounted for 4 percent of GDP (around two thirds of public sector investment) with the remainder undertaken by SNGs at both the municipality and village level and PCs in the electricity, water and telecoms sectors of GDP. Average capital spending by SNGs averaged 0.3 percent over 2014-2018 so it is relatively small, compared to capital spending by central government and public corporations (3 percent of GDP average over 2014-2018).

C. Impact and Efficiency of Public Investment

11. Belize has a mixed performance regarding access to infrastructure and its quality (Figures 10 and 11). Belize has made big improvements in access to clean water, having increased coverage from below 80 percent of population in the 1990s to 100 percent coverage in 2017. Public health infrastructure is poor, however, and has not kept up with population growth. The number of hospital beds per 1,000 persons has halved in Belize, from over 2 in the 1990s to 1, and is well below Caribbean and EME peers (2.8 beds and 3.0 beds respectively per 1,000 persons), though similar to Central American countries (1.2 beds per 1,000 persons). There have been improvements in education, with an increase in the number of secondary school teachers per 1,000 persons since the 1990s, but this level is still below that of Caribbean and EME countries (6.7 and 6.6 teachers respectively per 1,000 persons), though it is above Central American countries (5.0 teachers per 1,000 persons). A recent score for the World Economic Forum's survey-based indicator perceptions of overall infrastructure quality is not available for Belize but the latest (from 2011) put Belize at 3.5, below its comparator groups (around 4).⁵

⁵ The latest score for Belize (3.5) dates from 2011. The respective scores for Belize's comparator groups were 4.0 (CARICOM), 4.0 (Central America) and 4.2 (EMDEs).

Figure 10. Measures of Infrastructure Access, 1990s Average

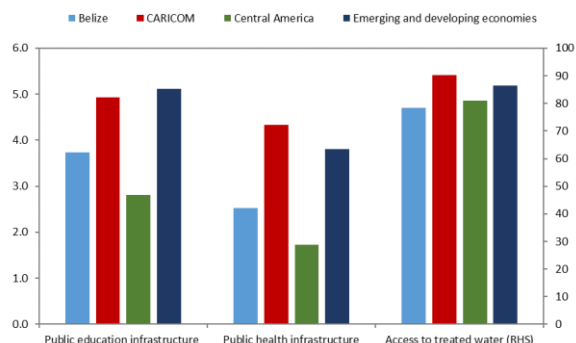
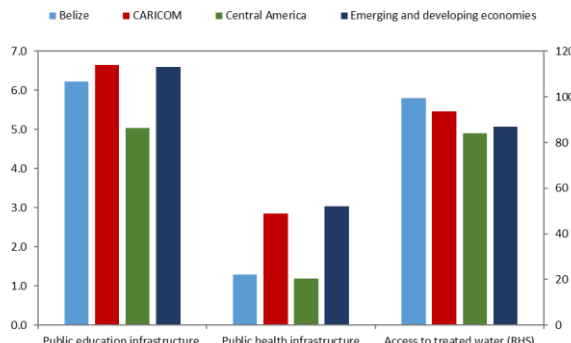


Figure 11. Measures of Infrastructure Access, 2017



**Units vary to fit scale. Left hand axis: Public education infrastructure is measured as secondary teachers per 1,000 persons; Electricity production per capita as thousands of kWh per person; Roads per capita as km per 1,000 persons; and Public health infrastructure as hospital beds per 1,000 persons. Right hand axis: Access to treated water is measured as percent of population.*

Sources: World Economic Outlook and IMF staff estimates

12. Belize has average levels of investment efficiency but comparison with regional peers suggests there is scope for improvement. The IMF's methodology for estimating the efficiency of public investment was set out in the 2015 policy paper.⁶ A country's performance on an index of the output of public investment is compared to its input, or per capita public capital stock. A "frontier" is drawn consisting of the countries achieving the highest output per unit of input, enabling the performance of each country to be compared relative to the frontier and to peer countries. The overall results (Figures 12 to 13) indicate that the efficiency gap between Belize and the most efficient countries is 29 percent — similar to the average for EMEs (31 percent) but over 10 percent below Belize's CARICOM peers (17 percent). Within the overall efficiency gap, the distance to the frontier is marginally greater for physical access than quality aspects (Figures 14 and 15). There is substantial scope for the Belizean authorities to adopt policies that will help improve the level of efficiency of public investment. Part II of this report analyzes where these gaps are by assessing the strength of 15 PIM institutions across the planning, budgeting, and implementation cycle, and proposes recommendations to help close the efficiency gap.

⁶ See IMF (2015), 'Making Public Investment More Efficient.' <http://www.imf.org/external/np/pp/eng/2015/061115.pdf>

Figure 12. Efficiency Frontier (2000-2017)

Hybrid Indicator - Benchmark based on
perceived quality and
physical access to infrastructure

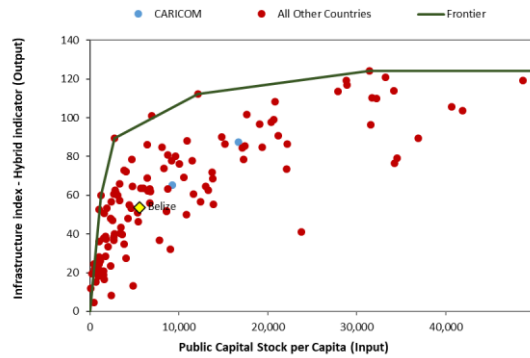


Figure 13. Infrastructure Efficiency (2017)

Hybrid Indicator - Benchmark based on
perceived quality and
physical access to infrastructure

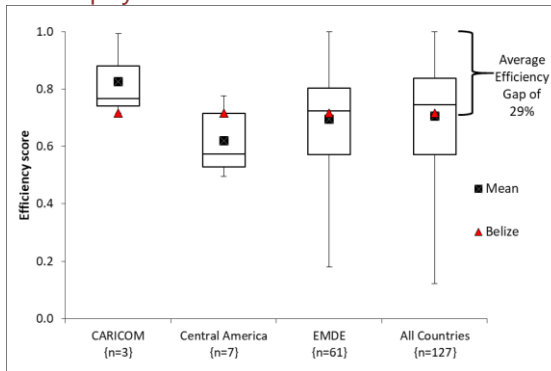


Figure 14. Infrastructure Efficiency (2017)

Physical Indicator - Benchmark based on
physical access to infrastructure

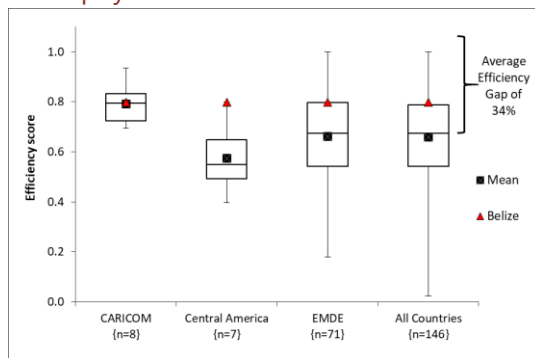
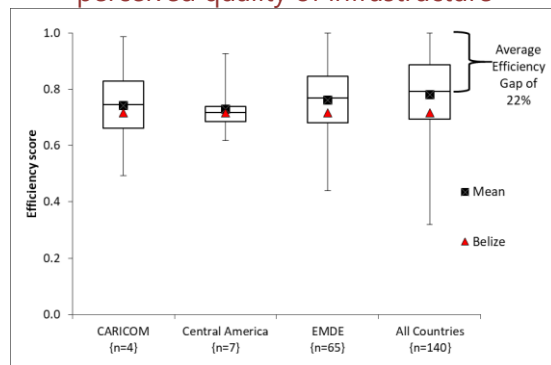


Figure 15. Infrastructure Efficiency (2017)

Quality Indicator - Benchmark based on
perceived quality of infrastructure



Source: Staff Estimates.

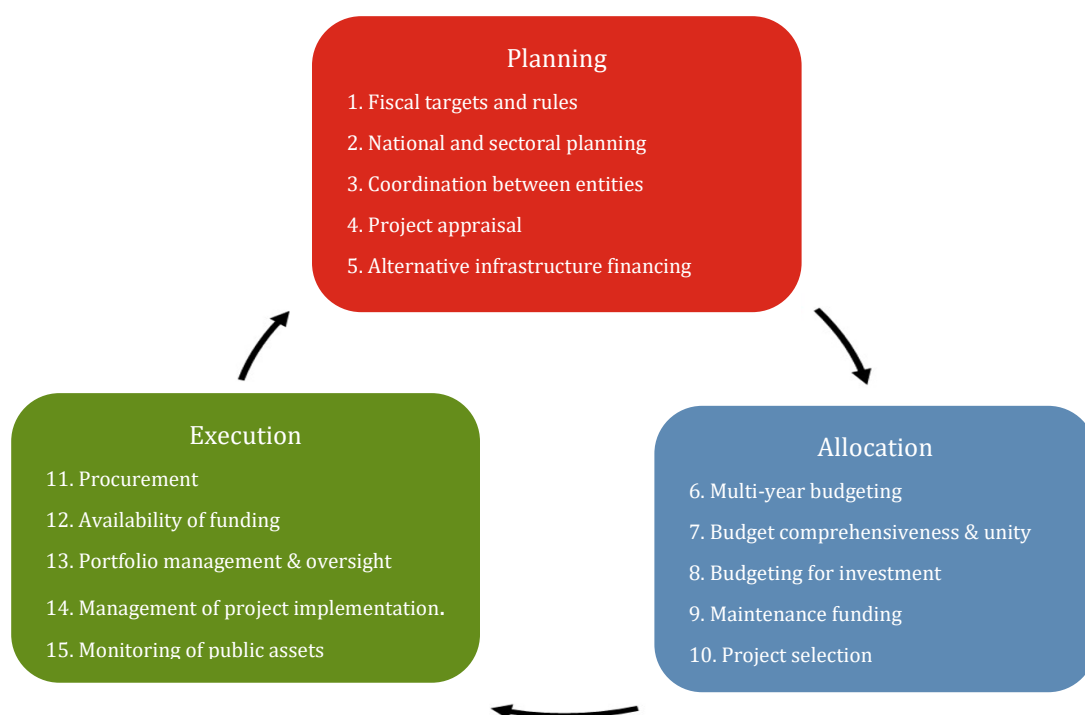
II. ASSESSMENT OF PUBLIC INVESTMENT MANAGEMENT

13. Public investment can be an important driver of economic growth, but its impact depends on its efficiency. On average a country loses around 30 percent of the value of its investments due to inefficiencies in its public investment management process. By improving that process, a country can reduce that “efficiency gap” by up to two-thirds. The economic dividends from closing this efficiency gap are substantial: the most efficient public investors get twice the growth “bang” for their public investment “buck” than the least efficient.

14. The revised tool for assessing public investment management (PIMA) developed by the IMF is intended to help countries strengthen their practices in this area.⁷ PIMA serves to evaluate 15 institutions engaged in the three phases of the PI cycle, as well as 3 crosscutting institutions (IT support, legal framework, and skills of the personnel involved) that affect them (Figure 16). For PIMA purposes, an institution is defined as a set of rules, relations between actors and effective practices in a given PIM area.

- **Planning** sustainable levels of investment across the public sector;
- **Allocating** investment to the right sectors and projects;
- **Implementing** projects on time and on budget.

Figure 16. PIMA Framework



⁷ This methodological framework was revised by the IMF in April 2018.

A. Planning Sustainable Levels of Public Investment

15. Sound planning ensures that public investments are sustainable and coordinated with development strategies. This pillar is assessed in terms of the existence of an institutional framework and the effectiveness of the following institutions: (i) fiscal principles or rules that help ensure fiscal sustainability and facilitate medium-term planning of public investments; (ii) national and sectoral plans that establish investment strategies; (iii) effective coordination between central government and other entities such as subnational governments and public corporations (PCs) on matters involving investment and communication regarding contingent liabilities associated with investment projects; (iv) prior, systematic and standardized assessment of proposed projects, taking into account the risks involved; and (v) a propitious environment for financing of infrastructure by the private sector, PPPs and PCs.

16. Belize has developed a strong strategic vision for public investment but weaknesses in other areas prevent it from being translated into effective planning at the project stage. A key strength of the planning process in Belize is the publication of development strategies at the national, subnational and sectoral level (some of which have advanced methodologies for costing and performance measurement) to inform investment priorities. Weaknesses include the absence of appraisals undertaken for major projects, a lack of coordination on investment planning between different levels of government, and an inadequate framework for controlling fiscal risks.

1. Fiscal Principles or Rules (Institutional strength – Medium; Effectiveness – Low; Reform priority - Medium)

17. The Ministry of Finance (MOF) has a debt target but this has not been formalized and is far from being achieved in practice. The budget speech and fiscal strategy document contains the objective to reduce the central government gross debt to GDP ratio to 80 percent in the medium term and to 60 percent in the long term. However, the target has not been formalized in separate legislation or regulations and it is not binding. Municipal governments can borrow subject to a nominal debt ceiling with approval by the MOF. Public corporations can also borrow but this is not captured in public debt statistics in Belize. The Treasury Bills Act specifies a nominal ceiling for outstanding Treasury bills and notes. Debt sustainability has been a persistent challenge in Belize; its external debt was restructured three times over a 10-year period (2006–07 and in 2012–13, 2016–17). The debt level is currently about 90 percent (Figure 7).

