

**Belize – European Union
ACP Partnership**

Annual Report 2003

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1. Executive Summary

The ACP-EU¹ Partnership Agreement, signed in Cotonou on 23 June 2000, foresees a constant review process of the financial cooperation between the ACP countries and the EU. For this purpose the National Authorising Officer and the Head of Delegation of the European Commission undertake an Annual Operational Review of the Country Support Strategy and National Indicative Programme (CSS/NIP)².

To date, two rounds of annual operational reviews have been organised during 2002 and 2003. These were based on an annual report prepared jointly by the National Authorising Officer (NAO) and the Head of Delegation. In 2004 the Joint Annual Report 2003 provides the basis for the Mid-Term Review of cooperation under the CSS/NIP. The Cotonou Agreement foresees that in some ACP countries the Mid-Term Review may lead to a change in the strategy (change in the focal sectors) under the CSS/NIP and/or to a revision of the funds allocated to the country.

The present Report forms the basis for the 2004 Mid-Term Review with Belize. The report starts off with a brief description of the **policy agenda** of Belize, summarising the country's **economic and development strategies** and goes on to provide an **update on the political, economic and social situation** for the period covered by the report.

Subsequently a review and assessment of co-operation National Indicative Programmes under the 8th and 9th European Development Fund (EDF) are given, scrutinising results and activities in the **focal areas of co-operation: Consolidation of Infrastructure Development and Development of Human and Natural Resources** (both 8th EDF) and **Rural/Agricultural Development** (9th EDF). Cooperation under other EU instruments, such as Commission budgetline assistance for the **Special Framework of Assistance to the Banana Industry** are reviewed.

In the area of **Infrastructure Development** in 2003 the road sector project for the new bridge over the Sibun River has been completed along the Hummingbird Highway, which as upgraded with EU assistance in 2000. The health sector project for remedial measures of the Karl Heusner Memorial Hospital was also completed in 2003, consolidating prior EU investments in the Hospital under previous EDF.

In the area of **Development of Human and Natural resources**, the main EU interventions have been the contribution to the Social Investment Fund, the project on the conservation and sustainable use of the Barrier Reef Complex and the Integrated Drug Demand Reduction Programme. While the SIF and Barrier Reef Complex projects have been successfully completed, the drug demand reduction programme was suspended in 2003, for lack of progress under the intervention.

In the area of **Rural/Agricultural Development** work started in 2003 on the identification of the new programme to be implemented with 9th EDF funds. For 2003 an increase of rural incomes was recorded. Unemployment has risen, however, and poverty levels, which were not assessed in 2003, are known to be high in rural areas.

¹ The Agreement was signed by the Group of African Caribbean States, by the European Community and its Member States

² The National Indicative Programme and Country Support Strategy with Jamaica for 2002 – 2007 was signed in November 2002

Under the other instruments of EU co-operation in Belize, the Special Framework for Assistance to the Banana Industry, financed from the EU budget, the Caribbean Regional Indicative Programme (CRIP) and the **European Investment Bank** (EIB) continued their operations.

Programming of activities under the 9th European Development Fund was advanced in 2003. Work on a **Financing Proposal** for the **Rural/Agricultural Development Programme** started and a Financing Decision is expected in 2004. A **Technical Cooperation Facility**, a programme designed to provide funds for technical assistance and capacity building to Belize, was expected to be adopted in early 2004.

2. The Policy Agenda of Belize

ECONOMIC AND SOCIAL DEVELOPMENT

The economic policy of Belize continues to be the promotion of balanced, sustainable growth through continued public sector investment in infrastructure and the promotion of social and economic development through investment in housing, education, health and other social infrastructure. In the short run, Belize's economic strategy aims at strengthening its foreign reserve position and consolidating its fiscal accounts. Key actions in this regard, include a programmed reduction in the Central Government's fiscal deficit to sustainable levels and a re-financing of commercial debt to longer, lower cost maturities combined with a virtual moratorium on new commercial borrowing. Simultaneously, keen attention will be paid to keeping the public sector expenditure in check.

In the medium term, Government aims to achieve sustained and balanced growth of 5-6% per annum without sacrificing investment in the social sector and in poverty reduction programs. In the monetary sector, Government is committed to pursuing policies and programs, which will facilitate further lowering of interest rates in order to stimulate private sector investment and growth.

Investments in health and education are seen as critical to long term growth and development. In Education, strong emphasis will be placed on improving the quality of education and equity of access. In Health, continued priority will be given to environmental and social health and the focus on HIV/AIDS will be strengthened to contain the spread of this disease.

Poverty reduction will continue to be high on the policy agenda. In the rural areas, poverty will continue to be addressed through the promotion of small-scale agricultural and community based projects to improve social infrastructure in the villages. In the urban areas, attention will continue to be paid on urban renewal and on support to small, medium, and micro enterprises.

Other key priority areas of Government policy include:

Poverty reduction through quality education and health services

Education is seen as one of the major priority areas for sustainable national development. Given the far-reaching importance of education, Government's policies and plans for the Sector over the medium and long term were incorporated into a ten-year Education Sector Strategy approved by Cabinet in September 1999 that identified nineteen strategic policy objectives all aimed at improving quality and assuring equity of access. The central point of the strategy is to achieve the universalisation of access to Basic Education in Belize for those aged 3-16 years in observance of a key Millennium Development Goal.

Crime Prevention through investment in Youth

The issue of crime is high on the agenda of Government and Crime Control Council has been formed specifically to address this issue. The Minister of Finance and Home Affairs chairs the Council. The Government of Belize has also decided that more comprehensive attention is need for Belizean young people, especially due to persistent problems with urban gang activity, increasing community concerns about public safety and the need to better create improved self-help opportunities for young people in such areas as entrepreneurship and personal development.

Poverty reduction through Rural Development

The Government of Belize continues to be committed to sustainable rural development. The emphasis of Government of rural development projects in agriculture (including livestock and fisheries) and investment in rural social infrastructure is an indication of its commitment to the improvement of the economic and social well being of the rural population.

Public Sector Reform and Good Governance

The Government of Belize recognizes that Good Governance requires a high level of participation, consensus building, accountability, transparency, responsiveness, effectiveness and efficiency, equity and inclusiveness of all sectors of society. It takes into account that the voices of the most vulnerable in society are heard in decision-making. The Government will continue to work on these variables that influence good governance and through this effort improve accountability and civic partnership in the country. The Government continues these initiatives, and will ensure that public officials act in the best interest of the Belizean people, since dishonesty or corruption in public life poses a threat to democracy, produces instability and slows down economic growth.

Natural Resources Management

This involves the promotion of the responsible use of natural resources through improved national land use planning and land administration services, and the provision of more financial resources for land surveys and land adjudication activities. The Ministry of Natural Resources will continue to strengthen its management information systems, policy coordination and administration of legal issues, related to natural resources management, including legislative amendments and legal representation. Renewed emphasis will be placed on Forest and Biodiversity Management including watershed management and wildlife protection.

TRADE POLICY

Belize is party to several existing trade agreements and also participates in various trade negotiating fora: (1) negotiation of the new Economic Partnership Agreements (EPAs); (2) implementation of the existing WTO Agreements and participation in the ongoing Doha Development Round; and (3) participation in the Free Trade Area of the Americas (FTAA) negotiations. Additionally, Belize is in the implementation phase of the revised Treaty of Chaguaramas, which establishes the Caribbean Community and the CARICOM Single Market and Economy (CSME).

EPAs

The Cotonou Agreement provides for negotiations to culminate with a new partnership agreement in 2008. The EU has proposed the negotiation of regional arrangements known as **Economic Partnership Agreements** (EPAs). In September 2002 negotiation of EPA's were launched and is expected to be concluded by December 2007. There was consensus between the ACP and EU that the negotiation is to take place in two parts. Phase I (all ACP) level of negotiations has met with difficulties hence, no modalities for Phase II (regional level) has been agreed upon.

Belize is willing to engage in the EPA negotiations but at this juncture it is severely constrained in the level of participation because of **human, financial and structural constraints**. There is/will be continuing resource pressure on the rather small and already burdened trade unit in the coming years or at least until 2008. These negotiations necessitate a concentration of resources on trade policy that are dismally absent from most small developing countries of which Belize is no different. Furthermore, the increasing impact of multilateral trade negotiations on domestic policies has placed an even higher premium on strengthening technical capacity to formulate trade policy and to negotiate at the regional and multilateral level.

CARICOM Negotiations

Belize is a member of the **Caribbean Community and Common Market** (CARICOM), under which it is designated both as a Less Developed Country (LDC) and as a Disadvantaged Country. All Caricom goods that meet the qualifying conditions, as laid out in the Community Rules of Origin, are granted duty free treatment when imported into Belize. Generally no import licensing requirements apply to Caricom goods. However, in order to promote industrialization in the LDCs, they are permitted to apply restrictions on imports of selected products from the MDCs. Belize applies import licensing requirements on a small number of goods, as set out in the Supplies Control (Import/Export) Regulations 1998. Caricom adopted a Common External Tariff (CET) in 1991, and in 1992 implemented a Programme of Phased Reduction of the CET, under which the import duties on industrial goods were to be reduced to a maximum of 20%, in four phases, by 1998. Belize was granted a two-year extension for each phase, and implemented *Phase IV* in April 2000.

In 1989 Caricom Heads of Government declared their intension to establish a **Caricom Single Market and Economy** (CSME). They also agreed on a Free Movement of Skills Policy, commencing with university graduates. The free trade in goods established under CARIFTA and CARICOM are to be fine tuned under the CSME. The free movement of service providers was to be added, as well as the deeper harmonization of policies, programmes and legislation in Member States. The earlier target dates for the establishment of the CSME were missed, and the new timeframe is 2006, as the last existing restrictions in Member States are scheduled for removal by December 2005 under the Programme for removal of restrictions, which the Government of Belize approved in 2002.

CARICOM has decided to undertake two of the main international trade negotiations as a group. These are the negotiations in the FTAA and ACP-EU. Negotiations in the WTO are coordinated at the regional level but CARICOM members remain independent in their representation at the WTO. Regional consensus in negotiations gives greater leverage to CARICOM positions but it also entails an extra layer of negotiations and consensus building. This further stretches Belize's negotiating capacity as national positions must be developed and translated to regional positions.

WTO

Belize signed on to the **World Trade Organization** (WTO) as a founding Member in January of 1995. With a view to the Doha Development Agenda, the ongoing ninth round of multilateral trade negotiations, Belize is conscious of the challenges. The gamut of obligations and commitments likely to arise from a new agreement poses a serious challenge to Belize given human, financial and structural constraints that it encounters as a small developing country. For instance, while Belize is quite advanced in TRIPS obligations it lags behind in other areas, including basic notifications requirements.

The principles of transparency fostered the establishment of the trade policy review and Belize is currently having its first trade policy review. In July of 2004, it will be presenting its trade policy review to its peers. This represents a major milestone for Belize as a small developing country and there is optimism that the review will result in highlighting the areas for technical cooperation which should enable us to fulfil more of our WTO obligations.

The agriculture sector is of primary importance to Belize and the government is faced with the necessity of harmonizing national policy with that of the WTO. As is evident in the CARICOM proposals within the ongoing Doha Round negotiations, as well as the proposed changes to the EU-ACP Partnership Agreement, this will remain an area of grave concern to Belize.

In the ongoing Doha Development Round, WTO members are expected to make offers for tariff reduction as part of the negotiations. While any offer from CARICOM countries is to be presented as a coordinated offer from the region, all obligations are to be assumed on a per-country basis, as CARICOM as a trading bloc is not recognized as a party to the WTO. Belize will therefore be required to submit offers as part of a coordinated regional approach.

The negotiations as mandated by the Doha Development Agenda, under the World Trade Organization (WTO) are progressing very slowly but nevertheless Belize is engaged in the process to ensure that the rule-making system will accommodate special and differential treatment for the needs of small developing economies.

FTAA

With respect to Belize's approach to the FTAA, as with most multilateral agreements, the country will negotiate as part of CARICOM. While this will entail some pooling of resources, Belize is still required to undertake substantial analysis and policy formulation without proper technical resources. The country is cautious on approaches to the FTAA, as the agreement by its nature is to be WTO plus, which would mean more obligations and opportunities. The completion of this agreement would set the tone for all other multilateral and bilateral trade agreement as each new agreement would ask for no less preferable treatment in the modalities.