18. Fiscal policy is currently guided by multi-year commitments on the primary balance, but these are not permanent rules and have been recently missed. Under the terms of the 2017 debt restructuring, which are aimed at improving debt sustainability, the government committed to maintain a primary balance of at least 2 percent of GDP. This commitment is restated in the budget speech and fiscal strategy document, which also includes a target floor for the overall balance (–1.5 percent of GDP) and public investment (5 percent of GDP). However, these commitments have not been formalized in

legislation and are not binding (if the primary balance floor is missed, the government pays interest quarterly instead of semi-annually on the restructured bond). Provisional fiscal data indicate the primary balance target was attained in 2017/2018 but missed in 2018/2019.

19. Medium-term fiscal forecasts guide budget preparation, albeit with large deviations between forecasts and realizations. The budget preparation document (the budget call) includes information on the fiscal targets and contains disaggregated forecasts of expenditure 3 years ahead. The fiscal strategy document, attached to the budget law, also contains a medium fiscal framework (MTFF) with projections 5 years ahead, although the fiscal projections are at the aggregate level. In practice, the fiscal forecasts in budget suffer from a lack of credibility: there have been some large deviations between 1- and 2- year ahead forecasts of total expenditure and actual outcomes although accuracy has improved over time (Table 3).

Table 3. Budgetary Expenditure: 1- and 2- Year Ahead Forecasts and Outturns (% GDP)

	1- year ahead forecast			2- year ahead forecast		
	Budget	Outturn	Deviation	Budget	Outturn	Deviation
Budget 2014-2015	26,5	38,4	11,9	26,6	36,3	9,7
Budget 2015-2016	30,2	35,0	4,8	30,8	33,7	2,9
Budget 2016-2017	34,5	32,7	-1,8	33,4	33,4	0,0
Budget 2017-2018	33,0	32,3	-0,7	N/A	N/A	N/A

Sources: Budget documents

20. Fiscal policy should be guided by a transparent rules-based fiscal framework based on a debt anchor. Belize could benefit from a fiscal responsibility law (FRL) with explicit rules designed to guide the debt reduction process in a transparent and predictable manner, while creating a mechanism for public oversight and accountability. The framework could combine a target for the debt ratio with an operational rule for the primary balance. An expenditure rule (possibly with explicit provision for capital spending) linked to long-run nominal GDP growth could help to avoid procyclical swings in public investment. Provisions for accountability and correction mechanisms should be included in the FRL to support enforceability and robustness of the framework.

2. National and Sectoral Planning (Institutional strength – Medium; Effectiveness – Medium; Reform priority - High)

21. National and sectoral development strategies are published with varying levels of detail on investment plans. Belize has a history of multi-year strategic planning with policy priorities articulated in numerous documents (Table 4 provides a summary). The current national development plans include two long-term plans covering a period of 20 years (Horizon 2030 and the National Development Framework for Belize 2010-2030) and a medium-term 4-year plan (Growth and Sustainable Development Strategy for Belize 2016-2019, GSDS), but these do not separately identify

priorities for public investment. Development strategies also exist for each key sector (around 8 strategies), as well as for some cross-cutting areas such as climate change (the National Climate Resilience Investment Plan). The sectoral strategies vary regarding their level of detail on public investment and the extent to which they cross-reference the national development strategies, and some are also outdated (for example, the Education Strategy 2011-2016). The national and sectoral plans cover central government only and do not include public corporations or sub-national governments. The GSDS has been designated as the reference document for all sectoral strategies, and those published since the GSDS refer to it, although sectoral strategies prepared prior to the GSDS have not been updated.

Table 4. Sectoral Development Strategies

Sector	Name of strategy	Period covered	Costing estimates (Y/N)	Measurable targets (Y/N)
Tourism	NSTMP	2011-2030	Y	N
Transport	CNTMP	2018-2035	Y	Y
Agriculture	NAFP	2015-2030	N	N
Health	HSSP	2014-2024	N	Y
Education	ESS	2011-2016	Y	Y
Climate	NCRIP	2013-(no end date)	Y	Y
Energy	SES	2012-2033	N	N
Note: NSTMP = National Sustainable Tourism Master Plan; CNTMP = Comprehensive National Transportation Master Plan; etc. etc.				

Source: GoB

22. The national development strategy does not contain costing estimates, although some sectoral strategies are costed, and these costs are used for budget preparation purposes. Some sectoral plans (e.g. the Comprehensive National Transportation Master Plan) contain costing estimates for the implementation of the strategy as well as for major individual projects. Other sectoral strategies (e.g. the National Sustainable Tourism Masterplan) do not include any information on costing. The absence of costing estimates in the GSDS is a key weakness, however, and limits its impact on the prioritization and selection of public investment projects in the annual budget process.

23. Only a few sector strategies present measurable targets for the outputs and outcomes of programs or investment projects. Some sectoral strategies provide measurable indicators for both outcomes and outputs (e.g. Transport). However, there are no evaluation reports, or other specialized studies that assess performance against these targets. The MOF requires budget agencies to identify indicators at the program level for inclusion in the budget documents together with a progress report. However, the indicators are not consistent with those in the sectoral development strategies.

24. Greater harmonization between the national and sectoral development strategies and comprehensive costing estimates would improve the credibility and relevance of the investment

planning process. The GSDS being prepared should provide costing allocations for public investment in each sector or priority area; sectoral strategies should be updated to be consistent with the new GSDS and investment plans of public corporations and sub-national government should be included in the strategies. There should be greater consistency in the format and content of sectoral strategies, each of which should include measurable indicators and targets that are reported against in the budget documents. Preparation and dissemination of guidelines and templates for sectoral strategies would greatly improve the quality and consistency of the various strategies.

3. Coordination between entities (institutional strength – Low; effectiveness – Low; priority of reforms - High)

25. Municipal governments prepare development strategies containing capital spending plans that are discussed with the Ministry of Labor, Local Government and Rural Development (MLLGRD) but are not integrated into the wider national investment planning process. Belize has two administrative levels of subnational government: municipalities (comprised of 7 towns and 2 cities) and rural communities (comprised of 194 communities, each with a Village/Community Council (VCC)). Revenue raising powers and expenditure responsibilities of the municipalities are laid out in legislation (City or Town Council Act) and guided by the National Policy of Local Government (2009). Capital expenditure responsibilities typically relate to construction and maintenance of minor roads, bridges, sporting facilities, and parks, as well as maintenance of infrastructure built by central government in their jurisdiction. Each municipality must publish a strategic development plan covering a five-year period, aligned with the Growth and Sustainable Development Strategy (GSDS) and relevant sectoral plans.⁸ These development plans inform priority investments and are submitted to, and discussed with, the MLLGRD (although there is no formal process for discussing capital expenditure). However, the plans are not submitted to the MOF or MED and are not coordinated with central government investment decisions.

26. The central government does not have a clear rule-based system for making fiscal transfers to municipalities and rural communities. Fixed annual subventions to each municipality and village council are included in the budget and disbursed monthly. The amount of the transfer is typically fixed in nominal terms and is not calculated by a formula.⁹ SNG entities are notified of the transfers at the beginning of the fiscal year. Transfers to municipalities are not specifically earmarked and can be used for either capital or current expenditure. They remain a relatively small portion of the municipalities' revenue since they also have authority to raise some revenues (e.g. trade licenses, traffic fines).

⁸ See for example, the [Belmopan Municipal Development Plan](#).

⁹ The amount of the transfer was initially determined as a function of several parameters, including population but the formula has not been used since.

27. There is no systematic reporting to central government of contingent liabilities arising from major investment projects of SNGs, PCs or PPPs. Guarantees are subject to approval by the MOF or the Parliament but guarantees and other contingent liabilities are not systematically monitored and reported, neither by the Central Bank nor the MOF, irrespective of the government entity concerned (line ministries and departments, SNGs, state-owned enterprises (SOEs) and statutory bodies) or the type of contract involved (such as concessions or public-private partnerships (PPP)). The MOF does not produce a fiscal risk statement. There have been instances of materialized contingent liabilities. In November 2017, the Caribbean Court of Justice ordered the Government of Belize to pay a guaranteed debt contracted by Universal Health Services to a commercial bank creditor. This ruling implied an increase of 2.5 percent of GDP in government debt. In 2015, the Belize government settled a claim with investors for \$67 million related to its renationalization of the electricity and telecoms companies.

28. Greater disclosure of contingent liabilities of SNGs, PCs and PPPs would provide a more stable climate for investment planning. Publication of individual SNG budgets and inclusion of a consolidated statement of contingent liabilities in the central government budget would allow for a more comprehensive assessment of the total fiscal space available for public investment, as well as informing better the planning and budgeting process.

4. Project Appraisal (Institutional strength – Low; Effectiveness – Low; Reform priority - High)

29. There is no requirement for major projects to undergo appraisal prior to funding being sought. Projects funded by development partners (DPs), which represented on average 56% percent of capital investment over 2016-2018 as shown in Figure 9, carry out their own appraisals with limited involvement by the Ministry of Economic Development or line ministries, and these appraisals are financed by the respective DP. DP appraisal methodologies are not harmonized, vary in depth and comprehensiveness, and are not always explicitly aligned with government strategy. Domestically-funded projects are not subject to any formalized appraisal requirement, although in practice some major domestic projects (for example, in the Ministry of Works) undergo some limited form of appraisal. The lack of appraisal appears to largely reflect capacity issues within the Ministry of Economic Development and individual line ministries, both in terms of resources and expertise.

30. The national development strategy outlines an appraisal framework though it has not been operationalized. There is a 'Prioritization Framework' in the GSDS for the appraisal and selection of projects¹⁰ with four criteria: urgency, impact, funding availability and net systemic contribution. There are no guidelines or manuals to support the operationalization of this framework, however. More generally, there are no guidelines for the preparation of feasibility studies (including pre-feasibility) nor for appraisal of such studies at either the central or line ministry level. The MOF/MED also do not

¹⁰ The framework is general and appears to cover both investment projects and other policy measures.

provide any technical support to line ministries on these matters. Externally-funded projects are appraised using methodologies established by the respective DPs but while these generally check consistency with the government's development strategies, they do not systematically assess alternative options for delivering the relevant facilities or services.

31. Risks are not systematically assessed. A key part of the project appraisal process is the identification of uncertainties relating to underlying market, technical, financial, economic and distributional outcomes. Mitigation measures can then be included in the appraisal document, project implementation plan, financial plan, or operating plan and, if necessary, include provisioning for unexpected costs. There is currently no systematic risk-assessment of project proposals undertaken by the MOF/MED or by the line ministries, those appraisals undertaken by development partners will often include risk assessment.

32. MOF/MED should strengthen pre-investment planning, such that projects can be appraised prior to seeking funding by development partners. The MOF/MED should prepare detailed guidance on project preparation, in line with international practices. Guidance should cover the preparation process as well as the methodology for feasibility studies and appraisals, covering: (i) whether the project is consistent with national and sectoral policy priorities; (ii) whether there are other options for delivering the relevant facilities or services; (iii) whether the design and procurement plans provide value for money; and (v) an assessment of risks and possible mitigation measures. This will require increased resources and expertise as well as reconsidering the whole PIM process. Some guidance is outlined in Appendix 3.

5. Alternative Infrastructure Finance (Institutional strength – Low; Effectiveness – Low; Reform priority - High)

33. PCs play a dominant role in major infrastructure markets but there is competition in some sectors. The main PCs in Belize are Belize Electricity Limited (BEL), Belize Water Services (BWS) and Belize Telecommunications Limited (BTL). All were previously private companies before being renationalized, most recently BTL in 2009 and BEL in 2011, although there are private minority shareholdings. BEL and BWS operate as state monopolies in the electricity distribution and water supply sectors respectively, while there is one other competitor in telecommunications alongside BTL. Competition also exists in the electricity generation sub-sector (6 companies). The national water, electricity and telecommunications sectors are regulated by a single independent Public Utilities Commission (PUC), according to the 2001 PUC Act and individual industry Acts. The PUC has the authority to grant licenses to individual companies and domestic and foreign firms are legally allowed to enter utilities markets. Other regulators exist for civil aviation (Ministry of Transport) and water supply at the local level (MLLGRD). Table 6 in the following chapter illustrates the level of investment undertaken by PCs.

34. Some PPP projects have been undertaken but there is no PPP policy or legal framework in place even though potentially large projects are under discussion. Existing PPP projects include a build-operate-transfer hydroelectricity project and concession agreements for operation of the international airport, municipal waste collection, and the Belize City civic center. Information on existing PPP projects is not systematically collected by the Ministry of Finance, nor disclosed in budget documents. Belize Infrastructure Limited (BIL), a publicly-owned company established in 2013 with a mandate for implementing major priority infrastructure projects and reporting directly to the Office of the Prime Minister, has been designated as the government's PPP unit and intends to undertake several new PPP projects in the tourism sector. BIL has limited in-house expertise on PPPs and hires consultants to advise on individual projects. The government has no oversight or governance arrangements in place for PPPs, nor any guidelines on their preparation, though it is currently preparing a draft PPP policy.

35. The investment plans of public corporations and most statutory bodies are not coordinated with central government. There is no centralized oversight of public corporations (PCs), either on a formal (e.g. a dedicated unit or process) or informal basis. There is a government representative on the Board of each PC, but investment plans are not reported to the MOF/MED. As such, the information is not compiled and incorporated into the public investment planning process, while investments undertaken by PCs are not included in national or sectoral planning documents, the PSIP or the budget despite their economic importance (3.7 percent of GDP in 2018). Some capital expenditure is also carried out by statutory bodies, although with the exception of the Belize Social Investment Fund (BSIF), this investment is also not coordinated with central government or included in the PSIP.

36. Oversight of PPPs and public corporations needs to be urgently strengthened to ensure the efficiency and quality of public investments and to guard against fiscal risks. In the absence of adequate financial and governance arrangements, there is a high risk that PPPs will not improve value for money, while exposing the government to substantial fiscal risk. Given the government's plans to explore new PPP opportunities, a PPP policy and subsequently a legal framework and supporting regulations, in line with international best practices and consistent with PIM and procurement legislations, is needed (Box 2 provides some key considerations). These desirable legislation on PPP will have to be consistent with other PIM and procurement legislations. Even with a framework in place, however, the government should proceed cautiously, since many of the essential preconditions for establishing a well-regulated regime for managing PPPs—for example, a rigorous system for appraising and selecting capital investment projects—have not yet been established in Belize. Similarly, centralized oversight of PCs is also needed, to mitigate fiscal risks and improve public investment planning in key infrastructure sectors (Appendix 2 outlines best practices in this area). An important first step in this area would be the collection of financial information (including contingent liabilities) of existing PPPs and PCs in databases that can be regularly monitored.

Box 2. A Framework for Controlling the Fiscal Costs of PPPs

A PPP is a project governed by a long-term contract between a government and a company, for provision of assets and/or services to the government or the public.

While in the short term, PPPs may appear cheaper than traditional public investment, over time they can turn out to be more expensive and undermine fiscal sustainability, particularly when governments ignore or are unaware of their deferred costs and associated fiscal risks. To use PPPs governments should develop a clear policy, institutional and legal framework, covering the following principles:

- **Identifying Costs of PPPs.** A database should be created that records projects purposes, the contracting agency, the PPP company and its owners, the investment expected under the contract and each amendment, and the project's timeline. The ministry of finance may want to create a special PPP unit to identify (potential) fiscal obligations.¹¹.
- **A gateway process for new PPPs managed by the MOF.** Public entities should not be allowed to engage in PPPs commitments without prior review and approval by the MOF, which should have the authority to prevent a project if it fails to meet certain conditions (e.g., value for money, fiscally unaffordable).
- **A framework for risk sharing.** Adequate risk transfer from the government to the private sector is a key requirement if PPPs are to deliver high-quality and cost-effective services. PPP laws or standardized contracts can be used to set out the risks that the government will normally bear. Unsolicited proposals should usually be rejected.
- **Limits on overall PPP exposure.** To ensure the sum of the government's commitments is affordable, limits can be applied, for example, on annual government PPP-related spending or the stock of the government's PPP commitments.
- **Disclosing information for external scrutiny.** PPP contracts should be published so that all stakeholders can analyze them and point out possible problems.
- **Adequate fiscal accounting for PPPs.** PPPs should have the same effect on the most prominent measures of the debt and deficit as do traditional investments with an equal cost.

Source: IMF (2018), 'How to control the fiscal costs of Public-Private Partnerships', FAD How-To Note.

B. Ensuring Public Investment is Allocated to the Right Sectors and Projects

37. A sound public finance management system is geared to three objectives, one of which is efficient allocation of resources.¹² As regards investment, this objective entails allocating resources to sectors and projects likely to generate growth and/or reduce poverty. Here, pillar 2 of the PIMA seeks to ensure that: (i) budgeting is done from a multi-year sustainability perspective and takes the overall costs of investment projects into account; (ii) the budget is comprehensive and unified in both its preparation and presentation; (iii) appropriate provision to protect investments already under way are in place; (iv)

¹¹ The IMF's PPP Fiscal Risk Assessment Model (PFRAM) tool can assist the assessment of project-specific risks.

¹² The other two are sustainability and efficient delivery of goods and services.

operating and maintenance costs of physical assets are correctly appraised when it comes to launching projects; and (v) investment projects are selected on the basis of objective criteria.

38. There are strong elements in these institutions for Belize, in particular budget comprehensiveness and unity, but also significant weaknesses. Budgeting for investment and maintenance funding are weak in terms of institutional design, but better in effectiveness. For project selection, there is a formal framework in place, but this is not effective. Multi-year budgeting scores medium on both institutional design and effectiveness.

39. Budget documents provide comprehensive information about capital spending. The capital budget comprises two categories: capital II (domestically funded) and capital III (externally financed). The budget classification is not consistent with international standards, as the two capital spending categories include several items that do not create a capital asset and should be classified as current spending.¹³ Table 5 illustrates that budget documents includes forward estimates for the three years ahead as well as actuals for the two previous budget years. This information is available for each ministry and program.

Table 5. Budget 2019/20
(Thousand BZ \$)

	Actual 2016/17	Actual 2017/18	Budget 2018/19	Expected 2018/19	Budget 2019/20	Estimate 2020/21	Estimate 2021/22
Total capital	250,721	152,022	155,065	149,197	170,910	183,121	185,436
Capital II	113,677	59,176	61,921	61,343	74,778	72,650	80,985
Capital III	137,043	92,846	93,144	87,854	96,132	110,471	104,451
Current	952,823	1,006,598	1,051,354	1,028,400	1,077	1,086,498	1,107,774
Total budget	1,203,544	1,158,620	1,206,419	1,177,596	171,987	1,269,619	1,293,210

Source: MOF budget estimates 2019/20

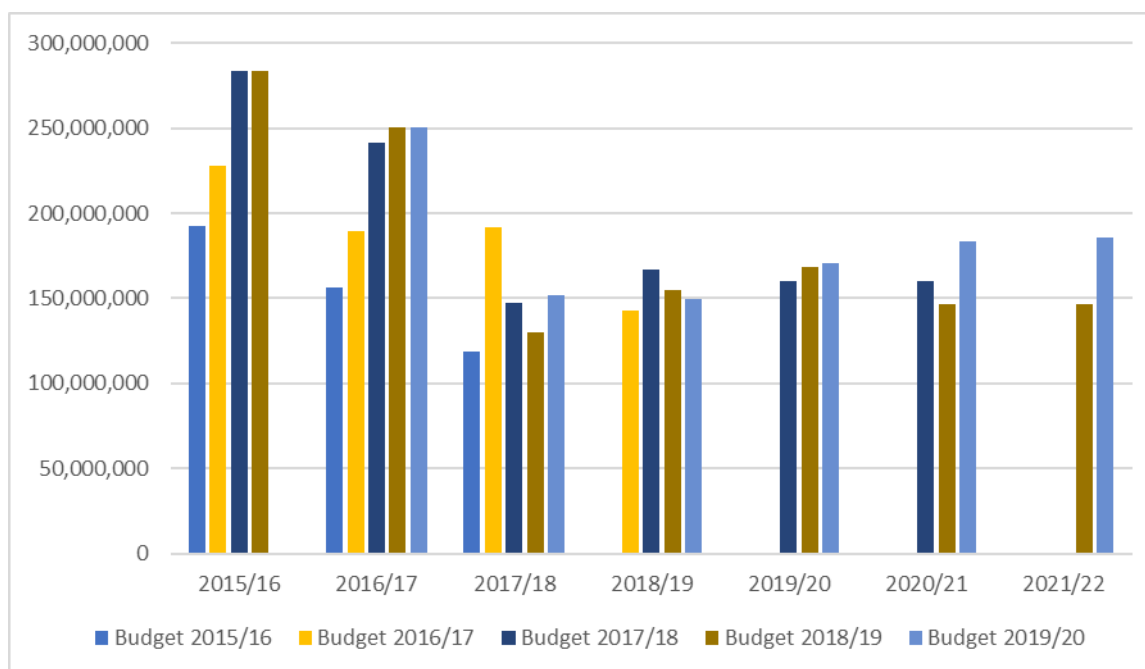
6. Multiyear budgeting (Institutional Strength —Medium; Effectiveness —Medium; Reform Priority — Low)

40. The budget includes medium-term projections by ministry and program, but approved budgets and actual outturns may deviate significantly from these estimates. Forward estimates have limited accuracy, and, in some years, the final outturn of the capital budget is significantly higher than initial estimates. Figure 17 provides a comparison of budget estimates and actuals in different budget documents. Each group of bars shows how the estimates for capital spending in a specific fiscal year (horizontal axis) has varied between different budget documents (different bars within each group). For instance, for 2016/17 (the second group of bars), the forward estimate in the 2015/16 budget was 157 million BZ \$, the approved capital budget in the 2016/17 budget was 189 million, the

¹³ The budget classification and chart of accounts should be updated to be consistent with international standards as part of a broader accounting reform, as discussed under institution 15.

expected outturn in the 2017/18 budget was 241 million and the final outturn shown in the 2018/19 and 2019/20 budgets was 251 million.

**Figure 17. Comparison of Budget Estimates in Subsequent Budget Years
(BZ \$)**



Source: Belize budget documents 2015 – 2020

41. The annual budget call provides three-year ceilings for domestically funded capital spending (capital II) but the ceilings are only indicative. The approved budget will often be higher than the indicative ceilings, as discussed under institution 1. For externally funded capital spending (capital III), there are no ceilings in the budget call.

42. The published PSIP provides total project cost estimates for ongoing major projects, but there are no total cost projections in budget documents and PSIP reports have no annual breakdown. The PSIP database is maintained by the MED. It includes all capital projects that involve external funding, which is the case for most major capital projects. The PSIP contains comprehensive information for ongoing projects, including total cost estimates, funding from different sources, expected cash flow and actual cash flow, as well as information regarding physical project implementation. The PSIP also comprises summary information for projects that are proposed for external funding (pipeline projects) and possible project concepts. The MED publishes regular reports drawing on the PSIP database, but these will usually not include the breakdown of expected project costs by years. The PSIP does not use the budget classification and neither the PSIP nor the budget document contains an explicit reconciliation with one other.

43. The budget process includes medium-term projections and indicative capital spending ceilings, but the link to the PSIP is not fully transparent and should be strengthened. The PSIP should use the budget classification, and reports should include an overview of how PSIP projects are reflected in the budget. The budget should incorporate total cost projections for major projects and should provide a reconciliation with the PSIP.

7. Budget Comprehensiveness and Unity (Institutional strength — High; Effectiveness — High; Reform Priority — Low)

44. There is little capital spending by extrabudgetary entities. There is some extra-budgetary investment spending through the BSIF, but this is generally less than 10 % of total capital budget. BSIF investments provide infrastructure for rural development and are well regulated and transparent. It is funded by external grants and loans, which are disclosed in the PSIP. The funds are channeled to the BSIF through the budget, which shows the source of the funds but provides no information on the specific projects that will be financed. The priority areas for investment are decided by the Cabinet. Selection of specific projects for implementation is done by the BSIF board, comprised of the CEOs of the key ministries involved in rural development issues. The BSIF website provides detailed disclosure of priorities, projects and financing arrangements.

45. Domestically and externally financed capital spending are included in the budget, but public corporation (PCs) and PPP investments are not disclosed in budget documents. The capital investment of the three main PCs (Belize Telemedia (DIGI), Belize Electricity (BEL) and Belize Water Services (BWS)) is equivalent to much more than 50 percent of the government capital budget and amounted about 3.7 percent of GDP in 2018. BWS receives a capital transfer from the budget and indirect support through tax exemptions and deferred dividends. The total value of this support, which amounts to about 7 million BZ \$ per year, is listed in BWS' annual reports, but only the capital transfer is disclosed in budget documents. The concession for the international airport in Belize City, which was contracted in 2003, is currently the only PPP at the central government level and is not recorded in the budget documentation. This PPP is discussed under institution 5. Table 6 provides an overview of extrabudgetary capital spending and capital spending by PCs during 2015 – 2019, compared to the annual capital budgets.

Table 6. Extrabudgetary and PC Capital Spending
(Thousand BZ \$)

	Budget	BSIF	BSIF/Budget	Telemedia	Electricity	Water	PCs/budget
2015/16	283,775	11,179	3.9%	40,307	27,700	21,041	31.4%
2016/17	250,721	23,171	9.2%	72,175	38,900	12,008	49.1%
2017/18	152,022	18,147	11.9%	78,178	33,600	17,544	85.1%
2018/19	149,197	8,555	5.7%	82,890	30,600	21,551	90.5%
Total 2015-2019	835,715	61,052	7.3%	273,550	130,800	72,144	57.0%

Source: Budget estimates 2016-2020, annual reports DIGI, BEL, BSW and BSIF.

46. Capital and current budgets are prepared by MOF and presented together in the budget, using organizational and program classifications. The budget includes a comprehensive overview of current and capital spending under each ministry, organization and program, further broken down by economic classification. The program classification is largely a mixture of sub-functions and organizational units. There is also information about program objectives, priorities, targets and results, as well as a listing of staff complements.

47. Budget documents provide comprehensive information on capital spending, including externally financed projects, but should be extended to disclose capital spending through extrabudgetary funds (EBFs), PCs and PPPs. The current budget documents include the financing flows to the BSIF but do not provide information about the use of this financing. There should be an appendix that gives an overview of BSIF-funded projects. This appendix should also give information about capital spending by the major public corporations. The budget documents should describe the governments PPP program, including current PPPs as well as PPPs under consideration, giving information about the investments involved and the explicit and implicit liabilities these might entail.