Belize has for the first time made an offer for market access in the area of Government Procurement, in the FTAA. This is significant in light of the fact that it is not covered in the WTO mandate as yet. Without significant assistance direct to Belize, to build trade capacity, little movement in other sensitive areas and at a very slow pace can be expected.

Bilateral Negotiations

Under the Revised Caricom Treaty, Belize is authorized to negotiate bilateral trade negotiations with other regional economic groupings. Belize has requested ECLAC to conduct a Study on the Prospects

for Trade between Belize and Central America, with special emphasis on Guatemala. This Study by ECLAC is now being completed. Belize is also engaging in preliminary discussions with Mexico with a view to engaging in some form of trading arrangement.

3. Update on the political, economic and social situation

3.1 Update on Social Development

Millennium Development Goals

Type	Indicator	Actual 2000	Actual 2001	Actual 2002	Target 2003	Assessm. 2003	Target 2004	Target 2005
Impact	1. Proportion of Population below \$1 per day	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2. Prevalence of underweight children (under-five years of age)	N/A	N/A	N/A	3.2	N/A	3.1	3.0
	3. Under-five mortality rate	26.0	21.5	21.9	21.6	N/A	21.3	21.0
Outcome	4. Net enrolment rate in primary education	96.2	95.6	97.0	97.5	97.5	98.0	98.5
	5. Primary completion rate	33.0	33.5	35.0	40.0	37.9	50.0	55.0
	6. Ratio of girls to boys in							
	- primary education	0.95	0.95	0.95	0.98	.96	1.00	1.00
	- secondary education	1.09	1.04	1.04	1.02	1.02	1.00	1.00
	- tertiary education	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	-							
	7. Proportion of births attended by skilled health personnel	95.4	96.2	96.4	95.7	N/A	96.0	96.3
	8. Proportion of 1 year old children immunized against measles	96	93	88	88.5	95.1	89	89.5
	9. HIV prevalence among 15-24 year old pregnant women	NA	NA	.58%	.56	N/A	.54	.52
10. Proportion of population with sustainable access to an improved water source.								

Education Sector

Government's policy objective as stated in the Education Sector Strategy (ESS) 1999-2003, "is to positively transform Belize's education sector through institutional strengthening and technical capacity building initiatives for Equitable Access, Sustainable Quality, and Management Efficiency." The ESS also identifies specific but interrelated targets that have been elaborated to achieve this aim. Even while crystallising plans for the future, the Ministry continued to respond to the immediate needs of the education sector, particularly with respect to improving access. To this end, the period 2000-2003 saw the establishment and/or the strengthening of Pre-School services provision, an amalgamated tertiary system, a student support system to reduce truancy, repetition and dropout at the primary and secondary levels; Technical and Vocational Education Training (TVET) initiatives; management of education through the launching of Education Rules; and institutional management structure for the Ministry; and student learning through an Internet for Schools Project.

In the medium term, the education transformation strategy is designed to restructure sector management and revise investment financing (recurrent and capital) in order to address perceived constraints. The central point of the strategy is to achieve the universalisation of access to Basic Education in Belize, for those aged 3-16 years. Discussions are underway with international aid agencies to provide assistance to GOB capital investments in the sector through an Education Sector Investment Project and the on-going implantation of the CDB-funded TVET Enhancement Project.

Net enrolment rate

Net enrolment rates measure the proportion of primary school aged children (5-12 years old) that are actually enrolled in the primary school system. The net enrolment rates for primary school aged students indicate that some 97.5% of this portion of the population was enrolled in primary school during the 2002-2003. school year. The proportion of females enrolled (48.9) was slightly lower higher than that of males (51.1). Both figures indicate, however, that the majority of students who are within the expected age range for primary school students are, indeed, enrolled at that level of education. The accuracy of the population estimates used to calculate it might be under stated, as it does not include private schools. Future projections are to be realized by reductions in drop out rates and vigorous retention and enrolment programs.

Primary school completion rate

This statistic estimates the proportion of students entering Infant 1 who completed their primary education within the prescribed 8 years. Data indicated that only 37.9% of all students entering Infant 1 in 1994/95 were able to complete their primary education in the 8 years ending 2001-2002. This suggests that some 62.5% of this group either repeated at least once during the primary cycle or was unable to complete it. A major contributing factor is the large number of rural school aged children from recent migrant families for whom English is a second language particularly in the villages near the southern and western borders. Reductions in repetition rates and improvements in language teaching should result in increased completion rates.

Ratio girls to boys

Primary: Ratio of girls to boys should be a number closer to one as it is calculated as the number of girls enrolled by the number of boys enrolled. The proportion of females enrolled at the primary level (96.4%) was slightly higher than of males (95.6%). The ratio of boys to girls is consistent with the male to female ratio in the general population at primary level but is not so at the secondary level (1.02%) where there are more females than males in the school system. While transition rates for males from primary to secondary are higher than females, males tend to drop out earlier than females at the secondary level to pursue wage-earning activities.

Youth Development

The Youth Department is located with the Ministry of Education Youth and Sports and has Youth Development Officers located in all districts. Recently GOB has decided that more comprehensive attention is need for Belizean youths, especially due to persistent problems with urban gang activity, increasing community concerns about public safety, recent legislative changes to attempt to divert young offenders from the prison system, and the need to better create improved self-help opportunities for young people in such areas as entrepreneurship and personal development.

Accordingly, a “Youth for the Future” Initiative has been developed through the Prime Minister’s Office, which aims to integrate and expand existing and new efforts through various implementing partners, across Government and within the wider community.

Poverty

The **Living Standards Measurement Survey** on Belize for 2002 provides an update of the 1995/1996 Country Poverty Assessment Report. The 2002 poverty estimates indicate that 33.5% of the population of Belize was considered as being poor, i.e. living below the poverty line, while 10.8% of the population was considered as very poor or indigent³.

The poverty rates varied by district and were highest for Toledo, where 79% of the population was poor, and lowest in Belize District (24.8%). These two districts also had the highest and lowest percentage of the indigent population, respectively. The rate of poverty in Orange Walk and Stann Creek were very similar and only slightly above the national rate. Cayo and Corozal districts joined Belize as the districts with the lowest levels of poverty. The following table provides an overview of the districts.

Belize: 2002 Poverty Estimates

2002 LSMS

	Corozal	Orange Walk	Belize	Cayo	Stann Creek	Toledo	Urban	Rural	Total
Indigent Population	6.2	7.1	4.9	4.8	5.6	56.1	4.8	17.4	10.8
Poor Population	26.1	34.9	24.8	27.4	34.8	79.0	23.7	44.2	33.5
Poor Males									33.9
Poor Females									33.2
Poor Children	29.9	40.7	28.0	32.0	38.4	84.5	26.6	51.0	39.0
Poor Youths	25.7	38.2	23.4	29.1	36.3	79.3	25.5	44.2	33.9
Poor Elderly	23.4	23.1	19.8	24.6	40.1	64.8	19.9	33.5	26.5
Working Poor									29.8
Indigent Households	5.0	4.3	3.7	3.1	4.9	45.0	3.3	12.7	7.5
Poor Households	19.9	23.2	18.4	20.5	25.9	67.3	17.2	33.7	24.5
Female-heads									21.8
Male-heads									25.5

The poverty gap⁴ was 11.1% at the country level. However, the gap in Toledo District was far higher, 44.4%. In all the other districts, poverty gap was lower than the national rate and ranged from 6.2 in Belize District to 9.3 in Orange Walk. The severity of poverty measure indicates that poverty was most severe in Toledo District (31.5%). In the other districts, the severity rates ranged from 2.8 in Belize and Cayo districts to 3.8 in Orange Walk. The Gini index, which measures the level of inequality, indicates that Belize District had the highest level of inequality and Toledo District the lowest level.

UK DFID, the funding agency of the study has been very anxious to have Belize produce this Report and has been paying keen attention to its progress. They have indicated that, granted that Belize qualifies for the Commonwealth Debt-relief Initiative (CDI), the Report would be utilized to inform on how best to target use of CDI funds. The European Union, CDB and the IDB have also expressed interest to see the results of this report appropriately reflected in the policy dialogue on poverty alleviation. Several policy issues and recommendations emerged from the general findings of the 2002

³ The indigent line is defined as the minimum food requirement necessary for healthy existence. Individuals living below the indigent line are considered as being very poor.

⁴ The poverty gap measures the average distance between the poor and the poverty line.

poverty study, which will be key in future decisions on policy and in the design of an updated National Poverty Elimination Strategy and Action Plan for 2004 to 2009⁵.

Direct Project interventions addressing poverty alleviation include: the **Social Investment Fund** (SIF), the Caribbean Development Bank **Basic Needs Trust Fund IV** Program (BNTF) and the **Commonwealth Debt Initiative** (CDI). All projects under the BNTF and CDI Programs are being implemented under the SIF. The projects implemented by SIF target poor communities as set forth in its operational strategy. SIF has in one way or the other assisted the poor people in each and every district. Poverty elimination is a foremost priority for Government as stated in the 1998-2003 National Poverty Elimination and Action Plan.

The SIF has accomplished its objectives by providing resources to community based projects which address social and economic needs, financing small scale projects, developing and delivering basic services and infrastructure to the poor and needy, and also providing assistance for the improvement of living conditions as specified in the Medium Term Strategy. All projects implemented under SIF target extremely disadvantaged communities. Projects implemented include the construction of primary schools; health centers; feeder roads; drainage systems; starter houses and hurricane shelters. The SIF also engages in social projects, which seek to economically empower the disadvantaged, especially women and youth.

Major Investment Projects Contributing to Social Sector Policies

A major project in Government's investment portfolio is the **Hurricane Rehabilitation and Disaster Preparedness Project**. The main objective of this project is to reduce Belize's vulnerability to natural disasters, primarily hurricanes, through upgrading the existing stock of safety shelters and the construction of new regional shelters. The project also seeks to improve our institutional ability to manage ourselves through national emergencies by strengthening the operational and response capacity of the National Emergency Management Organization (NEMO) and by providing emergency response training to municipal authorities and civil organizations. These objectives are in keeping with Government's mandate to provide safety and security for all Belizeans. The project's total cost is estimated at BZ \$60 million co-financed by the Inter-American Development Bank (IDB) and the Caribbean Development Bank (CDB) with counterpart funding from Government.

Tourism

Tourism has established itself as a vital part of Belize's economy. Estimates reveal that it is the single largest contributor to our economy, accounting for 18% of our Gross Domestic Product in 2001⁶. Given the recent extraordinary growth that has occurred in the tourism industry and its as yet unfulfilled potential, the continued implementation of the Tourism Development Project remains a high priority for Government. The goal of the project is to increase employment opportunities, foreign exchange earnings and revenues from tourism in a manner that is environmentally, archaeologically, and culturally sustainable. These objectives are consistent with Government's stated principles of sustainable development and providing an environment conducive to investment and job creation.

The cost of the project is estimated at BZ \$28.0 million co-financed by the IDB and International Cooperation and Development Fund (ICDF) of the Republic of China, Taiwan. It consists of two principal components: site and access improvement to prominent archaeological sites; and institutional

⁵ The updating of the Poverty Elimination Strategy and Action Plan was in its initial stages at the end of 2003 and was expected to be completed within 12 months.

⁶ Medium Term Economic Strategy 2003-2005

strengthening of the Department of Archaeology along with community, local, and non-governmental organizations.

Infrastructure

The southern region is also the beneficiary of the largest investment project undertaken by Government, that being the **Southern Highway Rehabilitation Project (SHRP)** with an estimated total cost of over BZ \$155 million. The goal of the project is to provide the region with a good highway and road network, which is a fundamental requirement in terms of the region realizing its development potential and allowing it to participate in and contribute to the overall mainstream development of Belize. The project's objectives are consistent with Government's policy goals of integrating this region with the rest of the country and preparing the way for improved trade relations between Belize and our Central American neighbours.