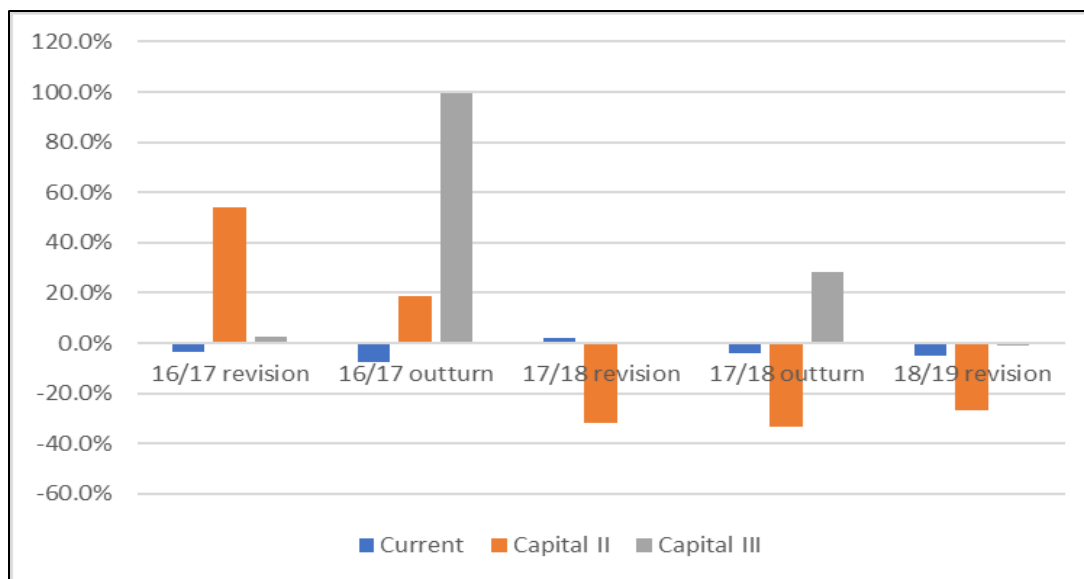
8. Budgeting for Investment (Institutional Strength — Low; Effectiveness — Medium; Reform Priority — Medium)

48. Capital spending is appropriated annually, but medium-term budget estimates and the total cost estimates in the PSIP give some predictability for future funding. The budget provides three-year forward estimates for capital projects, as well as information about spending the last three years. For many projects, this provides substantial information about the incurred and planned costs related to each project. However, there is no specification of total project costs in the budget documents, so it is usually not possible to ascertain whether the funds allocated in the budget are sufficient to complete a project. Estimates of full project costs are provided in the PSIP, but it is not

always easy to reconcile the project information in the PSIP and the budget, as mentioned under institution 5.

49. The MOF can approve virement from capital to current spending for budget-funded capital projects but the net volume of virements is low in most years. Virement is regulated in chapter IV of the Expenditure Control Regulation.¹⁴ According to this regulation, MOF can approve reallocation between different sub-heads (programs) under a budget head (department). The authority to reallocate is subject to several limitations in the regulation, including that it cannot be used to finance new positions or policies. Virement from capital to current spending is generally not possible for externally financed (capital III) projects. Budget reports do not provide information about aggregate virement, but the expected budget outturn should include any net reallocation from capital to current spending. Figure 18 compares revised budgets and budget outturns to the approved budgets for the Ministry of Works the last three years. This Ministry is typically responsible for 25 – 30 percent of capital spending. The figure shows that there have been quite significant adjustments in capital spending during the year. In 2016-2017 both capital II and capital III were adjusted upwards. In 2017-2018 and 2018-2019 capital II has been adjusted downwards. Current spending has also been marginally reduced during the budget year, so there are no indications that funds are reallocated from capital to current spending.

Figure 18. Ministry of Works – Adjusted Budgets and Outturns 2016 - 2019
(Percentage change compared to approved budget)



Source: MOF budget documents 2016 – 2019

¹⁴ *The control of public expenditure*, Ministry of Finance and Economic Development, Belize, 1966. The interpretation of the provisions in this regulation is difficult, as many of them are outdated. For instance, it defines separate current and capital budgets, which is not the case at the moment.

50. There are no formal mechanisms to protect on-going projects, but several sources indicated that there is a clear practice to ensure sufficient funding of these projects before introducing new ones. The budget call specifies that new projects must be described and justified separately in budget submissions, but there is no formal rule that ongoing projects have priority. Table 8 under institution 10 shows an example from the 2019-2020 budget for the Ministry of Works, where the allocation to new projects was less than 10 percent of the capital budget. This appears to be very common.

51. Under-funding of ongoing capital projects is not a significant issue, but there are few formal rules to protect capital projects during implementation and a modernized legal framework for public investment should strengthen formal protection. Virements from capital to current spending require MOF approval, but there is no other formal protection of capital projects during budget implementation. In addition, the status of the 1966 Expenditure Control Regulation is unclear and there is considerable scope for interpretation of its provisions. The new public investment legal framework recommended in this report should clarify the rules for virement from capital to current spending and give explicit funding priority to ongoing projects. Including total project costs in budget documents and explicit reconciliation between the budget and the PSIP, as recommended under institution 6, will enhance transparency and also improve protection of ongoing projects.

9. Maintenance Funding (Institutional Strength — Low; Effectiveness — Medium; Reform Priority — High)

52. There are no general, standardized methodologies for estimation of current maintenance needs. There is no government-wide regulatory framework for maintenance of capital assets and the government has not set any specific policies in this area. None of the ministries apply comprehensive, formalized maintenance systems. However, some line ministries have ad-hoc methodologies for current maintenance estimates, including regular visual inspections. The Ministry of Works is planning to develop a more structured maintenance system for its road assets. Table 7 shows that current maintenance budgets amounted to 0.88 percent of estimated public capital stock on average over the last four budget years.

53. There are no general, standardized methodologies for assessing capital repairs and major improvements. Capital repairs needs are identified through ad-hoc assessment and capital repairs programs may be structured as specific projects, which are included in the PSIP and submitted to external financing sources for funding consideration. These may be classified as construction projects in the budget, rather than as capital repairs. The PSIP includes several major rehabilitation projects which are classified this way. The needs for capital repairs are generally not included in national and sectoral strategies, which tend to be quite general. However, the Transport Master Plan does provide summary information about road conditions and needs for future maintenance. Table 7 shows that capital repairs budgets amounted to 0.07 percent of estimated public capital stock during the last four budget years.

This is very low by international standards and may be partly due to the practice mentioned above of defining capital repairs as construction.

Table 7. Maintenance and Capital Repairs 2016 – 2020
(Million BZ \$)

	Capital stock	Current maintenance	Share	Capital repairs	Share
2016-2017	3,478	21.760	0.63%	1.654	0.05%
2017-2018	3,216	29.485	0.92%	0.820	0.03%
2018-2019	3,277	31.555	0.96%	2.999	0.09%
2019-2020	3,277	33.162	1.01%	3.578	0.11%
Average			0.88%		0.07%

Source: MOF budgets 2016 - 2020

54. Maintenance and capital improvements are separate categories in the budget classification and current maintenance is reported in the budget. Current maintenance is aggregated and presented in summary budget tables according to the economic classification. There is no consolidated budget report on capital repairs. The data can in principle be aggregated from the capital budgets of different ministries and agencies, but this would take significant effort and be very difficult for anyone without expert knowledge of the budget classification. Aggregated data for capital repairs is available internally in the MOF but are not published. In the absence of a register of public non-financial assets, we use the estimated capital stock to assess the adequacy of maintenance spending. Current maintenance is slightly below 1 percent of public capital stock.¹⁵ Box 3 provides an example of recommendations for current maintenance and capital repairs allocations from South Africa.

¹⁵ Recommended allocations for current maintenance in many countries is in the range of 2 – 5 percent of asset values.

Box 3. Maintenance Guidelines for Public Infrastructure in South Africa

Type of infrastructure	Average Annual Maintenance Budget as % of Replacement Cost	Key Assumptions	Replacement or Major Rehabilitation over and above the Annual Maintenance Budget requiring specific capital budget
Bulk water storage	4-8%	Mostly for periodic repair of electrical and mechanical works, storm damage repair, routine maintenance and periodic maintenance	every 30 to 50 years
Water treatment works	4-8%	Mostly for electrical and mechanical equipment	every 20 to 30 years
Water reservoirs	2-3%	Generally low maintenance mostly of telemetry and electrical equipment, storm damage repair, pipe work repair, safety and security, routine maintenance and periodic maintenance	every 20 to 30 years
Water reticulation	4-8%	Mostly for telemetry and pumping equipment, emergency leak repair and ongoing leak repair due to degradation, storm damage repair	every 20 to 30 years
Sewage treatment works	4-8%	Mostly for electrical and mechanical equipment, storm damage and periodic maintenance.	every 20 to 30 years
Sewer reticulation	4-8%	Mostly for pumping equipment, emergency leak repair and ongoing leak repair due to degradation, blockage removal, storm damage repair,	every 20 to 30 years
Roads and storm water	5-10%	Mostly for emergency repair, storm damage repair, and periodic maintenance (resurfacing every 7 to 10 years).	every 20 to 30 years
Electricity reticulation	10-15%	Mostly for emergency repair, storm damage repair, safety and security, routine maintenance and periodic maintenance.	every 20 to 30 years
Public buildings	4-6%	Mostly for emergency repair, storm damage repair, and periodic maintenance (e.g. repainting and cosmetic upgrades every 5 to 10 years).	every 30 to 50 years
Hospitals	5-8%	Mostly for emergency repair, storm damage repair, and periodic maintenance (e.g. repainting every 3 to 5 years, and cosmetic and operational upgrades every 7 to 10 years).	every 20 to 30 years
Schools	4-6%	Mostly for emergency repair, storm damage repair, and periodic maintenance (e.g. repainting every 5 to 7 years,).	every 30 to 50 years
Electricity generation	5-8%	Mostly for electrical and mechanical equipment and dependent on age and technology of works	every 30 to 50 years
Electricity reticulation	10-15%	Mostly for emergency repair, storm damage repair, safety and security, routine maintenance and periodic maintenance (e.g. every 7 to 10 years).	every 20 to 30 years

Source: *Infrastructure Maintenance Budgeting Guideline, South Africa, 2009.*

55. The level of maintenance spending in Belize is quite low, and maintenance planning is based on ad-hoc methods and should be strengthened considerably. In addition, budget documents should report total capital repairs in the same way as current maintenance is reported, and the fiscal strategy should provide an explicit discussion of maintenance needs and priorities compared to available funding. Standardized maintenance systems and methodologies are used in many countries and industries and are readily available. They cover identification of and planning for annual maintenance, as well as major capital repairs. It will, however, take some time to introduce and fully apply such systems across the government. The Ministry of Works is currently working to introduce standardized maintenance methodologies. This can serve as a pilot for introduction of similar systems across government.

10. Project Selection (Institutional Strength — Medium; Effectiveness — Low; Reform Priority — High)

56. MED is responsible for scrutiny of major projects prior to funding decisions, but there is no systematic use of external experts, the assessment is largely qualitative, and it is not documented. The 2016-2019 GSDS provides a set of objectives and targets (necessary conditions) as well as a priority framework. According to the MED, these mechanisms are rarely applied in practice and are not effective. No project has been rejected as a result of this assessment.

57. The GSDS contains criteria for selection and prioritization of projects, but these are quite general, do not include criteria for project preparation quality or implementation preparedness and projects may be selected without being assessed against these criteria. According to this priority framework, project selection should be based on four criteria:

- *Level of Urgency:* The degree to which an action is required in order to avoid near-term, system-critical disruptions or missed opportunities.
- *Level of Impact:* The degree to which an action leads to visible and measurable improvements in quality of life for Belizeans in the medium term.
- *Availability of Resources:* The extent to which resources (either internally or externally generated) have already been or can be easily committed to the action. “Resources” includes financial as well as human resources necessary to implement the policy. Actions linked to existing or easily mobilized resources receive higher priority.
- *Net Systemic Contribution:* The extent to which an action contributes, over time, to the integrated or systemic achievement of the Critical Success Factors.

58. MED maintains a pipeline of projects for budget consideration, but projects may be selected for implementation from outside this pipeline, and the projects have not been subject to rigorous appraisal. The PSIP database includes projects under implementation, projects under development (project pipeline) and project concepts. The projects in the pipeline have in principle been subject to assessment in accordance with GSDS criteria, but as mentioned above this assessment is quite limited and does not constitute a systematic appraisal. In addition, it is rarely applied in practice. Table 8 gives an example from the 2019-2020 capital budget for the Ministry of Works. There were only five new projects added to the budget this year, constituting about 8 percent of total capital spending, and three of the five projects had not been identified in the PSIP pipeline.