The upgrading of the Southern Highway is achieving its main purpose, that is, to contribute towards the sustainable socio-economic development of Belize's southern region by providing adequate transportation infrastructure. This infrastructure is necessary to encourage investment and productive activities that can serve as the means by which the residents of the region improve their standard of living. This project directly contributes towards Government's stated policy of providing an enabling environment for private sector lead growth. The project is also a direct intervention towards Government's policy of addressing the higher than average poverty rate that exists in southern Belize, particularly in the Toledo District, as indicated in the 2002 Country Poverty Assessment Report. One of the priority thematic areas identified by the 1998-2003 National Poverty Elimination and Action Plan was that of undertaking interventions that support economic growth and income generating activities. The SHRP provides the infrastructure necessary to facilitate such growth and activities.

As the project nears completion, the communities that have access to the highway are already experiencing a transition in their local economies. The success of the project to date is reflected by the increase of tourist visits to the region, extensive use of the ports, increase in commercial activities along the highway and in the towns, higher attendance of children in rural schools, decreased health disease threats to the region, and increased accessibility to basic services such as, water, electricity and telephone services.

Rural Development

With the completion of the Southern Highway Project, the marginalized southern region of Belize will be in a position to realize its unfulfilled development potential. Given the rural nature of this region, agriculture, among other industries, can play a prominent role in the region's economy. As such it is imperative that the **Community-initiated Agriculture and Resource Management Project (CARD)** be successfully implemented given the complementary role it can play in the region. The objective of the CARD project is to contribute towards eliminating rural poverty in the Toledo District and south Stann Creek area by developing the potential of sustainable production systems and ensuring that the stakeholders of the project, primarily small farmers and marginalized groups, have access to complementary support services, including marketing and credit services. These objectives are consistent with Government's national/sectoral policies of: (i) poverty elimination, particularly interventions that target southern Belize; (ii) empowering rural communities with the ability to effectively participate in decision-making processes that affect them; and (iii) improving access to productive resources and services, and creating economic opportunities for small farmers, women, young farmers, and indigenous people. Also, the marketing and credit services component directly

contributes towards achieving Government's policy objectives of providing effective marketing support to commercial activities in the sector, and providing accessible financing to small farmers.

The project is estimated to cost approximately BZ \$13.5 million, co-financed by the International Fund for Agricultural Development (IFAD), CDB, and Government. The main components of the project are: community development and local organization strengthening; the provision of credit to the most marginalized groups in the target region; the provision of technical and marketing support services and infrastructure; and training for those identified as potential service providers for the project.

As a complement to the Land Administration Project that has been completed, Government has invested in the **Land Management Project** estimated to cost BZ \$17.72 million co-financed by the IDB. The Land Administration Project's objective was to establish a reliable system of land records and initiate a land adjudication system for granting secure land tenure. The Land Management Project will dovetail on the achievements of the former project by promoting the establishment of a coherent land policy framework that contributes to the sustainable development and efficient use of land resources in Belize. The project will also assist in improving the enabling environment for private and public sector development through enhanced land security and effective land markets. The issue of secure land tenure has been routinely identified as an obstacle to investment and it is envisioned that a transparent and properly administered land management system will foster investor confidence.

The project contributes towards Government's policy objective of developing strategic and rational land management plans for urban development.⁷ This will be achieved through the project component that seeks to build capacity for land use planning at the local, regional, and national levels.

The **agricultural sector** is still a mainstay of Belize's economic success, which is why Government remains committed to improving the ability of stakeholders in the industry to compete in world markets, especially given the momentum that trade liberalization has gathered. The Modernization of Agricultural Health Project being implemented by the Belize Agricultural Health Authority aims to enhance the competitiveness of our agricultural products by working along with Belizean farmers and sector stakeholders to ensure that our products are of the highest standard thereby creating a demand preference for Belizean exports.

Animal and plant health, quarantine and food safety services are now being provided by BAHA at international standards. Major milestones achieved by BAHA include (i) the capacity to provide a wide range of diagnostic and analytical services through the refurbishing and equipping of food safety, veterinary and plant pathology laboratories; (ii) upgraded capacity of technical staff through short-term training locally and overseas in 37 technical areas; (iii) greater participation of the private sector in the oversight of services provided; (iv) updated legislation to ensure compliance with international agreements; and (v) a functional fee collection system that allows for partial cost recovery for services rendered while contributing to BAHA's financial sustainability. BAHA is now able to guarantee the quality and safety of Belizean agricultural products in foreign markets, as evidenced by Belize achieving List 1 status in EU markets for fish and shrimp products.

Government is committed to its policy of environmentally sustainable development and providing safe and healthy environments for Belizeans to live. This project helps to reduce the vehicular pollution experienced by the residents in Orange Walk Town and also increases pedestrian safety. The project also upgrades the transportation network in northern Belize, which will facilitate Government's trade policy of increased integration with our Central American neighbors.

⁷ MTESP 2003-2005, pg 15

Health and education

Government firmly believes that affordable and quality health care should be available to all. In support of this philosophy, Government has invested in the Health Sector Reform Project (HSRP) with the conviction that all Belizeans should receive quality medical attention in time of need, regardless of their ability to pay. The general objective of the project is to raise the health status of the Belizean population. Activities include restructuring and strengthening the organizational and regulatory capacity of the central and regional level of the public sector, rationalizing and improving the coverage and quality of services offered by public and private institutions, while ensuring that an equitable system of financing is in place to guarantee access to all.

“Investments in health and education are seen as critical to long term growth and development”.⁸ A major policy objective in the health sector is the full implementation of the Health Sector Reform Project. One of Government’s primary concerns in the Health sector is that Belizeans have access to quality health care in an equitable manner. To this end, the HSRP has a component, Support to National Health Insurance Fund (NHIF), which focuses on financing health care in an equitable manner. This component will involve activities needed to establish the NHIF including the appointment of a Board of Directors, qualified management and staff, the acquisition of managerial and financial systems required to permit the Belize Social Security Board (BSSB)/National Health Insurance Agency (NHIA) to perform as a risks insurer and purchaser of services. Another major policy objective in the sector is the physical restoration of primary healthcare facilities countrywide. The Services rationalization and Improvement component of the project will focus on infrastructure and equipment improvement for the sector at the primary, secondary and tertiary levels. At the primary level, the project will finance the construction of six new primary health facilities, mainly in areas that are easily accessible, and the rehabilitation or repair of 29 others nationwide.

In terms of the long term sustainable development of Belize, education remains the highest priority of Government and we are currently investing in two education projects, the **Belize Education Sector Improvement Project (BESIP)** and the **Technical, Vocational Education, and Training Project (TVET)** that are geared towards transforming our educational system and making it responsive to our developmental needs. The BESIP aims to improve our national secondary education system while the TVET project focuses on developing the skilled human resource needs of our economy through expanded Center for Employment Training services.

The Technical, Vocational Education, and Training Project consists of the building of facilities, and the provision of furniture, fixtures and equipment in all six Districts within Belize, for the expansion and upgrading of the TVET programme delivered by Centres for Employment Training (CETs). The relevant design, engineering supervision and project management services have also been included. In addition, there is a technical assistance (TA) component to assist with the establishment of a National Training Council (NTC) and a National Apprenticeship Programme (NAP) and to strengthen the Employment Training and Education Services (ETES) unit of MOES to provide the technical support for CETs, as well as to train and develop staff for CETs and Non-Governmental Organisations (NGOs) involved in the delivery of basic education programmes for adults and out-of-school youths. The project has an estimated cost of BZ\$40,629,000.00.

Government expressly states that it will invest BZ\$40.0 million to complete CET/vocational and technical programs in all Districts.⁹ The implementation of the TVET project is a manifestation of that

⁸ MTESP 2003-2005, pg 10

⁹ MTESP 2003-2005, pg 60

sectoral commitment. The project also contributes towards the achievement of other sector objectives, for example targeting disadvantaged youths for second chance vocational education and the enhancement of our human resources to better tap into investment potential/opportunities of the country

Achievements in the Health Sector

There are marked achievements within the Ministry of Health HIV/AIDS and Maternal and Child Health Programs that have impacted in the quality of care of persons infected with HIV and persons living with AIDS. The Ministry of Health has initiated the treatment of AIDS cases with antiretroviral. This was accompanied with the development of a protocol for the 'Clinical Management of HIV/AIDS'. Simultaneously, a Voluntary Counselling and Testing Centre has been established for the first time in Belize City to promote the voluntary testing for HIV, with the essential counselling services.

The Mother to Child Transmission Prevention and Control Project that was launched three years ago has yielded satisfactory results. Approximately 70% reduction was observed in the infection rate of newborns from HIV positive pregnant women. Last year, 2003, an average of 95% coverage of all six districts was attained in the testing of pregnant women for HIV. Corozal district reported coverage of 100%. In 2002 the country coverage was 69%.

A Technical Country Cooperation initiative with Jamaica has begun, geared towards reducing the risks associated to Maternal Mortality in Belize. In 2002, eight (8) maternal deaths were reported; in 2003 preliminary figures indicate a total of five (5) maternal deaths, expressing a reduction of 38%. The Maternal and Child Health Program has developed an Operational Manual that includes the Integrated Management of Childhood Illnesses. This will impact the Child Mortality Rate.

The Infant Mortality Rate is essential to determine the quality of life and quality of health care during the first twelve months of life of a child. In Belize this indicator has manifested with a decreasing trend, from 23.3 in 1997, to 17.9 per 1,000 live births in 2002. The data for 2003 is still being compiled.

The Expanded Program on Immunizations reported an average coverage of 95.1% in all vaccines provided throughout the country. The Program received an international award for the Efficiency of the *Rash and Fever Illnesses Surveillance Program* in the Caribbean Community.

3.2 Political Update

INTERNAL POLITICS AND GOVERNANCE

Elections

For the first time in Belizean history, national, municipal and City council elections were held on March 5, 2003. The People's United Party was re-elected in the national elections. The PUP won 22 seats in the 29-seat House. The United Democratic Party won 7, more than doubling its representation. The PUP garnered 52% of the vote and the UDP about 45% with the rest going to independents. About 79% of registered voters cast ballots. The election marks the first time since independence in 1981 that the same party won two consecutive national elections.

This was the second election for leaders of the City of Belmopan. The PUP won all 7 seats. In Belize City, PUP won all 11 seats. Of the 7 towns where municipal elections were held, PUP captured 4 and UDP 3.

Government Officials met on 27 June 2003 with members of the National Trade Union Congress to further discuss the Proposed Increase and Adjustments for Social Security. At the conclusion of the Meeting both parties agreed that the Mandatory Retirement age of sixty-five should remain. Both parties have also agreed in principle to a formula driven Voluntary Retirement between ages 60 to 63. The Unions have also agreed to the 1% increase, which will be directly funnelled towards fortifying the Pension Branch of the Social Security Fund. The House of Representatives passed legislation that provides for regular audited financial statements of the social security board, allowing the board to invest in foreign capital markets, and changes the board's management structure and composition. The board will now include five government, two private sector and two trade union representatives.

A by-election for the Cayo South Electoral Division was held on October 29th, 2003. The Prime Minister called the by-election after a People's United Party member in House of Representative died. The opposition, the United Democratic Party, won the seat over the ruling People's United Party. This was the first time in more than 20 years that the United Democratic Party had won in the Cayo South Division, indicating a swing away from traditional voting along party lines to voting for individual candidates.

Caribbean Court of Justice

The GOB has agreed to the establishment of a Caribbean Court of Justice as a part of the governance structure and legal framework for the operation of the Caribbean Single Market and Economy. A Caribbean Court of Justice Bill was "read" by the House of Representative for the first time and passed to a House Committee to review and make any changes subject to a countrywide consultation. The public consultation is to educate the people of Belize on the CCJ. In addition to the CCJ Bill, it is also legally required that the Belize Constitution, Chapter 4 of the Laws of Belize to remove the Privy Council as the final appellate court for Belize and replace it with the CCJ.

Trafficking of Persons

In June 2003, the U.S. State Department produced a Trafficking of Person Report and Belize was rated as a "Tier 3" country because it was perceived that Belize was not making significant efforts to prevent and punish trafficking in persons. It was also stated that if steps were not taken to control and eradicate trafficking that sanctions could be applied by the United States. Belize has complied by enabling legislation referred to as Trafficking in Persons (Prohibition Act 2003). The Government has also conducted several public education campaigns to educate the public. A National Task Force has also been formed and the emphasis is on prosecution. On the 11th September 2003, the Government of Belize was informed that the President of the United States had removed Belize from a Tier 3 to Tier 2 country on the Trafficking in Persons list.

EXTERNAL POLITICS

On August 25th, Guatemala indicated to the Organization of American States that it had encountered difficulties with certain aspects of the Proposals recommended for a peaceful settlement in the Belize/Guatemala territorial dispute. The Guatemalan Government also reiterated its commitment to complying with the confidence-building measures that both Governments agreed to on February 7th 2003, which commit both parties to put the proposals to referenda. The Agreement is also binding in

international law and prohibits any of the two countries from unilaterally rejecting it. The Government of Belize has referred to the actions by Guatemala as an attempt to violate international law.

Belize assumed the Pro Temp Presidency of the Systems of Integration of Central America (SICA) as of July 1st. 2003. In 6 months, there were a number of meetings headed by Belize both at heads of state and ministerial levels of the 7 member countries that make up SICA. Belize has been a member of SICA since the year 2000. Important issues discussed during Belize's leadership were Poverty Alleviation, Environmental Protection and Conservation, Tourism Integration Processes, Social Policies, Prevention and Mitigation of Natural Disasters, Human Security and Security.

SECURITY

One of the ongoing issues being addressed by SICA is that of security in the region. In 1995 a Framework Treaty on Democratic Security in Central America was signed in recognition of the need for the development of a program of arms limitation and control and for reaching a reasonable balance of forces in Central America. The program would aim at promoting transparency, mutual confidence and stability in Central America. The security threats faced today include drug trafficking, illicit trafficking in arms, trans-national and organized crime, stolen vehicles, trafficking in persons, kidnappings, illicit trafficking of cultural items, contraband, money-laundering and illegal migration. The mechanism agreed to would include the disposal of weapons from the civil wars as well as those seized by security forces in the fight against drugs and arms trafficking, the establishment of a moratorium in the acquisition of offensive armaments, the presentation of inventories of the armed forces to the Central American Security Commission, agreeing to ceilings on the size of the respective armed forces and measures for the non-proliferation and limitation of light, conventional weapons.

Although progress has not been satisfactory since the signing of the treaty, the Government of Belize continues to be forceful that all Central American countries should act decisively on this matter.

On the local scene, the Police Department has informed that while there have been some gruesome murders in the year 2003, overall, the number of crimes committed did decrease. There has been renewed effort in the area of community programmes aimed at strengthening the relations between the Police and the community. A new hotline (922) has also been established for people willing to call to give information on other crimes that are being committed. A Cash for Information Programme has also been implemented for citizens who want to report an illegal gun possession in exchange for money.

3.3 Recent Economic Performance

Provisional statistical figures indicate that Belize's economy grew by 4.9% in 2003, outstripping the expansion of 4.3% recorded in 2002. The resilience of the economy was explained primarily by continuing strong performance in tourism and tourism-related activities, and recovery and expansion in agriculture and marine/fishing production.

The performance in the **tourism sector** reflected high growth of 10.0% and 80.0% in overnight and cruise-ship arrivals respectively, largely a result of effective promotion of Belize as a cruise destination in recent years. The industry also benefited from improved terminal and infrastructure facilities, training of personnel and improved tourism policing.

Growth in **agriculture** was due primarily to a dramatic doubling in the volume and value of banana production and exports to 74,935 metric tons and \$52.6 mn, respectively. This rebound in production

is the result of significant investments in the post-Iris period in replanting of damaged plantations and in improving field irrigation, both as a result of extensive hurricane damage. Papaya production and **exports** also recorded strong growth in 2003, rising by almost 50.0% in volume. Value rose less than proportionately due to a 30.0% decline in the export price, the latter reflecting higher volumes in the international market by Brazil and Mexico.

The year 2003 represented a good year for the **marine/fishing** sector, as production and exports rose by 36.0% or \$40.0mn. At \$110.2 mn, marine exports topped all the other export products for the first time. A near quadrupling in farmed-shrimp production and exportation drove the strong performance of the sector. Farmed-shrimp activity was down in recent years due to viral contamination and hurricane damage. However, the industry rebounded after applying improved stocking techniques, restocking with highly resilient seed stock, and significant pond expansion.

Inflation continued to edge upward in 2003, to a rate of 2.6% after rising to 2.2% and 1.1% in 2002 and 2001, respectively. The rising trend was lead by increases in the price o fuel & power in 2003 while price increase in the previous years were largely due to increases in transport and communication services, recreation, education and cultural services, and medical and care services led the growth seen in previous years.

Unemployment rose marginally from 10.0% in 2002 to 10.4% in 2003. This marginal increase seems to indicate that the unemployment rate has reached a plateau, having fallen continuously from a high of 14.3% in 1998 to a low of 9.1% in 2001.

Fiscal Performance: Projection for the Fiscal Year 2003/04, based on the first three quarters of data, suggest that the Central Government's fiscal position (excluding amortization) improved as the overall deficit in dollar terms declined by 10.0% to \$32.5 mn compared to the deficit recorded a year ago.

Recurrent **revenues** over the fiscal year rose modestly by 8.6% to \$448.4 mn while recurrent expenditures recorded stronger growth of 11.3% to \$385.3 mn leading in a narrowing of the recurrent surplus to \$63.1 mn. The increase in recurrent revenues was driven largely by growth of 8.0% in collections from tax sources, reflecting the effect of continuing reform of the system of taxation. There was also an increase of 16.0% in collections from non-tax sources.

Recurrent **expenditures** increased mainly due to growth of 11.6% in personal emoluments, reflecting the implementation of the first stage of a three stage annual increase of 5.0-8.0% in salaries agreed with the unions representing the public officers and the teachers.. There was also an increase in expenditure on goods and services and on debt servicing, the former mainly reflecting the higher cost of fuel in international markets, the latter reflecting the cost of debt restructuring.

Capital revenues remained steady as a rise in revenues from the sale of crown lands outweighed a reduction in the proceeds from equity sales, the latter reflecting a slow-down in the privatisation of statutory holdings.

Inflows from grants stood at \$2.4 mn, significantly less than inflows of \$12.2 mn in fiscal year 2001/02.

Overall **expenditures on capital projects** were lower by 11.0% compared to such expenditures the previous year. Capital II expenditures or local counterpart funding by Government was contained at \$58.9 mn, reflecting a 20.0% contraction compared to the previous year, while Capital III expenditures slowed by 4.3% to \$80.3 mn.

Public Debt

Preliminary figures indicate that at the end of calendar year 2003, Belize's disbursed outstanding external public sector debt stood at US\$674.4 mn, an increase of approximately US\$100.00 over the previous year. The increase in external debt reflected disbursements of \$163.1 mn and valuation adjustments of \$3.0 mn that overshadowed amortization payments of \$66.3 mn.

Approximately 81.0% or US\$545.5 mn of the debt was incurred by Central Government. This amounted to 56.0% of GDP; still below the borrowing limit of 60.0% of GDP prescribed by government policy. The remaining 20.0% of the debt was taken up by financial and non-financial public sector entities.

The increase in external indebtedness in 2003 reflected government's continuing efforts to refinance and restructure public sector debt in order to further reduce the debt service burden. At the end of 2003, the external debt service ratio stood at 12.2%, down from 15.5% a year earlier.

External Sector

Preliminary data for 2003 indicate that Belize's **trade deficit widen** by a modest 3.0% to US\$196.6 mn. This widening reflected an increase of US\$43.0 mn to US\$541.00 mn in merchandise imports (f.o.b.) that overshadowed growth of US\$37.2 mn to US\$344.4 mn in merchandise exports (f.o.b.).

The increase recorded in imports mainly reflected **higher fuel prices** in international markets and a greater level of activity in Export Processing Zones. Export growth was led by the significant increase seen in marine exports.

Inflows from **tourism services** rose strongly by 12.0% to US\$144.6 mn reflecting a significant increase in overnight and cruise-ship arrivals.

International Reserves: gross official international reserves stood at US\$84.6 mn by the end of 2003, representing approximately 9.6 weeks of merchandise import cover.

Exchange Rate: the Belize dollar has been pegged to the US dollar at a rate of Bz\$2.00 to US\$1.00 since 1976. No change was made to the rate in 2003.

Agriculture Production

Provisional figures indicate that production of major export commodities expanded by 35% while export earnings increased by 31% in 2003. Huge production increases in banana and farmed shrimp accounted for 73 % of this increased export earnings. The traditional export commodities of sugar, citrus and bananas still play a primary role in the overall export economy of Belize but farmed shrimp, which had become a formidable contender in recent years, led the way in export earnings in 2003. Total agricultural exports in 2003 amounted to \$454.9 million, an increase of \$102.7 million over 2002.

Citrus: Orange and grapefruit production declined by 2% and 12% respectively in 2003, however due to carry over stocks, exports of concentrate increased by 45% and 3% resulting in overall export earnings of \$78.7 million, an increase of 17% over 2002. Low export market prices kept production below the targeted 7.2 million boxes due to reduced investment in fertilizers by farmers with

consequent lower yields. This trend is not expected to change drastically although some improvement is expected due to the efforts of the industry's extension service. The industry projects a production of 6.4 million boxes for 2004, a 25% increase over 2003.

Bananas: Banana production rebounded from the ravages of hurricane Iris in late 2001 to record an almost doubling of yields in 2003 versus 2002. A record production of 73,349 tonnes or 79% increase over 2002 resulted in export earnings of \$52.6 million, a 57% increase over 2002. Despite the preferential market in Europe there was a disparity in increased export earnings versus export volume because of decreased prices. This was due to an over supply of bananas on the European market as a result other private marketing arrangements in effect.

Sugar: Sugar production declined by 7% in 2003 but due to a small quantity of carry over stocks export volume increased by 4.6 %. With the appreciation of the Euro against the US dollar and increased sales within the higher priced CARICOM market, export earnings of \$73.7 million or 11.8% increase over 2002 were realized. With the uncertainty of future market prices and lack of investment for improved field management, no significant changes in the production trend are expected for the coming year.

Farmed shrimp: With total escape from the onslaught of the taura virus which had plagued the industry in preceding years, improved overall management of ponds and increased number of harvests from just one to two or three per year, farmed shrimp met expectations with an almost tripling of production and exports. Exports of 15.9 million pounds of farmed shrimp amounted to earnings of \$91.8 million in 2003, an increase of 79% over 2002. Again revenue was lower than projected due to about 40% decline in the export market price of shrimp. A small growth of about 1.5% is expected in 2004 from a slight increase in pond acreage established by the end of 2003.

Other fisheries: In comparing 2003 to 2002, conch, lobster and marine shrimp production recorded an increase of 26% and decreases of 7% and 37% respectively. Exports of lobster (\$13.5 million) and conch (\$3.7 million) increased slightly by 4.7% and 8.7%, and marine shrimp exports (\$979,000) decreased by 54.6%. The decrease in lobster harvest is not considered significant and production trends over the last fifteen years indicate that lobster fishery is mature and stable. The increase in exports was due to successful marketing efforts by the cooperatives. The decrease in marine shrimp harvest is attributed to poor environmental conditions, late arrival of shrimp trawlers and less fishing vessels in operation compared to the previous year.

Non-traditional exports of papaya, R.K. beans, black-eye peas and hot pepper amounted to \$22.3 million, an 11% increase over 2002, with papaya accounting for 74% of exports. Production and exports increased for papaya, hot pepper and black-eye peas, but despite a 96% increase in production for R.K. beans exports decreased due to unsuccessful marketing efforts.

Preliminary figures on domestic production of grains, vegetables and livestock indicate an overall 24% growth over the period 2002 to 2003.