Table 8. New Capital Projects in 2019 – 2020 Budget for Ministry of Works (BZ \$)

	Estimate 2019-2020	From PSIP pipeline?	Total capital	Share new
Capital II	1,127,000		13,162,000	8.56%
1773 Rehabilitation Western Highway	500,000	No		
1936 Haulover bridge	350,000	No		
1962 Climate Vulnerability Reduction	277,000	Yes		
Capital III	3,100,000		39,550,000	7.84%
1571 Corozal - Sarteneja Upgrading	100,000	No		
1962 Climate Vulnerability Reduction	3,000,000	Yes		

Source: MOF budget estimates 2019-2020, PSIP 2018-2019

59. On paper, there are some mechanisms in place to guide project selection, but guidelines are rarely applied in practice and the selection process requires significant strengthening. Project selection criteria should be more comprehensive and provide a stringent framework for prioritization decisions. Selection criteria should cover the quality of project appraisal documents and the project's readiness for implementation, as well as the strategic considerations in the current framework. Selection criteria should cover all major projects, regardless of funding source. There should be a pre-selection mechanism to include projects in the PSIP pipeline, as well as a final selection of projects for implementation. The selection mechanisms should be clearly defined in updated public investment legislation, regulations and manuals. Appendix 3 also provide some recommendation for the revamping the whole PIM processes, including a stronger focus on selection.

C. Delivering Productive and Durable Public Assets

60. The implementation of public investment projects needs to deliver productive and durable public assets. Economically profitable and timely implementation of public investment projects requires comprehensive financing, effective management, and a thorough and transparent monitoring and evaluation mechanism. This PIMA evaluation pillar seeks to determine whether the authorities (i) have an effective procurement and procurement monitoring mechanism; (ii) make financing for capital expenditure available on time; (iii) appropriately manage and monitor implementation of the whole of the investment portfolio; (iv) manage and oversee public investment projects during; (v) and guarantee monitoring of public assets by recording them and their value accurately in financial statements.

61. Despite some existing good practices, the implementation phase has several weaknesses which impact the GoB 's ownership and control over the projects. The absence of payment delays, a good use of the treasury single account (TSA) and the existence of a monitored PSIP are the strongest elements of the implementation cycle but most of the other institutions and dimensions in this pillar receive a low score. The institutional framework for procurement is weak and the effectiveness of this

institution mainly relies on the rules of the Development Partners (DPs) for the externally-financed projects. Cash management is poor and relies on expensive liquidity facilities with the CBB. Ministries and public entities have limited capacity and guidelines to manage and implement projects, and to perform ex-post reviews. External ex-post audits of public investment projects are not routinely undertaken. Lastly, the absence of audited government financial statements since 2012, and the lack of public asset records, undermines the capacity of authorities to assess the quality and performance of public investment.

11. Procurement (Strength—Low; Effectiveness—Low; Priority of reforms – High)

62. Many major projects, especially those externally-financed, are tendered in a competitive manner,¹⁶ but a significant number of projects still use direct award, and the information provided to the public remains limited. The regulatory framework for procurement¹⁷ incorporates competitive procedures but is incomplete¹⁸ and provides limited information on the type of information and timetable for publishing procurement information.¹⁹ Despite some progress, ministries and public entities are more likely to publish bidding opportunities and contract awards if they are implementing projects funded by DPs, as this is a requirement of DPs. For externally-financed projects, the DP's procurement procedures are followed. For domestically-financed projects, the ministries and public entities²⁰ use their own tendering rules. SNGs use the central government's procurement regulations. Direct award still represents 33 percent in number and 47 percent in value in 2018. Table 9 presents information on contracts issued during fiscal year 2018 by tender procedure. The procurement system is decentralized, each ministry and public entity has procurement responsibility for its projects. A CARICOM Procurement Protocol and related Draft Procurement Act, as well as a relevant Public Procurement Procedure Handbook, are expected to be adopted in 2020.²¹

63. There is no comprehensive database with information on what has been procured, the value of procurement, and who has been awarded the contracts. The Procurement Unit (PU) of the MOF has developed a database (Excel) to register tenders for the central government, but the information is incomplete and not published. There are no reports produced from the database to

¹⁶ Any procurement or sale contract of or above five million BZ \$ shall be subject to the open tendering procedure and reviewed by both Houses of the National Assembly. Selective (at least three suppliers) and limited/direct tendering procedures also exist, in principle in exceptional circumstances (restricted tenders, sole sourcing or emergency).

¹⁷ The main existing procurement-related legislation in Belize consists of Finance and Audit Reform Act (FARA) 2005, amended in 2011; the Financial Orders (FO) and Stores Orders (SO), which constitute subsidiary legislation under the amended FARA, and the Contractor-General Act 1993.

¹⁸ For example, there is no document to describe procurement actions (description of goods, works, services and consultant services; the proposed methods of procurement; and the time schedule for key procurement activities).

¹⁹ The FOs only request the publication of biddings in the Gazette and two local newspapers.

²⁰ According to the law that established them. Public entities include the public corporations (PCs) and statutory bodies (SBs).

²¹ Belize Infrastructures Limited (BIL) and pilot ministries, including the MOF and the Ministry of Works have started to use the CARICOM website for some bidding procedures.

provide an overall of the procurement situation and thus no follow-up actions to improve procurement. The MOF plans to develop a more comprehensive and reliable automated database to manage and control the procurement process and, produce and publish reports.

Table 9. Belize – Number and Value (BZ \$) of Contracts for Central Government by Tender Procedure (fiscal year 2018)

Type of expenditure	Open tender procedure		Selective tender procedure		Limited tender procedure		Total		%	%
	Number	Value (million)	Number	Value (million)	Number	Value (million)	Number	Value (million)	Number	Value
Goods	84	40,443	2	210	7	1,016	93	41,669	58%	41%
Services	7	1,051	0	0	27	7,665	34	8,716	21%	9%
Works	12	10,652	2	352	12	28,527	26	39,531	16%	39%
Consultancy	1	910	0	0	6	10,298	7	11,208	4%	11%
Total	104	53,056	4	562	52	47,506	160	101,124	100%	100%
%	65%	52%	3%	1%	33%	47%	100%	100%		

Source: MOF Procurement Unit Database

64. A procedure for the submission and resolution of procurement complaints exists but does not follow processes that are clearly defined and publicly available, and procurement control is weak. The Contractor General (CG) is an independent body²² that is legally in charge of reviewing procurement complaints. In practice, no complaint has been formally submitted in the last two years and, in any case, the CG²³ does not have the capacity to investigate them. His decisions have been rarely enforced in the past, and data on resolution of procurement complaints are not generally published. The institutional framework for the control, monitoring and auditing of procurement is not fully operational²⁴ and only a few rejections have been made by the CG.²⁵

65. The institutional framework for procurement remains weak and its effectiveness mainly relies on the rules of development partners for externally-financed projects. The adoption of a new legal and regulatory framework, consistent with international standards; the development of a comprehensive and accurate procurement database providing information on every procurement phase for major tenders; and the clarification and strengthening of the respective roles, coordination

²² The CG directly reports to the Parliament.

²³ In the last two years, in absence of an appointed CG, his role was performed by the Solicitor General from the Attorney General Office. A new CG has just appointed in January 2020.

²⁴ BIL assists the ministries in all phases of project implementation (from procurement to monitoring and implementation) but covers only 7 percent of government projects selected by the MOF.

²⁵ Any contract must be reviewed by the Contractor-General (CG), after review and comments from the Procurement Unit of the MOF (PU), for endorsement before the contract is executed. The PU mentioned only two rejects during the last two years. The PU is currently composed of one employee, and the CG Office has not been operational in the last two years.

procedures and capacities of the CG, BIL and the Procurement Unit (PU) of the MOF would ensure a better control and monitoring of public procurement. Tenders should be more transparent and provide clear information on bidding procedures and how the interested parties could process a complaint and how it should be solved. Using the CARICOM website could be an option for implementing these changes (see Box 4).²⁶ In the longer term, e-procurement capabilities and a Framework Agreement, especially for emergency response purchasing cases (i.e. climate change resilience), could be developed.

Box 4. Belize Procurement Notice Board

CARICOM developed a website - blz-cppnb.caricom.org – for member countries, including Belize) to publicize their procurement information. The portal was created to facilitate the centralized publication of procurement opportunities in the tendering process for buyers and suppliers. It offers a secure, interactive, dynamic environment for procurement of any nature, complexity or value, enforcing (where appropriate) and encouraging recognized best practices.

As a National Advertising Portal, it should support the process of procuring works, services and supplies electronically. Public procurement procedures are supported through several dedicated sub-modules providing facilities for user registration, competition review, approval and publication on a national and community level. Both one-off and repetitive purchases are supported.

The portal provides public information on several aspects of the procurement process. Information available on the portal includes a list of approved suppliers; list of Public Entities; national contact point; annual procurement plan; current competition; user guides; electronic public procurement; procurement legislation; statistics; procurement calendar.

Source: CARICOM Website

12. Availability of Funding (Strength- Medium; Effectiveness—Medium; Priority of reforms - High)

66. Cash management remains weak and ministries and public entities are not provided with commitment ceilings in a timely manner. Even though revenue management follows a clear and structured process, overall cash flow forecasting and management remains weak. There is no adherence to a formal forecasting calendar, and no evidence of active cash management: (1) no cash flow plans or commitment plans are provided by the Ministries and public entities;²⁷ (2) no consolidated forecasts are submitted (or reviewed, or periodically updated) and hence are not used in determining quarterly spending authorizations; and (3) there is limited coordination with the international and domestic

²⁶ IDB and WB have provided TA on the new procurement legal and regulatory framework.

²⁷ Some procurement plans are prepared for externally-financed projects.

borrowing program. A Cash Management Unit has just been created in the Treasury Department (TD)²⁸ but is not yet fully operational.

67. The financing of project outlays is not subject to cash rationing or delays, despite weakness in cash management practices and reliance on unorthodox practices. Budget releases are made monthly for recurrent and goods and services expenditures, but releases for the domestic PSIP expenditures are only made on request or when commitment or invoices are received for payment.²⁹ Daily cash balances of revenue accounts are obtained every morning and amounts set aside for essential payments like salaries, pensions, transfers and subventions, and debt servicing. The balance is used by the TD to make payments in principle in two/three days based on outstanding invoices and urgent requirements. There is no evidence of unforeseen budget cuts imposed on line ministries, arrears or delays in the availability of funds (including for the Government's counterpart funding related to externally-financed/major projects). The efficacy of this system mostly relies however on expensive liquidity facilities with the CBB, including overdraft and securities rolled over at the end of the year and ad-hoc issuance of treasury bills.³⁰ The commitments are not based on a forecast of cash resources available; and commitments, certifications of goods and services, payment orders and invoices are not always registered in a timely manner in the financial management information system SmartStream (SS) by the ministries and public entities, to enable more efficient cash management, public investment project management and internal control.³¹ The banking reconciliation process is not efficient.³²

68. While most external financing is processed through a TSA, some government accounts are held in commercial accounts on which information is not available. The Treasury maintains one main account (Consolidated Revenue Fund) and two sub-accounts at the CBB: the revenue account which consolidates revenues collected daily from transit accounts in commercial banks; and the disbursement account from which payments are cleared through SS.³³ Most of the accounts for externally-financed projects are held in special accounts at the CBB and the TD receives information on

²⁸ Also called Accountant General Department (TD).

²⁹ This could be one of the reasons why the commitment module of SmartStream is not fully used by the ministries and public entities, as appropriations for the PSIP are not released at the beginning of the year or quarterly.

³⁰ The amount of authorized overdraft at the CBB for the year is 8.5 percent of the total domestic revenues of the previous year (Art 34 of the BCC Act 2011). The balance is rolled over to the following year although the Central Bank of Belize (CBB) Act requests the balance to be cleared three months after the end of the year. The current amount of overdraft used is around 40 million BZ \$ out of an authorized overdraft of 97 million BZ \$. In addition, the MOF may request additional securities to be issued by the CBB in case of emergency and payment of unforeseen disbursements. The average interest rate is around 9.5 percent.

³¹ The Auditor General indicated that ministries and public entities often register at the last moment the commitment, purchase order and invoice together in the financial management information system SmartStream (SS) to reserve the funds.

³² The reports of the Auditor General Office (AGO) constantly highlight the issue.

³³ The mission did not receive from the authorities the requested list of Government bank accounts registered at the CCB and MOF.

transactions from the special accounts for accounting purposes. However, some of the ministries and public entities hold an unknown number of accounts in commercial banks that are not under TD control, into which they deposit their own revenues as well as grants from development partners and transfers from the Government. TD and CBB do not maintain a list of all government accounts opened in commercial banks, even though these accounts are in principle authorized by the MOF, and do not receive any information on the balances on these accounts that are possibly used for investment or another purpose than initially approved.³⁴

69. Reforms are needed to improve cash management and extend the coverage of the TSA system, to better manage and control transactions related to capital projects. The TD should prepare an annual cash flow plan to be annexed to the 2020/2021 budget, presenting how the central government budget is expected to be financed and executed during the fiscal year. The main ministries and public entities should then be requested to prepare annual cash flow plans and procurement plans starting with the implementation of the 2020/21 budget. The list of government accounts should be comprehensive and updated, and the CBB and the MOF should receive information on the balances of all these accounts. This should greatly assist in the process of managing and controlling commitments and effectiveness of the spending; to capture as much transaction data as possible through the accounting system; and to minimize the costs related to cash management. Regulation and guidelines still need to be developed, and capacities strengthened, for cash management and commitment control and the use of SS modules, both at ministries and public entities' levels.

13. Portfolio Management and Oversight (Strength—Medium; Effectiveness—Low; Priority of reforms - Medium)

70. The monitoring of central government capital projects is effective even though the comprehensiveness, timeliness, and quality of the information could be improved. Ministries and public entities are requested by the MED to report quarterly on the financial and physical implementation of the domestic and foreign-financed capital projects during project implementation. The information is consolidated in the PSIP which provides a detailed and coherent overview on the progress made in implementing the central government's major capital projects at various stages of maturity (under implementation, under development and project concepts).³⁵ However, the PSIP does not cover the projects implemented by public entities using their own resources (domestically or externally financed). Analysis and reports on the performance and risks related to project implementation are not systematic and provided on time.