Performance of Major Export Commodities 2003 versus 2002

Commodity	Production increase	Export earnings increase
Banana	79%	57%
Sugar	-7%	4.6%
Orange	-2%	23.8%
Grapefruit	-12%	-10.8%
Farmed shrimp	158%	79%

Lobster	-7%	4.7%
Conch	26%	8.7%
Marine shrimp	-37%	-54.6%
Papaya	49%	7.1%
Hot pepper	40%	46.6%
R.K. beans	96%	-20%
Black-eye peas	37%	38.7%

Provisional figures indicate that Belize's unemployment rate increased from 10% in 2002 to 10.4% in 2003 while real GDP growth increased from 4.3% to 4.9% in the same period. The average unemployment rate over the 1995 – 2000 period was 13.2% followed by a decrease in 2001 to 9.1%. The contribution to GDP from primary agricultural activities including fishery decreased slightly from 12.7% in 2001 to 12.4% in 2002, but this translated to actual agriculture GDP growth over that same period from \$220.7 million to \$230.1 million. Agricultural GDP including the manufacturing of food and beverages amounted to \$340.6 million in 2001 increasing to \$352.6 million in 2002 or 19.6% and 19% of GDP respectively. The decline in percentage points in 2002 was primarily due to a sharp fall in citrus and banana production due to the impact of hurricane Iris in late 2001.

Agriculture Performance Trends

It is expected that, in the absence of natural disasters, agricultural growth will be sustained over the next few years. Non-traditional exports is expected to continue its gradual upward trend as hot pepper, pepper sauces and papaya exports increase. Local non-agriculture production, especially in the livestock sector, is also expected to grow to meet the increasing demand of cruise and overnight tourism. The citrus industry is expected to expand somewhat as new rootstocks are used to replace those in production decline eg. Swingle, and management practices improve with the access of cost effective credit to citrus growers through the efforts of the citrus growers association. Market prices will still dictate to what extent growers are encouraged to expand production activities.

Efforts are being made by the sugar industry to improve productivity of sugar in preparation for the impending loss of preferential markets, but tonnage over the next few years is expected to remain stable. A 1.5% increase in farmed shrimp is projected for 2004 and whilst the sector is expected to continue to grow the falling market prices may influence the extent of further investment by new and existing shrimp farms. Lobster production has stabilized and production should show only slight fluctuations in the coming years whereas marine shrimp should increase to its level of sustainability.

Banana productivity is expected to improve with assistance from the EU banana support programme and a production of 4.2 million boxes or 4.1% is projected for 2004. The industry expects market prices to decrease in 2004 from the current \$6.70 per box to \$6.20 per box as further influx of cheaper bananas into Europe is expected under the continuing climate of new market arrangements.

4. Overview of past and ongoing cooperation

The National Indicative Programme (NIP) for the 8th EDF for the period 1997-2001 was signed on 26 February 1997. The indicative financial envelope of € 9.5 million was increased to € 11.5 million following the Mid-Term Review of Belize – EC Co-operation of September 1999.

Under the 8th EDF NIP, the focal areas of cooperation are: **Consolidation of Infrastructure Development** and **Development of Human and Natural Resources**. The first focal area absorbed approximately 72% of the resources and the second focal area 26%.

Under the 9th EDF Belize was allocated an indicative amount of euro 7.8 million of programmable resources (“A-envelope”) and euro 1 million for unforeseen needs, such as emergency assistance and losses in export revenue (“B-Envelope”). The focal area of cooperation under the 9th EDF Country Support Strategy and National Indicative Programme (CSS/NIP) is **Rural Development, with focus on Agriculture**, for which € 7 million have been earmarked. A non-focal programme of **institutional support** to Belize’s public administration will be supported with € 0.8 million.

4.1 Focal Sectors

The assessment of achievements in the focal sectors is an important element of the Annual Report and of the periodic reviews of the CSS/NIP (annual, mid-term and end of term review). In the following sections achievements reached during 2003 work under the focal areas under the 8th and 9th EDF will be assessed:

- Consolidation of Infrastructure Development,
- Development of Human and Natural Resources,
- Rural Development with focus on Agriculture.

4.1.1 Consolidation of Infrastructure Development

a) Results

- *The specific objective of the first focal area, “the Consolidation of Infrastructure Development”, is to facilitate the Government’s efforts to improve the country’s infrastructure in support of the productive and social sectors of the economy. Within this specific area, the European Union is to contribute to the completion of infrastructure development already started under previous EDF, and to the improvement of the maintenance and operation of existing infrastructure. In this context, efforts concentrated on the Road Sector and Health Sector.*

Road Sector

In the Road Sector, in 2003, the construction of the **new bridge over the Sibun River** has been implemented (€1.99 Million) along the Hummingbird Highway (completed in 2000). The construction of the new bridge is aimed at bringing this structure to the same standard as the road (width and safety protections).

The whole project has contributed to the enhancement of transport operations between Belmopan and Dangriga, in the main citrus production of Belize and a region with growing potential for eco-tourism development, as well as for agricultural production. It also complemented previous EDF contributions for the rehabilitation of downstream sections of the same road. For the populations living along the road, the **upgrading of the Hummingbird Highway** has improved their access to health services, to centres of employment and to the administrative and social services available in Belmopan and Dangriga.

Health Sector

In the Health Sector, the execution of Remedial Measures and Activities at the Karl Heusner Memorial Hospital, financed by the 8th EDF, were completed in 2003. These contribute in improving the functionality of the buildings, plants, plans and equipment, hence consolidation prior investments in the Hospital under previous EDF.

b) Activities

Road sector

The tender for the selection of the Contractor for constructing the new **Bridge over the Sibun River** was launched in May 2002 and the contract was awarded and signed in October 2002. The works were divided in two lots: the construction of a provisional wooden bridge for traffic diversion during the construction of the new bridge and financed by the Government of Belize (€ 250,000) and the demolition of the existing bridge and construction of the new bridge, financed from EDF 8 (€1.4 million).

The works were completed in December 2003 and the provisional acceptance will take place in January 2004. During 2003 two riders have been established in order to include in the contract some supplementary works (safety barriers, protection of the shores surrounding the bridge).

Health Sector

The activities funded for the Karl Heusner Memorial Hospital (KMH) under the 8th EDF were carried out through a work program. All activities foreseen including the evaluation of the project have been completed and the work programme was closed in 2003.

4.1.2 Development of Human and Natural Resources

a) Results

- *The specific objective of the second focal area “Development of Human and Natural Resources” is to create an enabling environment in order to achieve sustainable development and promote a more equitable distribution of the benefits of such development.*

In terms of *sectoral policy commitments*, the Government of Belize is engaged in a continuous effort to improve the formulation and implementation of policies, strategies and measures aiming at sustainable development, with a focus on poverty reduction:

- A National Poverty Elimination Strategy and Action Plan 1998-2003 was adopted in 1998, a Land Use Policy Reform Programme was launched in 1998, as well as a Biodiversity Conservation Strategy and a Tourism development Master Plan. The implementation of these strategies and plans is supported by various donor and lending agencies, with several activities currently ongoing. GOB is aware of the need for a continued assessment of the impact of these plans and of their implementation needs in order to enable a real appreciation of their respective and cumulated effects on poverty reduction.

- Whilst attempts have been made by the Government to enhance a consultative process and approach with multiple stakeholders and local partners for private sector and civil society, little success has so far been achieved in establishing systematic donor coordination at the level of development policy and at sectoral level. Poor availability of performance indicators and data, combined with communication difficulties between executing agencies and ministries, prevent efficiency analysis and encourage duplication and ineffective allocation of resources.

The execution of the EC funded activities of the **Social Investment Fund** contributed in improving access of poor communities to education and in supporting the development of small scale productive projects through a micro-enterprise credit scheme, specifically designed for the poorest communities. EC supported activities under the Fund have been completed and the project will be closed.

The aim of the ongoing EC funded **Integrated Drug Demand Reduction Programme (IDERP)** is to enhance the enabling environment for development activities by improving the health and well being of persons in the society that are most vulnerable to drug abuse.

The project aiming at the Conservation and Sustainable Use of Belize's **Barrier Reef Complex** has been implemented on the basis of a multiple stakeholder approach through the use of integrated coastal zone management, with a view to generate increased benefits for coastal communities, fishers and tourist operators, whilst promoting the conservation of the unique biodiversity and ecosystem of the Barrier Reef. The project contributed to two of the major components of a larger GEF/UNDP Project.

b) Activities

The EC funded activities under the Social investment fund were completed in 2001. Under the project on the Conservation and Sustainable Use of Belize's **Barrier Reef Complex**, two work programmes have been implemented, the second one in the period January 2002 – June 2003.

The progress of activities under the **Integrated Drug Demand Reduction Programme** has been slow especially the component, Treatment and Rehabilitation. Changes in the management staff and a lack of human and financial resources in the National Drug Abuse Control Council have also put the implementation of this project at risk (see below under IDERP).

8 BEL 002 Integrated Drug Demand Reduction Programme (IDERP) - (€ 300,000)

The overall objective of the Integrated Drug Demand Reduction Programme (IDERP) project is to improve the health and well being of the Belizean society at large, and of groups most vulnerable to drug abuse. The project purpose is to strengthen the capacity of the public and private sectors to perform sound and effective drug demand prevention and reduction activities, at various levels, throughout the country.

The total cost of IDERP was estimated at € 725,000, including a contribution of € 300,000 from the 8th EDF and € 425,000 counterpart funding from the Government. The Ministry of Health is acting as executing agency while the National Drug Abuse Control Council (NDACC) assumes co-ordinating responsibility for the day-to-day implementation. The project IDERP includes the following activities: (1) Institutional strengthening and research, (2) Preventive education, (3) Treatment and Rehabilitation Programme and (4) Community Empowerment.

A three-year work programme was signed in January 1999 however due to several staff changes at NDACC, lack of suitable resource persons (locally and regionally) and insufficient counterpart

funding, the progress of implementation has been very slow. Despite the limited counterpart funding received for activities (A major portion of counterpart funds is earmarked for staff salaries, BZD 606,000, some of which has been forthcoming), there has been some progress made in the Institutional Strengthening, School Prevention Programme and the Community Empowerment components. The treatment and Rehabilitation component has suffered due to lack of suitable expertise.

A rider to the work programme was signed in 2002 to facilitate changes in activities due to the depreciation of the euro to the BZD. Some activities had to be dropped and some had to be scaled down. The rider also provided for the extension of the Work Programme to June 2003.

The project was finally suspended in June 2003 as there has been little progress on the project. An audit and an evaluation will be conducted to determine its future. The Delegation is awaiting the Terms of Reference from the NAO's office. From the EC contribution, € 194,586 has been disbursed, corresponding to BZD 386,056.

8 ACP BEL 005 Conservation and Sustainable Use of the Barrier Reef Complex € 600,000

The project started in September 1999 to promote conservation and sustainable use of the Belize Barrier Reef Complex through integrated marine and coastal area management. This important ecosystem is comprised of the second longest barrier reef in the world, hundreds of patch reefs, three offshore atolls and over 1,000 cays. With its mangrove forests and extensive beds of sea grass, it is home to several endangered species including the West Indian manatee, American crocodile, marine turtles and several birds.

The project contributes to two of the major components of the larger GEF/UNDP Project. Amongst its main outputs is the completion of a Coastal Zone Policy Framework, which divides the coastal regions according to category and intensity of use. As part of this, Coastal Advisory Committees (CAC's) have been established in Caye Caulker, Turneffe Islands and Placencia/Laughing Bird Caye. Members of these are being trained in leadership, planning, conflict resolution and consensus building, and are preparing detailed regional guidelines with wide community participation. A further two CAC's will be made operational in early 2003.

The project has made significant progress in establishing the Network of Marine Protected Areas. These were marked with demarcation buoys and continue to be patrolled by Rangers. A GEF/UNDP Mid-term Independent Evaluation completed in December 2002 stated that these MPA's are successful in deterring illegal fishing and other activities detrimental to the reef system.

Several items of equipment were purchased to support the monitoring activities of water quality, flagship species and condition of the reef. Specific attention was given to the Manatee Research Programme, which continued its tagging and monitoring activities in conjunction with Wildlife Trust International. A sophisticated data centre has been equipped with up-to-date Geographical Information System. This processes and disseminates the scientific and technical data gathered from these monitoring activities, thereby greatly increasing the baseline knowledge available for decision-making.

The Public Outreach and Education Programme continued to be an important project activity. This promotes public awareness through audiovisual materials, quarterly newsletters, training workshops and seminars, as well as through education campaigns for communities and schools. A notable example was the public awareness campaign on the Manatee Research Programme, which culminated in a 'Manatee, Crocodile and Turtle Week' in November 2002.

The project is being implemented by the Coastal Zone Management Authority (CZMAI), and has received € 444,747 to date from the European Union. The project is funded primarily by the (GEF/UNDP).

c) **Integration of cross cutting themes**

Gender issues have been taken into account under the EC's intervention in the Social investment Fund and Integrated Drug Demand Reduction Programme. More than 55% of the beneficiaries of the SIF micro-enterprise credit scheme are women, whilst they also play an active role in the Drug Reduction Task Forces, established by IDERP in the communities and districts of Belize.

The CSU **Barrier Reef** project integrates **environmental** matters related to biodiversity conservation and sustainable management of coastal ecosystems, with the development of socio-economic opportunities for local communities.

The **institutional capacity** of the SIF and of Belize Enterprise for Sustainable Technology (BEST) improved substantially during the implementation of the two components funded by the EC. The Coastal Zone Management Authority and Institute also improve their policy making, planning and managerial capacity as a result of the execution of CSU Reef. IDERP, to some extent, improved the capacity of schoolteachers and of various task force volunteers in contributing in drug abuse prevention and counselling.

4.1.3 Rural Development with focus on Agriculture

Annex I contains the Intervention Framework for the focal sector of **Rural Development, with focus on Agriculture**, as established by the 9th EDF CSS/NIP and revised in the context of the 2003 Annual Review (see Annual Report for 2002)¹⁰. Progress achievements in the indicators is assessed in the following paragraphs. Given difficulties with availability of some of the required data, it may be necessary to review some of the indicators in the context of the 2004 Mid-Term Review.

Poverty in rural areas in Belize was not assessed in 2003, but with the implementation of the EU Rural Development Programme in 2004, the percentage of rural poverty is expected to decrease by 3 % in the 2005 and a further 3% in 2006.

The average median **monthly income** in **rural areas** for 2003 surpassed the targeted 3% increase. This indicator is expected to increase by 5% in 2004 and by 8% in 2005 and 2006. However, the targeted reduction of **rural unemployment** in 2003 was not met.

There was a small decrease in the level of **primary non-traditional agricultural** output. The target set for 2003 was thus not met but it is expected that growth will take place due to an expansion of grains and livestock. Growth in beef, poultry, pigs and milk production, along with an aggressive promotion program stimulating the production for onions and carrots will cause this sector to meet the

¹⁰ In the context of the Annual Review of 2003, when the indicators and targets were chosen for the intervention framework and the Ministry of Agriculture and Fisheries development program in general, only provisional figures for 2002 were available. 2002 was used as the base year and the targets were set based on a percentage growth or reduction from the base year. The values indicated in this report, are now final for the 2002 base year, and as such the numerical values for the indicators have changed from what was indicated in the last report. More importantly, though, is that the percent growth or reduction rates have remained the same for the indicators.

targets set for 2004. The significant increase in the exportation of Red Kidney beans, papayas, peppers and pepper sauces have caused the non-traditional exports to have a 10% increase.

Food imports have increased modestly but have stayed well within the targeted limit. This growth is occurring more as a result of the significant increase in cruise ship and airport arrivals and the on-land tourism. In 2002, 320,000 cruise ship visitors arrived in Belize, while in 2003 the figure had increased to 600,000 arrivals.

Information on **credit** for the non-traditional sector was not available at the time the report was finalised¹¹.

4.2 Utilisation of resources for non-State Actors (NSA)

No funds have so far been specifically earmarked for non-state actors (NSA). It is being envisaged to enable NSA access to funding under the focal area Rural Development Programmes, which is will be implemented under the 9th EDF Country Support Strategy and National Indicative Programme.

4.3 B-Envelope

Under the 9th EDF Country Support Strategy and National Indicative Programme (CSS/NIP) Belize was awarded an allocation of € 1,000,000 to cover unforeseen needs, such as emergency assistance following disasters and losses in export earnings. So far no funds have been committed under the B-Envelope.

4.4 Other instruments of financial and technical co-operation

4.4.1 The European Investment Bank

Total EIB operations in Belize amount to € 20.8 million (from Lomé II to Lomé IV), of which 63% has been provided to the DFC for on lending to a wide range of small and medium sized enterprises. The remainder consists of loans to Belize Electricity Limited and to the Citrus Growers Association. Of the total € 20.8 million, 66% has been from risk capital and 34% from own resources. Under the Second Financial Protocol of Lomé IV, the total amount of approved loans so far is € 8.8 million including the transfer of € 0.1 Million from the 6th EDF Lomé III for the Citrus Industry, which consists of € 5 Million to DFC for financing of citrus groves and € 3.8 Million to CGA for an equity participation in Del Oro Belize.

In addition, € 5 million were financed indirectly by the EIB through an existing credit arrangement with the Commonwealth Development Corporation, which have been used in modernising and improving the citrus processing industry.

No new interventions were started during 2003. With the entry into force of the Cotonou Agreement, the Investment Facility, designed under the Agreement to improve access of Small and Medium Size Enterprises to credit, has become operative. The possible implementation of this facility in Belize will have to be explored. An overview of EIB operations can be found in Annex VI.

4.4.2 Regional co-operation

a) Regional Cooperation

In the context of the Caribbean Regional Co-operation supported by European Development Fund (EDF), Belize benefited from various programmes and activities. Special mention is made of the Fisheries Component of the Integrated Caribbean Agriculture and Fisheries Development Programme (ICRADP). The CARICOM Fisheries Unit (CFU), which is based in Belize, is directly involved in the implementation of this project and works closely with the Ministry of Agriculture and Fisheries, from which the Deputy Regional Authorizing Officer is appointed.

7 RPR 385 Integrated Caribbean Regional Agriculture and Fisheries Development Programme – Fisheries Component (€ 2,858,000)

Major activities and results achieved in 2003

The purpose of the *Fisheries Institutional Development Component* is two-fold: a) to strengthen the planning and management capacity of the national Fisheries Departments in CARIFORUM countries, with specific action in Haiti, the Dominican Republic, Suriname and the Bahamas and b) to enhance the effective participation and support of fishing communities in the planning and management process of the fishing industry, whilst having regard for the sustainable use of the coastal and marine fishery resources.

The 2nd Work Plan in the amount of US\$ 1,535,100 started in November 2001. Given the considerable delay in the start-up of some activities, the period of execution of the Work Plan was extended until December 2003. The extension was to ensure greater sustainability of the activities and increase the focus in Haiti by the end of the Programme.

b) All ACP Regional Co-operation

Belize, directly or indirectly, benefited from projects implemented in the context of the "All ACP Regional Co-operation", in particular within the Natural Resources Sector. One of the most important programmes for Belize is:

FED/REG/70021/000 “Strengthening Fishery Products Health Conditions in ACP/OCT Countries”

The Financing Agreement for this Programme was signed in February 2002. It aims to improve the capacity for sustainable export health controls as well as to improve production. In August 2002, the Belize Agricultural Health Authority (BAHA), Competent Authority (CA) for the implementation of the Programme, submitted to the European Commission a Project Proposal with the priority areas for action. In June 2003 the Project Veterinary Expert for this project visited Belize and met with personnel from the CA and specific areas for technical assistance were identified. Three Terms of Reference (TOR) were prepared by the Office of the PVE with input from the CA. In October and November 2003, three consultants worked with the CA to provide: Advice and Support to the CA, Training to the CA and the Exporting Industry and Advice and Support for Testing Laboratories.

4.4.3 Community Budget Lines

Independent from the activities funded under the European Development Fund, the EU offers direct support to its partner countries through various lines from the annual budget of the European Commission. Details of the projects funded in Belize from the EC Budget can be found in Annex V. Due to its importance the Special Framework of Assistance to the Banana Industry, which is equally budget-funded, is treated separately in the following section.

4.4.4 Special Framework of Assistance to the Banana Industry (SFA)

Prior to commencement of the Special Framework of Assistance (SFA), the Belize banana industry had received a total allocation of € 3,288,000 under the Special System of Assistance (SSA) to Traditional Suppliers of Bananas. When the trade arrangements were modified in 1999 to become compatible with WTO rules, a Special Framework of Assistance (SFA) was established for a maximum period of 10 years starting with allocation year 1999. Under this new SFA, € 16,350,000 have been allocated to Belize, from 1999 to 2003. Council Regulation 856/1999, which gave rise to the European Union Banana Support Programme, established two paths for the traditional ACP suppliers of bananas to the EU: competitiveness or diversification. Belize adopted a competitiveness strategy, which was developed in June 1999 and revised June 2002. The updated banana strategy still focuses on competitiveness, but has also adopted a rural development component to aid banana workers in becoming more skilled marketable and independent.

This Programme is implemented by the Banana Growers Association (BGA) through a Project Management Unit (PMU) that is in charge of the technical implementation of the Project through Annual Work Programmes (AWP), while the National Authorizing Officer, (NAO), has the overall responsibility for the implementation, and approval of contracts and payments.

In accordance with the requirements related to the implementation of the new SFA¹², a strategy document - *Banana Industry Development Strategy Document: Increasing Productivity & Enhancing Competitiveness* (June 1999) was prepared to form the basis of interventions under SFA¹³. The strategy was based on the key assumption that Belize would be able to export 100,000 tons of bananas a year to the EU by 2004, reaching a production level that would allow for economies of scale and productivity gains. However, this strategy faces two constraints in the short run (i.e. up to 2006):

- a) Belize does not enjoy unfettered market access. The licenses Belize once had were assigned to *Fyffes Bananas* and, therefore, Belize is dependent on other operators to move its bananas into the European market.
- b) a downward pressure on prices over the last three years has dampened grower enthusiasm for further expansion to meet critical industry fruit volumes. Increasing farm yields and improving fruit quality related to the investments made by the EC through the EU Banana Support Programme have helped to lessen the impact of declining prices.

As a result of changing trade conditions and of the impact of Hurricane Iris in October 2001, Belize submitted a draft *Updated Banana Industry Development Strategy*, in the course of the first semester of 2002. Beyond focusing on measures to reduce the industry's production cost, the strategy also looks at the development of an appropriate marketing strategy that would lead to the establishment of a direct

¹² Regulation no. 1609/1999

¹³ The strategy is aiming at increasing productivity and enhancing competitiveness by improving yields, driving down operating costs, rehabilitating plantations, upgrading quality control and packing sheds, exploring diversification alternatives and mitigating any adverse impacts on the environment.

market presence for Belize. This revised document also includes the consolidation of a **Rural Development Programme for the bananas growing communities** in the future design of Financing Agreements.

Since the inauguration of the SFA in 1999, the Belize Banana Industry has experienced significant improvements in the areas of drainage and irrigation (SFA 1999 & 2001 allocations), quality of plants, plantation rehabilitation and disease management (SFA 2000 & 2002 allocations), cold storage facilities (SFA 2000), and input management (all previous SFA allocations). However the social and economic recovery of the banana growing communities (under the SFA 2001 allocation) and the newly designed rural development component (under SFA 2002 allocation) are experiencing important delays. For further information on the specific activities carried out for each SFA allocation during 2003, please refer to the annexed Project Sheet.

A Financing Proposal for the 2003 SFA allocation (€3.2 million) was approved at the end of 2003. The main components of this project are as follows: Banana value added component (Drying Plant), Marketing, and Rural development.

The benefits of the banana industry to Belize's economy are substantial. In 1999, the banana industry brought in BZD 56.2 million in hard currency. Industry growth in 2000 increased banana hard currency earnings to BZD 65.0 million. Banana earnings, however, declined sharply in 2001 to BZD 48.1 million due to the damages caused by Hurricane Iris, adding to existing pressures on the local hard currency market. Improvements in industry yields, which this project supports, will translate into the safeguarding of foreign exchange earnings and employment in southern Belize. The private sector's ability to diversify in southern Belize is heavily reliant on the existence of shipping lines. The banana industry has created the only shipping link to Europe through the Big Creek Port in southern Belize. In future, this facility could also be used for trading other commodities.

ACTIVITIES CARRIED OUT DURING 2003 AND RESULTS ACHIEVED:

1999 SFA: Drainage and Irrigation Project - Phase I (€3,100,000)

BEL/B7-8710/1999-01

As stated in the banana country strategy, low per acre yields had been identified as one of the primary hurdles that continue to frustrate Belize's efforts to increase efficiency and competitiveness. The "Drainage & Irrigation Project" was primarily designed to increase per acre yields to at least 1,000 boxes per acre over a three-year period of time.