³⁴ TD and CBB do not also receive information on the balances on the accounts hold by the local authorities in commercial banks.

³⁵ The PSIP also covers the projects financed by the Government (internally or externally) but implemented by public entities or LGs.

71. In-year reallocation of funds between capital projects under a specific ministry or public entity, are possible for domestically-financed projects but are prohibited for externally-financed projects. The Ministries and public entities must submit their requests for reallocation to the MOF for approval.³⁶ But they are not always using standardized and transparent procedures, But major projects are financed by DPs from which reallocations are not permitted. and the MOF has limited capacity to review and control reallocations made by public entities for domestically-financed projects.

72. Ex-post reviews focusing on project costs, deliverables and outputs and outcomes are required and conducted under DPs' rules, but there are no national and harmonized guidelines on this matter. In practice, DPs perform ex-post reviews of the major projects they finance, using their own methodologies. Ministries and public entities have limited capacity and guidelines to undertake ex-post reviews on their own after the completion of capital projects. There are no regular ex-post reviews which focus on the overall project costs, deliverables or outputs of domestically-financed projects or an evaluation of the expected social or economic outcomes that were originally used to justify a project. Box 5 presents Chile's experience regarding ex-post reviews.

Box 5. Chile: Ex-Post Reviews

The ex-post evaluation procedures of Chile's National Investment System (SNI) comprises two stages: evaluation of implementation and in-depth ex-post evaluation on the outcomes.

First stage:

A representative sample of investment initiatives (including pre-investment studies, projects, and investment programs) completed during the past two years are analyzed. The sample consists of 8–10% of all projects. Compliance with or divergence of project implementation from the ex-ante project specifications is analyzed concerning: total cost, outputs, and procedures and schedules. The evaluation covers the role of all stakeholders, owners and sponsors of investment projects, the Ministry of Social Development (MDS), related agencies at sub-national levels, and sectoral ministries. The evaluation is then sent to the National Congress.

Second stage:

In-depth ex-post evaluations of specific projects are undertaken after the project has been operating for at least five years. It determines whether the anticipated benefits have been realized, and if not, an investigation of how and why the projections failed is undertaken. In these cases, all internal and external aspects are analyzed relating to the operations of the project. These ex-post evaluations were initially applied to projects financed by the Regional Development Fund (FNDR) and executed by sub-national governments and have gradually expanded to projects financed by sectoral ministries. These reports are published on the MDS website: <http://sni.ministeriodesarrollosocial.gob.cl/>.

Role of the Ministry of Finance:

Ministry of Finance oversees developing the framework for evaluating and monitoring public investment. MDS, the successor of the Ministry of Planning, is responsible for conducting the evaluations of public investment. External experts as well as staff are used for conducting the evaluations.

Source: Ministry of Social Development, Chile; IMF staff.

³⁶ Chapter IV of *the control of public expenditure* 1966.

73. Portfolio management and oversight of public investment projects need to be strengthened. The PSIP should be progressively extended to cover all projects implemented by ministries and public entities. Oversight of these entities through the analysis of standardized documentation, and reports on the performance and risks related to project implementation, should be regularly and timely produced. The PSIP Monitoring Information System (MIS) that should become operational in June 2020, should help the MED to improve central monitoring of projects. Guidelines and internal capacity to undertake ex-post reviews should be developed. This would provide an important opportunity to hold project managers accountable for achieving planned outcomes and to learn from experiences that could inform future investment decisions.

14. Management of Project Implementation (Strength—Low; Effectiveness—Low; Priority of reforms - Medium)

74. The quality of project management varies considerably both within and across ministries. Projects financed externally follow development partner rules and procedures and most require the establishment of a project implementation unit (PIU). Ministries and public entities employ in-house and/or outsourced technical staff for monitoring and managing projects, but capacity remains limited in most entities.³⁷ In principle, implementation plans are developed but their quality varies. Details submitted with the original project prior to budget approval are sometimes not respected because of complex and numerous DP procedures, lack of funding and project delays. Important indicators such as the quality and consistency with implementation plans of public investment projects are not systematically monitored.

75. There are no standardized rules, procedures or guidelines for management of project implementation and adjustments. DP rules are used for externally-financed projects. Additionally, there is no formal requirement for, or practice of, reappraising projects following proposed adjustments to determine whether their business cases continues to be valid in terms of expected outcomes. This implies projects that generate a negative return could potentially continue to be executed.

76. External ex-post audits of capital projects are not routinely undertaken. Government financial statements have not been produced since 2014, preventing the Auditor General Office (AGO) to perform financial audits on the execution of the public investment projects.³⁸ The AGO has limited capacity to perform performance and on-site audits of capital projects.³⁹ The AGO's reports are

³⁷ While the Ministry of Works has developed significant capacity in their PIU with the assistance of DPs (Steering Committee, coordinator, PIU with competent staff for individual projects financed by specific DPs such as IDB, the Caribbean Development Bank, and DFID), other ministries like the Ministry of Agriculture, Education and Health have difficulties to find relevant project managers for implementing their projects.

³⁸ The last audited Government financial statement was for the fiscal year 2011/2012. 2012/2013 and 2013/2014 financial statements are being audited by the Parliament. The draft for 2014/2015 has been prepared.

³⁹ Recently, however, AGO's reports highlight cases of poor project management and monitoring resulting in misuse of funds, poor quality of outcomes, and weak efficiency of public investment.

submitted to Parliament, but have not been routinely scrutinized, leading to limited action from the Legislature to address the main weaknesses of the public investment management process. The internal audit function and framework is not yet in place in the GoB.

77. Monitoring and ex-post audits of project implementation mainly relies on the DPs' rules and requirements. The lack of internal capacity to manage public investment project implementation remains an issue. The Government should develop harmonized project monitoring procedures and guidelines for ex-post evaluations; strengthen managerial capacities; and make the project manager position more attractive in order to recruit relevant local or international expertise, ensure accountability and improve quality of public investment delivery and outcomes.⁴⁰ The internal audit function should be progressively introduced in the MOF and main ministries and public entities involved in public investment.

15. Monitoring of Public Assets (Strength—Low; Effectiveness—Low; Priority of reforms - Medium)

78. The scope and procedures for the management of non-financial assets are not clearly defined and detailed in the legal and regulatory framework, and an up-to-date and comprehensive registry of fixed assets is not available for the entire Government. Financial Orders (FOs) and Stores Orders (SOs) prescribe the management of non-financial assets by ministries and public entities, requiring them to maintain a register of assets; document all purchases, sales and movements in assets, but there are no clear and standardized provisions and policies on asset recognition thresholds, asset classification, depreciation method, valuation methods, standard useful economic lives for common government assets, data to be maintained for each asset, and timeline for updating the register. In general, only asset registers for moveable assets are maintained manually in excel sheets by most of the ministries and public entities and are not consolidated by the MOF.⁴¹ A module for asset management exists in SS but is not used.

79. The value of fixed assets is not included in the Government's financial statements. In practice, among the sector ministries interviewed by the mission, asset records are neither complete nor regularly updated, and they do not consistently include asset values, and so the information is not available for inclusion in the financial statements. In addition, the absence of audited government financial statements since 2012 undermines the capacity of the Government and Parliament to assess the quality and performance of public investment and asset management.

⁴⁰ DPs mentioned compensation issues and priority accorded to local expertise as factors that make it difficult to attract experienced and skilled project managers.

⁴¹ Some good examples can be found, however: ministries such as the Ministry of Works do record public assets and perform regular updates; the city of Belmopan registers and values its non-financial public assets and includes them in its financial statements which are then audited by an independent private auditor.

80. Accounting rules on the depreciation of nonfinancial public assets have not yet been implemented. Cash-basis International Public Sector Accounting Standards (IPSAS) that are applied in Belize include the requirement to restructure the chart of accounts (COA) to capture the accumulated depreciation or revaluation of public assets (see Box 6). However, this requirement is not implemented in the GoB.

81. The absence of comprehensive information on the Government's assets prevents the development of an optimal maintenance program or assessment of annual changes in public wealth as a result of investment expenditure. The TD should prepare a provisional government financial statement for fiscal year 2019/20 to assess the implementation of public investment, then progressively produce financial statements for previous years to reestablish entry balances. Box 6 summarizes the requirements of cash-basis IPSAS in preparing financial statements. The adoption of a Government Asset Management Policy (GAMP), and the existence of a centralized inventory of fixed assets within the MOF using the related SS module, would provide a significant "head-start" for any future efforts to begin to record assets, develop a government balance sheet, and make provision for the depreciation of assets. As mentioned in institution 6, the chart of account (COA) needs to be reviewed to better track public investment spending.

Box 6. Main Requirement of Cash-Basis IPSAS for the preparation of Financial Statements

Cash-basis IPSAS financial statements should include the following documents (Paragraph 1.3.4, 2.2.1):

- Statement of cash receipts and payments recognizing all cash receipts, cash payments and cash balances controlled by the entity or cash flow statement that reconciles the opening and closing cash and cash equivalents;
- Comparison of the amounts in the publicly available budget and actual amounts (budget execution statement)
- Accounting policies and explanatory notes.

IPSAS generally requires accounting on a gross basis, i.e. showing both receipts and payments; not just net amount. Accounting on a net basis is allowed for: administered and agency transactions, and items in which the turnover is quick, the amounts are large, and the maturities are short.

IPSAS also requires that: All government-controlled bank accounts be included in the financial statements; the chart of accounts (COA) be restructured, if needed, to capture the accumulated depreciation or revaluation of public assets; and the Government's consolidated financial statement includes all controlled extrabudgetary agencies consolidated on a line-by-line basis.

The Government is encouraged to issue consolidated financial statements which consolidate all controlled entities, e.g.: agencies controlled by the Government and public corporations. This implies (Paragraph 2.1.50-2.1.52):

Eliminate cash balances and cash transactions between entities in full.

- Adjust for the effects of significant cash transactions that have occurred between: the reporting date of the controlling entity's financial statements and the reporting date of those financial statements used in a consolidation that are drawn up to different reporting dates.
- Uniform accounting policies for like cash transactions.
- Listing of significant controlled entities or the reasons for not consolidating a controlled entity.

Examples of eliminations of cash flows between government and public corporations: taxes, grants, dividends, borrowings raised and repaid, interest on loans, sales of goods and services.

For the recording of public fixed assets, both cash and accrual-basis need to be used:

- The Government's general ledger will record the stock of assets on a cumulative, depreciating basis for the purpose of showing the value of those fixed assets in the Government's Balance Sheet
- But for reporting acquisition of assets against the cash-based budget, the system needs to also report the purchase of assets on a cash (i.e. non-cumulative) basis.

Source: IPSAS 2017

D. Cross-Cutting Issues

82. This segment of the assessment examines cross-cutting issues in PIM. A good PIM system requires the implementation of vigorous, operative mechanisms applicable to all stages and institutions involved in the management cycle. The factors assessed involve information technology, legal and regulatory frameworks, and capacity development.

83. Currently, the different elements of the cross-cutting issues are not able to support a modern, efficient and organized PIM process. There is currently no automated PIM system in use, but the PSIP is testing a new MIS that is designed to serve as a project management tool and facilitates the consolidation of information on projects in the PSIP. The legal framework supporting the PIM program is outdated and inadequate and contains several legislations, regulations, and guidelines dating back to the 1960s. There are drafted PFM and PIM bills and regulations, however, that contain useful features to improve the governance and accountability of the PIM program. The capacities of the teams responsible for PIM are limited and can be undermined by staff turnover. Both MOF and MED experience a shortage of expertise in certain areas, including risk analysis, monitoring and evaluations, and PPPs.

IT Systems and Data Management

84. The integrated financial management information system SmartStream (SS) is the backbone of the financial, accounting and reporting process (Table 10). Smart Stream is used for key back-office operations such as general ledger, human resources and the procurement of good and services. However, the project management and fixed assets modules offered by SmartStream are not in use. The Treasury and Budget Departments are the main users of SS for processing financial transactions including accounts payable and payroll, but some requests are processed without using the funds control module, which is designed to restrict unbudgeted payments. The Treasury also uses SS as the main source of information for preparing annual financial reports, which were last presented to Parliament for the 2014 fiscal year. Line ministries use SS to prepare purchase orders and request payments for vendors and the approved budget is uploaded into SS for in-year budget execution purposes.

Table 10. SmartStream Modules Currently Being Used

SmartStream Modules Used by GoB			
Financials	Human Resources	Procurement	Access for SmartStream
Ledger	Payroll	Payables	E-Portal
Payables	Personnel	Purchasing	Procurement – PO Approvals
Funds Control			E-Invoice Approval

Source: MOF, Central IT Office.

85. Corporate Performance Management (CPM 10) software is used for budget data management but could also be used for strategic planning and forecasting. CPM 10 is used by all government ministries and agencies to prepare the annual budget, which is then interfaced with SS for in-year budget execution. CPM 10 is not currently used to create and implement methodologies and processes that would allow for tracking of performance indicators reflecting the government's public investment objectives. The system could also be used to align the financial and operational plans of line ministries with the public investment objectives and perform financial and predictive analysis.