Due to the late start in the flow of funds, (the initial appropriation of €1,725,220.53 was made available in March 2000, the second appropriation of €572,514.94 followed nine months later in December 2001 and the final appropriation of €571,071.57 by December 2002), and the destruction of fields caused by Hurricane Iris in October 2001, no direct impact of the 1999 SFA programme can be recorded with respect to its impact indicators. Two extensions have been granted through Rider 1 and 2 to the Work Plan to facilitate the completion of the activities.

The banana productions recovered and gained "normal" levels of export volumes and quality by the end of 2003. The combined effect of drainage and irrigation improvements was become visible at the end 2003.

In December 2003 the audit of Year II allocation was launched and the ToR for the external evaluation submitted to EC Delegation. A request to use the remainder balances under the FA has also been

submitted by the NAO. The time limit of the Financing Agreement for commitment is 31 December 2004.

SFA 2000: Plantation Rehabilitation and Quality Improvement (€3,100,000) – BEL/B7-8710/2000-01

The Work Plan related to the execution of the project was signed in October 2001 for an amount of BZD 5,580,000, and covers a period of two years. Project activities includes the setting up of a credit scheme and revolving fund to finance the rehabilitation of diseased plantation (meristem tissue culture) for replanting and the setting up of a specific credit revolving fund for purchasing 40-ft cold containers.

Due also to the disruptions caused by Hurricane Iris in October 2001, programme implementation has been delayed and an extension was granted during 2003. The 1st instalment of the BZD equivalent to €1,505,272 was release to the Project Imprest Account in January 2002. The 2nd replenishment (€558,428.97) was only released in December 2003 due to the lack of commitment from the PMU and BGA in terms of reporting as per Financing Agreement.

In December 2003, the NAO launched the audit of the Project Imprest Account and Revolving Funds.

2001 SFA: Drainage and Irrigation Phase II (€3,450,000) BEL/B7-8710/2001

Almost 60% of the total funding available under SFA 2001 was directed towards completing the drainage and irrigation works which began under SFA 1999. The first appropriation of €1,430,874.43 funds under this 1st AWP was made available in December 2002, so that activities could not start as foreseen in August 2002. The second major component of this 1st AWP seeks to create a social safety net for those who may be affected by an anticipated process of labour rationalising in the banana industry, through the establishment of a Grant Fund for social infrastructure. The social survey was launched by NAO at the end of 2003.

The Micro-credit diversification Fund under FA SFA 2001 will be set up under the second AWP. However this component has not yet started. On 24 of June 2003 the NAO submitted to EC Headquarters a request for a Rider, which proposes to change the planned implementing agency for the Micro-credit Component of the SFA 2001, Community-Initiated Agriculture and Resource Management/Rural Development Project (CARD), and to re-allocate funds from Contingency to the Micro-credit Component. This request is mentioned in the Mission Report of April 2002 “Monitoring Consultancy of the Banana Budget Line” (page. 67-68,) and in the findings of the CARD Project Mid-Term Evaluation. At present, no response has been received from Brussels.

2002 SFA: Support to the Belizean Banana Industry (€3.5 Million) was signed in February 2003. Under this Financing Agreement support is planned for:

- Rehabilitation of aged and diseased plantations with the introduction of Tissue Culture Plants.
- Reinforcement of Disease Management and Monitoring Programme Post Hurricane Iris.
- Rural Development Programme will support demand driven sub-projects in the areas of production of alternative crops, product development (agro-processing), marketing as well as other rural development activities. An expanded rural development net for workers laid off in the industry, their families and communities.

In November 2003, the PMU submitted the Annual Work Plan to the Delegation in order to start the activities. However, due to the changes in the EU procedure with regards the entry into force of the New Financial Regulation, Work Programmes are no longer considered contractual documents. The EC Delegation is waiting from Brussels guidance on how to proceed.

2003 SFA: Financing Proposal SFA 2003 (€3.2 Million)

During the first semester of 2003 the PMU/Banana Growers Association, NAO, Ministry of Agriculture and the EC Delegation have been working together in drafting the Financing Proposal under the 2003 SFA allocation, which passed the EDF Committee of November 2003. It is foreseen that the Financial Proposal will be signed by the EC in February 2004. The main components of this project are as follow: Banana value added component (Drying Plant), Marketing component and a Rural development component

Degree of integration of cross-cutting themes

Gender

Most of the workers in the packing sheds are women. It is anticipated that as improvements in industry yields are realized additional women will be employed on the farms. Within the 2001 SFA, the PMU is to collect employment data as a part of the Social Recovery Programme. With this information in hand the PMU will be able to speak more authoritatively on the employment and economic status of women in the industry.

Environmental impact

The BGA and the local regulatory authority have concentrated much effort on training industry players to enhance the safe use of chemicals. There is still need for a more systematic monitoring of the environment. The BGA has a unit that is mandated to monitor baseline data that has been collected on rivers, for example, in the banana industry. An environmental management project forms a part of Belize's Banana Country Strategy, which will be submitted to the EC.

5. Programming Perspectives for the following years

5.1 Integration of new EC/EU policy initiatives and commitments

For Belize new initiatives and commitments in the areas of immigration and environment would appear of particular importance. A Migration Profile for Belize has been established and annexed to this report, as has been a Country Environmental Profile (CEP). The implications of migration on the Country Support Strategy should be further reflected.

The question of adequate consideration of other possibly relevant initiatives and commitments should be kept on the agenda of the dialogue between the Delegation and GOB and, if necessary, discussed in upcoming review meetings.

5.2 Proposal on a review and adaptation of the CSS/NIP

The Country Support Strategy/National Indicative Programme (CSS/NIP), 2002-2007 was signed in November 2002. In this document the Government of Belize and the European Commission identified as focal area of cooperation a **Rural/Agricultural Development Programme**. An amount of €7

million have been earmarked for this programme, while an additional amount of € 0.8 million will be used for a non-focal capacity building programme for the public administration. An amount of € 1 M has been reserved for unforeseen needs, such as emergencies and loss in export revenue.

Update on programming of A-Envelope

A consultant was contracted in May 2003 with the task of preparing a feasibility study and financing proposal for the rural development programme. The draft document is expected to be finalized in the first quarter of 2004. A Financing Decion should be taken by September 2004.

Balances from the 8th EDF

€ 400.000 are expected to be left as an unspent balance under EDF 8 the project for the construction of the Sibun River Bridge (8 ACP BEL 10). It is considered that these balance might be used for the urgently needed replacement of another bridge along the Hummingbird Highway. The old bridge over the Silver Creek was built some 50 years ago by the British Government and it no longer meets basic safety requirements. It should be replaced as a matter of urgency, since if presently spans it is in a deteriorated condition and the settlement of the centre pier has caused a distortion of the bridge deck. Several accidents have occurred at the bridge. The total cost of replacing the bridge with a safe and modern infrastructure is about €850,000. The carry-over from the Sibun River bridge construction could those partially meet the needs.

Update on B-Envelope

A request was made by Belize during 2003 to use the B-Envelope funds (€ 1 M) for rehabilitation of a bridge that suffered hurricane damage in 2001. This request could, however, not be honoured due to the fact that works had progressed to a stage that did not permit retro-active funding under European Development Fund rules and procedures.

Belize has not been eligible for compensation under FLEX for 2001, 2002 and 2003, given the requirement that exports have to decrease by at least 10% .

Proposal on a review and adaptation of the CSS/NIP

Given the important needs of the country, the National Authorising Officer and the Head of Delegation propose the following change to the CSS/NIP:

It is proposed to transfer € 980.000 from the B-Envelope to the A-Envelope. The funds thus transferred should be used to fund urgent road infrastructure works, as mentioned above, in support of the focal area activities.

6. Conclusions of the Joint Annual Report

The MTR and the Joint Annual Report 2003 process has indeed taken place along the agreed lines, in accordance with the stipulations in the Cotonou Partnership Agreement and was concluded in a final meeting with the NAO on 21 February 2005.

The Medium Term Review conclusions propose:

- **To maintain the Strategy for Belize as contained in the CSP and NIP;**

- **To maintain the funds under envelope A and envelope B**

- *Key results of the consultation with Non-State Actors and how they have been incorporated in the implementation of cooperation and programming perspectives;*

Four main NSAs involved with rural development and poverty reduction were invited to attend the Annual Operational Review. The NSAs are: the National Trade Union Congress of Belize, the Association of National Development Agencies, Help for Progress and the Belize Marketing Association. Belize's situation as regards NSA involvement in the development process should be categorised as type 2 but moving close to type 1.

The NSAs are involved in influencing the policy direction of the Government and providing technical input where it can support the development process. In future this involvement may be broadened to include a dialogue on regional integration and trade policies and the way they impact on development. The NAO has held a workshop with NSAs to capture their comments for inclusion in the final version of the AR 2003. A final version will be circulated to the NSAs, the Delegation in Jamaica and Brussels.

- *Whether a change of strategy was proposed and agreed, or whether the choice of the focal sectors was confirmed;*

The choice of rural/agricultural development as focal sector has been confirmed.

- *Position taken on the integration of the new EC/EU initiatives and commitments;*

New initiatives and commitments in the areas of immigration and environment are particularly important. The implications of migration on the CSP should be further reflected. Consideration of other possibly relevant initiatives and commitments should be kept on the agenda of the dialogue between the Delegation and the Government.

Consideration should be given to using part of the €400,000 remaining under project No 9 ACP BEL 001 to support a project on capacity building for NSAs, regional integration and support for EPA negotiations.

- *Overall assessment of the country in terms of financial performance, sectoral performance and 'special considerations' such as progress in institutional reforms and towards poverty reduction;*

*Over the last ten years Belize's financial performance has been satisfactory overall. As to the sectoral performance, given the destructive effects of the hurricanes and since the agricultural sector in rural areas only revived at the end of 2002, the outcome is considered **adequate**.*

Considering the economic hardships the country underwent, the evolution of the Millennium Development Goals in Belize is quite satisfactory.

- *Community position/decision on the revision of the country allocation;*

Based on the above, the Commission believes there is **no reason to consider a change in the scope of the CSP**.

Given the substantial needs of the country, the **financial allocation under the CSP is to be**

maintained. Possible allocation of B-envelope funds for a Disaster Preparedness and Early Warning Mechanism should be considered given the country's vulnerability to natural disasters.

- *Possible differences in opinion between NAO and Commission which came out during the review process (if applicable);*
- *Key perspectives for the future*

It would seem appropriate that Rural Development continues to be the focal sector in the next programming exercise. However, the trend seems to be a rural development programme that will pay at least as much attention to the social components as to the productive agricultural aspects.

ANNEXES

Annex I - Intervention Framework¹⁴

Sector: Rural Development	Performance Indicators	Status 2002	Target 2003	Assessment 2003	Target 2004	Target 2005	Target 2006	Sources of information	Assumptions
National Sector Target - To contribute to the reduction of poverty in the Rural Areas of Belize	1. evolution of number of people below poverty line in rural areas	44.2% of rural Population according to LSMS 2000	42 % Impact medium to long-term	?	40% Impact medium to long-term	37% of rural population	34%	CSO, Country Poverty Surveys	Poverty rate in 2002 is not greater than in 1996 - Political & macro-economic stability - Rural Development Policy focus on poverty reduction
Intervention Objective: To improve the social/ economic conditions of rural households by supporting the development of the agriculture sector and other productive activities in the rural areas	2. change in the incidence of rural unemployment	9.2% (9.4%)	9.1% Minimal impact	9.2% (p)	9.0% Minimal Impact	8.8%	8.7%	-Central Statistical Office	-GOB continued investment in rural areas: infrastructure, health, education, extension services -GOB remains committed to poverty elimination strategy and empowerment of rural populations
	3. Change in the amount of average median monthly rural income	\$657 (\$600)	\$676.00 (3%) Minimal impact	\$700.00 (p)	\$710.00 (5%) Minimal Impact	\$767.00 (8%)	\$828.00 (8%)	Central Statistical Office/ Trade Report	

¹⁴ Revised targets for 2004, 2005 and 2006 to be discussed in Review Meeting

Results		Status 2002	2003 Target:	Assessment 2003	2004 Target:	2005 Target:	2006 Target		
- small scale rural producers have access to markets for both products and services	4. change in the level of primary non-traditional agricultural output ²	\$152.4 million	\$156.9 million (3%)	\$151.7 (p)	\$164.8 million (5%)	\$173 million (5%)	181.7 (5%)	CSO, Trade Report, Central Bank Annual Report	Rural households willingness to invest/ be recipient to diversification / improvement in their economic activities (agriculture and non-agriculture)
Sustainability of Rural Productions Systems Improved	5. Non-traditional Agriculture Exports ³	\$20.5 million	\$22.9 million (10%)	\$22.4 (p)	\$25.2 million (10%)	\$27.7 million (10%)	\$30.5 (10%)		
	6. Food Imports	\$107 million	\$135 million (12%)	\$118.7 (p)	\$131.8 million (10%)	\$142.3 million (8%)	\$150.8 (6%)		
- small scale rural producers have better access to credit	7. Credit for non-traditional sector ¹	\$14.6 million	\$15.0 million	-	\$15.5 million	\$16.0 million			

¹ This refers to credit from commercial banks and from the Development Finance Corporation.