86. There is currently no automated system for PIM. The PSIP is comprised of all investment or development projects being implemented by the Central Government. As part of its mandate for national development coordination, the MED monitors and reports on the financial and physical progress of ongoing PSIP projects, but these actions are currently conducted through an Excel document, which is not integrated with SS. The MED periodically collects information from line ministries to update the Excel document, however, it appears cumbersome to produce periodic reports and the Excel document does not support further analysis.

87. The MED is testing a new management information system (MIS) that is designed to serve as a project management tool and facilitate the consolidation of information on projects in the PSIP. The PSIP-MIS is being piloted in six government ministries, namely, Agriculture, Economic Development, Education, Finance, Health, and Works. It is expected to be rolled out across the Public Service once all customization is completed, after the pilot phase ends in July 2020. Staff in MED and other line ministries will need to be trained to optimize the use of this new management tool. Since the pilot program is in progress, a final assessment of expected long-term benefits and improved efficiency has not yet been performed.

88. There is a need to develop an IT Master Plan that meets the need of the revamped PIM process, including the requirements from the draft PFM, PIM, procurement and other relevant legislation. The IT Master Plan should establish a fresh and modern vision for the future through the engagement of key industry leaders, benchmarking and the involvement of key staff in planning and delivering government services. The plan should also address the changing demands of consumer-driven technology, rapid changes in technology and highly engaged and mobile citizens and staff who require easy access to information and services anywhere. The plan could have the following areas of focus:

- *Foster open and direct access to government services, information on public investment and procurement, financial and nonfinancial reports and analysis in a manner that is convenient and efficient.*
- *Enable improved decision-making through research and analysis, by building broader awareness of IT tools and capabilities for analytics and establish dashboards that display key performance indicators*

and trends, including through the connectivity of SmartStream financials, CPM10 current and capital budget data and the PSIP MIS project management and capital procurement information.

- *Foster adoption of fast and agile technology* that permits regular software upgrades and updates to the latest versions and provides for the requisite capacity development of the IT staff and other users.
- *Create a more connected and engaged workplace environment for all staff*, with seamless and secure connections between all GoB IT systems; anywhere, anytime, on any device, whether they are in the office, in the field or halfway around the world, to support better delivery of public services and more efficient government operations.

Legal Framework

89. The legal framework that supports PIM program in Belize is outdated and incomplete. The current legal framework is supported by several laws, regulations and guidelines dating back to the 1960, as outlined in Table 11. The legal framework therefore needs to be updated, including by finalizing and enacting the draft PFM, PIM and Procurement Bills and related regulations, to create a more coordinated approach to PIM.

Table 11. The Legal Framework for Public Investment Management in Belize

Current Legal Framework for PIM in Belize	
The Belize Constitution	Control of Public Expenditure Handbook 1966
Finance and Audit (FAA Reform) Act 2010	Fiscal Transparency and Responsibility Regulations 2010
Financial Orders 1965	Annual Budget Appropriation Act
Stores Orders 1962	Other guidelines provided by the Auditor General.

Source: MOF

90. Effective implementation of the reforms proposed in the draft legislations would improve the public investment management process and enhance transparency. Over the past decade, several pieces of draft legislation have been prepared, sometimes with the support of DPs, such as a new draft legal framework for public procurement and public investment management. However, most are still pending and have not yet been submitted to Parliament for adoption. There are also some features of the draft PIM legislation that require further consideration and possible amendment, described in Box 7 below.

Box 7. Suggested Amendments to the PIM draft Legislation

- The proposed framework does not distinguish clearly between the PSIP process and the budget process.
- Given that the PSIP should be separate from the budget, some functions assigned to the MoF in the current draft should rather be assigned to the MED.
- The draft indicates that the Statistics Institute should play an important role in developing project appraisal methodology and in monitoring project implementation, but the Institute doesn't seem to play a big role in PIM at the moment nor to have the capacities for that.
- The draft also suggests that the Statistics Institute should participate in the PSIP gatekeeping function and be involved in resource allocation. This is not a natural role for a statistical institute.
- The draft also proposes involvement by the Central Bank that may undermine its independent position.
- The draft legislation contains some provisions regarding fines for violations of the legislation that doesn't seem to fit on a PIM legal piece that aims at revamping a process.
- The draft legislation does not assign monitoring and evaluation functions to the MoF and MED which is needed to enable them to perform effective oversight of public corporations' investment programs.

Source: Draft PIM legislation, PIMA mission

91. The draft PFM and PIM bills and regulations contain several useful features that should improve the governance and accountability of the existing PIM process. The PFM bill was drafted in harmony with the provisions of the Constitution. The bill also provides for enhancement to the procurement provisions contained in the FARA; the replacement of existing orders with new financial regulations, a requirement for new guidelines and procedure manuals; a requirement that plans for the approval of new PPP contracts are disclosed in the annual budget documents and the requirement that information on major public investments should be included in the budget document for the forthcoming budget year and two additional years. The PIM bill provides guidance on the main elements of a transparent modern public investment system and places significant emphasis on proper preparation and appraisal of public investment projects. It also introduces the use of the systematic cost/benefit analysis and formalizes and regulates the maintenance of a public sector investment program (PSIP). It also establishes a gate-keeping function to govern the inclusion of projects in the PSIP and provides guidance on the criteria for project selection for the PSIP.

92. There should be a comprehensive review of the draft PFM, PIM, Procurement and other legislation and regulations with careful attention paid to strengthening the public investment management framework and enact suggested amendments. The GoB needs to undertake this review and ensure that the proposed legislation is consistent and consistent with other laws including

the Constitution and the current strategic policies regarding governance and accountability in the public investment management process. The review should carefully consider the amendments suggested in this report, such as assigning monitoring and evaluation roles to the MOF and MED, clearly defining the PSIP process; and reexamine and redefine the roles of the Central Bank and the Statistic Institute in public investment management.

Staff Capacity

93. Efforts to control the wage bill may have impacted the size of the PIM units, creating a capacity gap for which there is no capacity development strategy. There are six staff members in the PIM unit of the MED, and it has been a challenge to retain this group, according to MED management. There is some analytical capacity within the MOF and the MED, but it is not enough to provide full-cycle project management and reporting for the PSIP program. Partly due to the capacity constraints, projects are not properly appraised and selected using financial analytics. Projects implemented by PCs, are not monitored and evaluated by the MOF or the MED. There is no capacity to negotiate, implement and manage PPPs.

94. Some of the capacity gaps identified are being met through use of external consultants and experts, as is currently the case for most externally financed projects. These external consultants and experts do in many cases set high standards for assessment, selection, planning, and project preparation, but the transfer of knowledge and expertise to local counterparts is not taking place, therefore very little is being done to increase local capacity.

95. A review of the current human resource program should be conducted to identify medium-term capacity gaps and needs, and a strategic development action plan designed and implemented. The strategy should be based on an assessment of the mix of skills required to implement the PIM program, including improvement in the quality of major project proposals at the preparation stage, a full-cycle project management function, which could include appraisals, selection, financial management, and monitoring and evaluation process. Based on these findings and the prospective skills required, a sustainable capacity building strategy could be developed that would focus on the current critical PIM functions and other future needs, such as building the capacity to manage PPPs. The strategy could include a program to engage external experts to assist in some of the PIM functions, and one of their main deliverables should be to assist with executing a strategic mentoring and apprenticeship program for local staff development.

Appendix I. Fiscal Risk Statement

A fiscal risk is defined as the possibility of deviations of fiscal outcomes from what was expected at the time of the budget or other forecast. The purpose of a fiscal risk statement (FRS) is to provide a comprehensive overview of all relevant and significant fiscal risks, analyze these risks and outline measures to contain and mitigate these risks. It also aims at disclosing this information to the public. The risks that are highlighted in an FRS will depend on the specifics of the country, but may relate to some of the following:

- Macroeconomic assumptions and developments
- Government revenues
- Government spending
- Government debt and guarantees
- Public-private partnerships
- Local governments
- State-owned enterprises
- Financial sector crises
- Natural disasters and climate events
- Other fiscal risks

To enhance the readability of the FRS, it is important that the different fiscal risks are presented in a consistent manner. Table A1.1 suggests a general format for presentation.

Table A1.1: Format for presentation of fiscal risks by type in FRS

Overview of the issue or sector
- Features
- Risks
Data for last three years (or more)
- Data describing the issue or sector
- Budget data
Projections for MTB period (or longer)
- Budget provisions related to the issue or sector
Quantification of risks
- Definition of scenarios for optimistic and pessimistic outturns
- Estimates of budgetary impacts of such outturns
- What-if analysis and simulation of shocks to better understand risk characteristics
- Risk reflected by difference between optimistic and pessimistic scenarios
Risk mitigation
- Existing measures to mitigate risks
- Possible additional mitigation measures

An FRS will need to develop over time, based on experience and building on previous years analysis, expectations and outturns. Table A1.2 outlines a possible development path for a FRS.

Table A1.2: Possible Development Path for FRS

Risk category	Initial FRS	Intermediate FRS	Advance FRS
Summary of fiscal risks	Short summary of risks with indication of relative importance	Indication of probability and fiscal impact of key risks	Consolidated risk analysis with fiscal stress test and risk mitigation measures
Macroeconomic shocks	Disclose deviations between previous projections and outturns	Present scenarios for pessimistic, and optimistic assumptions	Conduct stress tests and provide strategies for risk mitigation
Revenue overestimation	Disclose outturns compared to estimates for last three years	Present scenarios for pessimistic and optimistic assumptions	Conduct stress tests and provide strategies for risk mitigation
Unplanned expenditure	Disclose outturns compared to estimates and identify drivers	Present scenarios for pessimistic and optimistic assumptions	Conduct stress tests and provide strategies for risk mitigation
State guarantees are called	Disclose outstanding guarantees and calls on these in previous years	Assess expected and maximum costs related to state guarantees	Charge guarantee fees and establish guarantee loss fund
Public debt exposure	Identify key risks to debt portfolio	Prepare scenarios for key debt exposure risks	Conduct stress tests and provide strategies for risk mitigation
State-owned enterprise insolvency	Use current data to identify high-risk SOEs and sectors	Use additional data on liabilities and trends to quantify risks	Provide indicative scenario analysis and stress-test key SOEs
Financial sector insolvency	Describe past banking crises and their fiscal impacts	Discuss measures to avoid similar crises in the future	Provide scenarios for financial sector with relevant stress-tests

Public-private partnership payments	Consolidated presentation of current PPPs and payments	Scenarios for PPP payments under different assumptions	Measures to contain and reduce PPP risks
Increased transfers to local governments	Describe recent problems related to local government transfers	Identify risks and potential triggers for additional budget transfers	Describe measure to contain and reduce these risks
Fiscal impacts of natural disasters	Disclose natural disaster costs in previous years	Provide estimates for annual average costs and maximum possible loss	Describe specific measures to mitigate natural disaster risks
Other fiscal risks	Overview of relevant risks	Quantify possible fiscal impacts	Discuss mitigation measures

An FRS should provide a summary statement of key fiscal risks, with indications of the possible impact and likelihood of each risk occurring, to the extent this is possible. Table 3 provides an example of such a summary statement.

Table A1.3: Example of FRS Summary Table

Risk	Nature of the risk	Pot. impact	Probability
Macroeconomic shocks	Unpredicted macroeconomic developments change economic prospects and financial position	High	High
Estimated revenue	Poor revenue collection leads to deterioration of the budget balance	Medium	High
Unexpected spending	Legal obligations or political pressures lead to expenditure adjustment	Medium	High
Exposure to public debt	Unexpected market developments increase the debt and the debt service costs	Medium	High
State-owned enterprises	Government is required to bail out insolvent SOEs and JSCs with state capital	High	Medium
Financial sector insolvency	Government is required to bail out insolvent, systemically important banks	High	Low
Local governments	Local governments transfers must be increased to ensure service delivery	Low	Medium
Public-private partnership	Payments related to PPPs are higher than expected and provisioned for	Low	Low
State guarantees	Government is obliged to make payments under state guarantees	Low	High

High impact indicates more than 3 percent of GDP, medium 1 – 3 percent, low below 1 percent.

High probability indicates more than 30 percent, medium 10 – 30 percent, low below 10 percent.

Appendix II. Effective Oversight of Public Corporations in Belize

Public corporations play an important role in the Belizean economy. In 2018, total assets of the three largest PCs (BEL, BTL and BWS) accounted for [x] percent of GDP, while their investment spending amounted to 3.7 percent of GDP.

But corporations owned by governments can lead to significant fiscal risks. Many studies have highlighted how failures of public corporations can result in huge economic and fiscal costs. Loss-making public corporations can be a persistent drag on public finances in the form of government guarantees, subsidies, loans, or capital injections. And PCs operating as monopolies are likely to produce at high costs, that can be passed onto their customers.

In order to contain these risks, an effective regime for the financial supervision and oversight of public corporations should be put in place. The main requirements for such a framework are a clearly defined ownership policy backed by strong legal and institutional and disclosure arrangements.⁴²

- **A transparent ownership policy.** The policy should provide a clear statement of the government's objectives as shareholder in each PC, including financial objectives (such as profitability) and any economic/social objectives (for example, universal access to water).
- **A centralized oversight unit in the Ministry of Finance.** Tasks would include: i) analysis of PCs' financial performance based on a range of indicators (e.g. profitability, risks, and financial relations with the government), ii) review and approval of financial plans, targets, and annual statements; iii) setting financial performance targets; reviewing requests for transfers, capital injections, borrowing, or government guarantees; iv) analysis of the costs of any quasi-fiscal activities (for instance an investment made for policy rather than commercial objectives) and their disclosure in the budget.
- **Publication of a public corporation monitoring report.** An annual report should summarize the overall financial performance of the PC sector as well as provide information on individual companies.
- **A new law on public corporations.** A law would help to establish clearly the respective roles of the government and its PCs in the area of financial management and oversight.

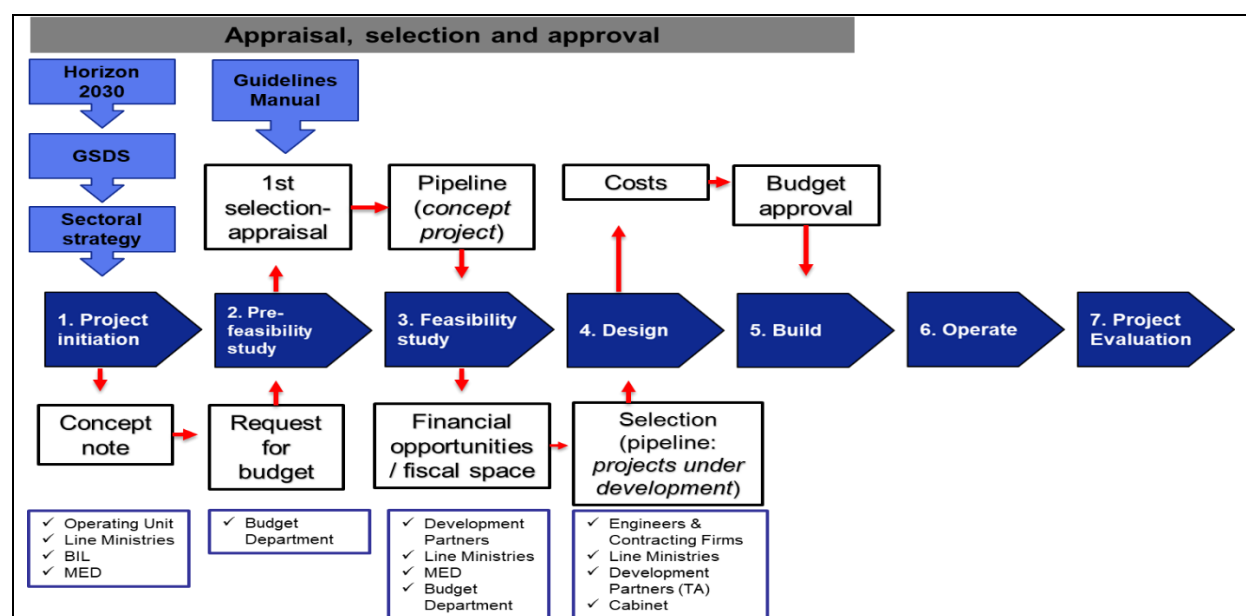
Putting in place an effective PC oversight regime takes time and resources but data collection and monitoring can start immediately. Implementing the framework described above will require building specialized and advanced skills and developing policies and legislation. A step-by-step approach is therefore required. In the short-term, the MOF can start to collect and monitor data on the financial performance of individual PCs and disclose this information in a fiscal risks statement or separate PC report.

⁴² More details in [IMF \(2016\), 'How to improve the oversight of public corporations.' FAD How-To Note.](#)

Appendix III. PIM Process: Appraisal and Selection of Projects

This annex presents a proposal for a revamped project cycle in Belize. With a focus on major projects, the proposed high-level PIM process covers seven stages, from project initiation to project evaluation.

Figure A3.1. Proposed PIM Process for Appraisal, Selection and Approval of Major Projects



Source: PIMA Mission

The initiation of public investment projects should be guided by strategic priorities laid out in national and sectoral strategies. Operating units within line ministries or departments would prepare concept notes (or project profiles) for the projects that they would like to undertake providing basic information about the project, the problem to be addressed, specific project activities and expected results, as well as estimated budget. The concept notes should also specify the options that have been considered for addressing the problem. The concept notes should be submitted to the Ministry of Economic Development, which would undertake a first screening of the project proposal to ensure alignment with the government's strategic priorities. In turn, the Ministry of Finance would confirm if the proposed project fulfills the criteria to be considered a capital project, rather than recurrent spending. Projects with an approved concept note would be able to enter the Public Sector Investment Program (PSIP) and be registered in the Government of Belize's project data bank. Project proposals from Belize Infrastructure Limited (BIL) would also be subject to this first-level screening.

In order to assess whether a project proposal is viable, line ministries or departments would need to undertake a feasibility analysis. The objective of this analysis would be to confirm whether a line ministry or department can proceed with a project. The feasibility analysis requires two steps of project

preparation, a pre-feasibility study and a feasibility study,⁴³ which must be completed before a project can be approved for funding. It also includes the preliminary design of the project and assessments of the project's environmental and social impacts. Line ministries and departments would include the request for funding to conduct the pre-feasibility studies in their annual budget. These requests would be reviewed by the Budget Department and approved based on availability of budget. In principle, line ministries and departments should be able to undertake pre-feasibility studies for their investment initiatives without relying on external actors (e.g., development partners). This would require building the necessary capacity in-house, as well as having project appraisal guidelines and manuals,⁴⁴ as well as support from the central level (through the Ministry of Economic Development). Pre-feasibility studies would be reviewed at a central level. Project proposals with an approved pre-feasibility study would be able to enter the project pipeline as concept projects. Projects without an approved pre-feasibility study would be discarded.

Project proposals must be evaluated systematically to ascertain their social and economic value.

As part of the feasibility analysis, project proposals should undergo a rigorous examination of their costs and benefits or cost-effectiveness (where appropriate). This requires having formal guidance and standard methodology for project appraisal, including appropriate techniques for the economic evaluation of the project, which might vary based on the size and scope of the project. Furthermore, risks must be assessed, and mitigation plans must be developed and reviewed as part of the appraisal. Given the high cost of feasibility studies, line ministries and departments could engage with development partners to identify resources to undertake these studies. Projects with an approved feasibility analysis would be identified in the project pipeline as appraised. If the feasibility analysis is not approved, the project would be discarded.

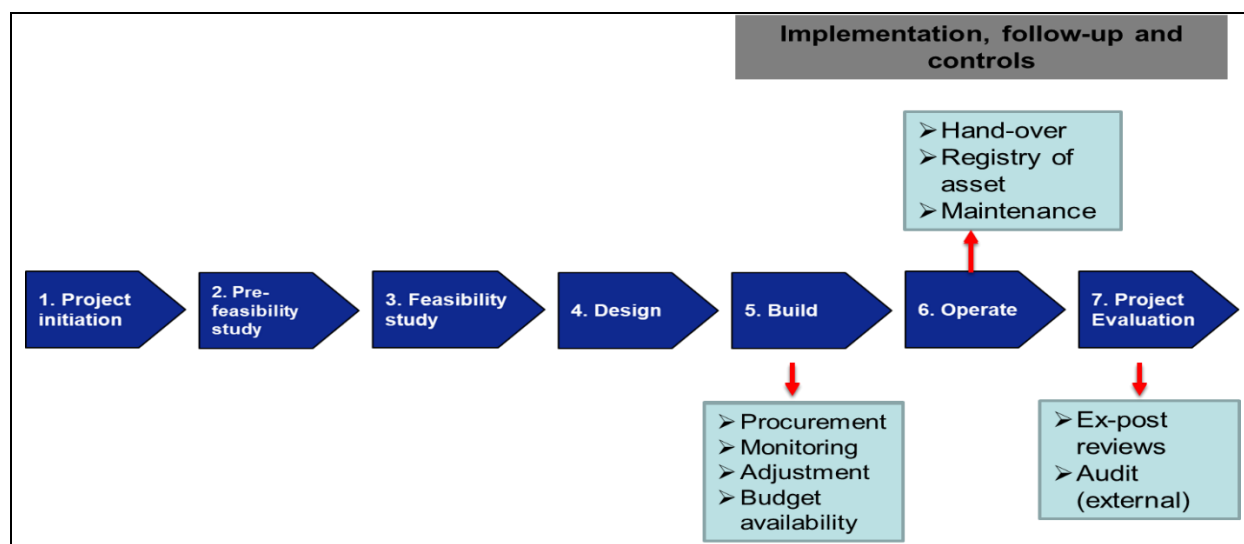
Institutions and procedures should guide the project selection process. Feasibility studies and related appraisal documents would need to be centrally reviewed, ideally with input from an independent agency or experts. The criteria for project selection should be developed and published at the central level so that it can inform the project selection process. The decision to finance a project, whether through the government's own budget, funding from a development partner (bilateral or multilateral) or through a Public-Private Partnerships (PPP) should come after a project has been appraised and the appraisal has been approved at the central level (by the Ministry of Economic Development). As projects are appraised and approved, their status would be updated in the project pipeline of the PSIP.

⁴³ The pre-feasibility study is an initial attempt to examine the potential of a project and whether it is worth pursuing. It should include a presentation of the relevant alternatives to solve a given problem, an identification of risks, and preliminary estimates of costs and benefits. The feasibility study is a more detailed examination of the merits of the project, with more refined data collection, a detailed assessment of risks, detailed estimates of costs and benefits, and an assessment of the project's environmental and social impacts (Rajaram and others 2010).

⁴⁴ The Government of Belize has prepared a Public Sector Investment Bill and corresponding regulations. However, they have not been enacted or adopted.

After a project has been selected and before it is included in the budget, a detailed project design must be prepared. The purpose is to ensure that a project is ready for implementation. This involves determining whether the project is accurately costed, risks have been assessed, a procurement plan has been drawn up, and indicators to track the project's performance during implementation have been developed. At this stage, line ministries and departments would contract the necessary engineering studies, with technical assistance from development partners where appropriate/as needed, to prepare the project for tender. Once the detailed project design is finalized, the line ministry or department would seek approval from the Ministry of Finance. A key aspect at this stage is ensuring that recurrent operations and maintenance costs are properly considered (and appropriated) during the life-cycle of the asset. The Ministry of Finance would seek approval from Cabinet and the National Assembly, prior to including the project in the budget and in the medium-term fiscal framework.

Figure A3.2. Proposed PIM Process for Implementation, Follow-up and Controls of Major Projects



Source: PIMA Mission

Once approved in the budget, the line ministry or department can issue a tender and select a contractor to develop the project. The procurement strategy would depend on the source of funding, but a goal in the medium-term would be to use the Government of Belize's procurement regulations and procedures to the extent possible.⁴⁵ The line ministry or department would liaise with the Ministry of Finance to ensure budget availability during the building phase of the project. If adjustments are needed, these would need to be communicated to the Budget Department and properly justified based on project circumstances. The operating unit within the line ministry or department would be responsible for monitoring the project during the building phase.

Once a project is completed, it must be handed over to the government and funds must be made available to ensure operations and maintenance of the asset. Upon completion, the contractor

⁴⁵ The Government of Belize has developed draft legislation to update the procurement framework.

would hand over the project to the corresponding service delivery agency. Handover procedures must be put in place to ensure that the asset is suitable for service. The responsible line ministry or department also needs to ensure that the service delivery agency has the necessary resources to operate and maintain the asset. Furthermore, the value of the asset should be recorded in government books and the asset should be reflected in the line ministry or department's asset registry, if available. Monitoring of the project by the operating unit within the line ministry or department (or by the project implementation unit, if financed by a development partner) during the operation phase is essential to ensure that the project is achieving its intended results.

Once a project is finalized, a basic completion review and ex-post review must be undertaken. A basic completion review should be completed for all public investment projects. It should specify whether the projects were completed within the original or amended budget, and whether the project was completed on time. Any deviations in cost and time should be reported.

Appendix IV. PIMA Evaluation Scores

Planning		
1	Institutional	Effectiveness
1.a.	2	1
1.b.	1	1
1.c.	2	1
2	Institutional	Effectiveness
2.a.	2	2
2.b.	2	2
2.c.	2	2
3	Institutional	Effectiveness
3.a.	1	2
3.b.	1	1
3.c.	1	1
4	Institutional	Effectiveness
4.a.	1	1
4.b.	2	1
4.c.	1	1
5	Institutional	Effectiveness
5.a.	2	2
5.b.	1	1
5.c.	1	1

Allocation		
6	Institutional	Effectiveness
6.a.	3	2
6.b.	2	1
6.c.	2	2
7	Institutional	Effectiveness
7.a.	3	3
7.b.	2	2
7.c.	3	3
8	Institutional	Effectiveness
8.a.	1	2
8.b.	2	2
8.c.	1	2
9	Institutional	Effectiveness
9.a.	1	2
9.b.	1	1
9.c.	2	2
10	Institutional	Effectiveness
10.a.	2	1
10.b.	2	1
10.c.	2	2

Execution		
11	Institutional	Effectiveness
11.a.	1	2
11.b.	1	1
11.c.	2	1
12	Institutional	Effectiveness
12.a.	1	1
12.b.	2	2
12.c.	2	2
13	Institutional	Effectiveness
13.a.	3	2
13.b.	2	1
13.c.	2	1
14	Institutional	Effectiveness
14.a.	2	2
14.b.	1	1
14.c.	1	1
15	Institutional	Effectiveness
15.a.	1	1
15.b.	1	1
15.c.	1	1