² This refers to the primary value of crop and livestock production, excluding citrus, sugar cane, bananas and fisheries.

³ This refers to total agriculture exports, excluding citrus, sugarcane, bananas, fisheries.

Note: Since the numbers previously given as status for 2002 are now actual, the numbers previously provided in the Intervention Framework for ASWAP Targets for 2003 to 2006 have been changed but the percentages remain the same.

Annex II - Chronogram me of Activities

Titles	Amounts	Identification	Appraisal	Financing decision
Programmable Resources (A-envelope)				
Rural Development (focal sector)	7.0	October 2004	March 2004	September 2004
Support from EC Budget				
Banana Support	3.2			Jan. 2004

Annex III - Indicative Timetable for Commitments and Disbursements

[See separate Excel Table]

Annex IV - Financial Situation

BELIZE

National Indicative Programme 6th EDF	7,979,725
Balances 4th EDF	5,065,383
Transfer	3,000,000
<u>Committed at 30.12.03</u>	<u>13,045,107</u>
Available balance	0

National Indicative Programme 7th EDF	8,978,364
Balances 5th EDF	8,864,382
<u>Committed at 31.12.03</u>	<u>17,733,005</u>
Available	109,741

National Indicative Programme 8th EDF	11,434,191
8th EDF Transitional Resources for 9th EDF	8,700,000
Transfer	140,000
<u>Committed at 30.12.03</u>	<u>19,485,265</u>
Available 8th EDF	788,926

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Projects - Commitments and Disbursements - BELIZE

(euro)

Project No.	Project Title	g o r i	Primary	Secondary	Disbursements
			Commitments	Commitments	
			31-12-2003	31-12-2003	31-12-2003
7th EDF 7 BEL 15	CYCLONE KEITH - Echo/BLZ254/2000/01	l	850,000	740,259	740,259
Total open projects			850,000	740,259	740,259
8th EDF 8 BEL 01	Upgrading Hummingbird Highway Sec A	g	4,700,000	4,610,040	4,604,238
8 BEL 02	Integrat. Drug Demand Reduct. Prog.	g	300,000	300,000	194,586
8 BEL 03	Social Investment Fund	g	1,600,000	1,575,146	1,575,146
8 BEL 04	Fin. Mgmt Dev.: Training & Dev. Ctr	g	500,000	500,000	500,000
8 BEL 05	Conservation & Sustain. Use/Barrier Reef	g	600,000	600,000	554,370
8 BEL 06	Rehab./Karl-Heusner Memorial Hospital	g	56,291	56,291	56,291
8 BEL 07	Remedial Activ/Karl-Heusner Mem Hospital	g	1,600,000	1,586,926	1,577,661
8 BEL 08	TA Exec.&Monitor. Rehab Karl-Heusner	g	78,900	78,900	74,094
8 BEL 09	Citrus Sector Operations	g	8,700,000	8,700,000	6,537,898
8 BEL 10	Construction of New Bridge o/Sibun River	g	1,999,000	1,342,500	1,066,441
8 BEL 11	Study on Agriculture Sector-Wide Approach Prog	g	140,000	135,462	81,277
Total 8th EDF			20,274,191	19,485,265	16,822,002
9th EDF 9 BEL 01	Technical Cooperation Facility (TCF)	g	0	0	0
Total 9th EDF			0	0	0
Total 7th, 8th & 9th EDF (open projects only)			21,124,191	20,225,524	17,562,261

Annex V – Projects funded from the budget of the European Community

**B7-6000/PVD/2000/854/GR Sustainable Community Development Programme
in Belize € 223,000**

**B7-6200/1999-10 Development of Cockscomb Basin and Crooked Tree Wildlife
Sanctuaries as Centres for Co-management of Protected Areas
€ 1,302,690**

Started in December 1999, this project aims to promote biological diversity and ecological integrity of Belize's ecosystems through stakeholder participation in sustainable development. Two ecologically important Protected Areas, the *Cockscomb Basin Wildlife Sanctuary* and the *Crooked Tree Wildlife Sanctuary* were selected as centres for co-management. Local and Regional Advisory Committees were established, with representatives from the communities themselves, as well as from Government, NGOs and other institutions. This mechanism therefore permits local communities to input into the development of management practices and policies.

In its third year of implementation, project implementation was seriously affected by Hurricane Keith in 2000 and Hurricane Iris in 2001. The two project sites, *Cockscomb Basin Wildlife Sanctuary* and *Crooked Tree Wildlife Sanctuary*, were heavily affected. Communities therefore focused on rebuilding their homes and providing food for their families, rather than on the project's objectives. In light of this, the project was granted an 18-month extension until September 2004.

However, in spite of this slower start, the project caught up in 2002. Considerable effort was focused on building relationships of trust within the communities. With the implementation of capacity building activities, the initial resistance of the communities was replaced by a more positive relationship with the project. Seeing the need to support buffer communities around these Sanctuaries to manage their natural resources, a Model for Co-Management was established for each site. Three of the six Economic Demonstration Projects were made fully operational: a Cashew Cooperative, a Honey Cooperative and a new Craft Shop for the Maya Centre Women Group. The remaining three Projects are projected to start in 2003.

There have been numerous field visits organised for community members to other Protected Areas, both in Belize and in the neighbouring countries of Mexico, Costa Rica and Guatemala. This has generated interest too, in alternative income-generating projects as well as in developing tourism-based projects not originally planned in the project.

As part of the Education for Sustainability Programme, Environmental Educators were trained within the communities. The project also produced much environmental educational information for use in both primary and secondary schools. Additionally, it promoted linkages with formal education sector as evident in its collaboration with the University of Belize. The Visitor and Training/Conference Centres in both Sanctuaries were made more interactive, and informative brochures were designed and published.

The project is being implemented by the Belize Audubon Society, and has received € 665,819 from the European Union.

B7-6201/2000-09 Development and Demonstration of Sustainable Forest Management Techniques applied by community and other non-governmental forest managers in Belize

The EC's *Tropical Forests in Developing Countries Budget Line* is intended to cover financing and technical assistance for developing countries' and regional organisations' efforts to promote the conservation and sustainable management of tropical forests.

The project funded under this budget line in Belize – “Development and Demonstration of Sustainable Forest Management (€ 1,595,115)” aims to ensure that sufficient area of natural forest is conserved in Belize, to maintain biodiversity, basic environmental services, supply of forest products for domestic needs and forest resources contributing to the national economy. The principal objective is the development of viable approaches to use resources in forest areas by communities and private entities that are compatible with the conservation management goal of the particular sites, whilst providing for sustained benefits in terms of revenue generation, continued access to needed materials, and the new opportunities for enterprises supporting the local economy.

The contract for this Programme was signed on January 2, 2001, and is valid for 48 months after date of signature. Project activities include: 1) the analysis of sustainable forestry resource management and development approaches; 2) initiation and implementation of five demonstration projects in partnership with local communities and private managers; 3) institution building of at least five local management organisations, including training workshop programmes; 4) development of small businesses adding value to forest products; 5) research of further options for resource use, and monitoring of environmental impacts of management approaches; 6) assessment of project results and 7) production of a training/reference manual for community and private sector managers of protected areas.

Annex VI - European Investment Bank

Region /	Project Name	Status	Convention	Contract	Amount signed (m)		Date of	Amount outstanding (m)		Beginning
Country				number	OR	RC	signature	OR	RC	Repayment
Caribbean										
Belize	DFC BELIZE P.G.	Disbursed	Lomé - 2	70405		0.60	12/12/83		0.24	10/12/92
	DFC BELIZE II PRET GLOBAL	Disbursed	Lomé - 3	70641		0.50	15/1/87		0.29	30/9/95
	BELIZE ELECTRICITY	Disbursed	Lomé - 3	70971		0.20	5/10/94		0.16	31/5/00
		Disbursed	Lomé - 4	70972		3.50	5/10/94		2.88	31/5/00
	DFC GL III	Disbursed	Lomé - 4	18989	2.50		2/10/96	2.11		31/3/01
	BELIZE CITRUS SECTOR OPERATION	Signed	Lomé - 4 - Bis	20711		5.00	29/8/00		1.00	15/7/07
	BELIZE CITRUS SECTOR OPERATION	Signed	Lomé - 3	20728		0.10	14/9/00		0.09	15/7/15
		Signed	Lomé - 4 - Bis	20728		3.70	14/9/00		3.47	15/7/15
	Total				2.50	13.60		2.11	8.13	

Annex VII – Project Sheets

IMPLEMENTATION OF REMEDIAL MESURES AND ACTIVITIES AT KARL HEUSNER MEMORIAL HOSPITAL

Project Authority:	Ministry of Health	
Time Frame:	Financing Agreement:	March 2000
	Project ended :	December 2002
Accounting Situation:	All figures in euro	

Account No	8 ACP BEL 001	Total
Decided	1,600,000	1,600,000
Contracted	1,589,799	1,589,799
Disbursed	1,573,415	1,573,415

SUMMARY OF THE STATE OF PROGRESS:

An amount of € 1.6 Million was allocated in March 2000 for the implementation of remedial measures and activities at the Karl Heusner Memorial Hospital in Belize City. The Steering Committee and Project Management Unit were established on 21st March 2000. The project coordinator funded from a separate Technical Assistance contract started her work on 15th March 2000.

An initial work programme (WP) related to the execution of the project was signed in May 2000 for a total amount of BZD 3,208,057 including a contribution from the Government of Belize of BZD 397,137. Owing to the depreciation of the euro, the total amount of the WP was reduced with the rider n.2 to Bz\$ 2,834, 628 (~ € 1,600,000) while the GoB contribution to the project remained unchanged. Because of the depreciation of the euro and cost overruns only some of the original activities were implemented.

In December 2002 all activities to be implemented under EDF financing were completed. Some minor works under GoB financing were to be completed. The closure of the work programme has been completed in 2003.

CONTEXT AND OBJECTIVES:

The overall objective of the project is to contribute to improving general health standards in the country. The project purpose is to increase the quality of the KMH health services delivery in a sustainable manner, through the restoration of the functionality of the buildings, plants and equipment and through the development of an adequate maintenance service.

The project includes activities for the rehabilitation of works, the rehabilitation of plants, restoration of equipment, maintenance training programme, local consultancy and technical assistance for project co-ordination.

ACTIVITIES CARRIED OUT DURING 2003 AND RESULTS ACHIEVED

The evaluation of the project was carried out during the first quarter of 2003, the final report was finalized in February 2003. A rider was established to extend the duration of the work programme in order to allow the closure of the accounts. The closure has been finalized.

CONSTRUCTION OF THE NEW BRIDGE OVER THE SIBUN RIVER ON THE HUMMINGBIRD HIGHWAY

Contracting Authority: Ministry of Public Works and Transports

Time Frame: Financing Agreement: January 2002
Estimated End of Project: December 2004

Accounting Situation: All figures in euro

Account No	8 ACP BEL 001	Total
Decided	1,999,000	1,999,000
Contracted	1,342,500	1,342,500
Disbursed	1,066,440	1,066,440

SUMMARY OF THE STATE OF PROGRESS:

The works are divided in two lots. The lot n.1 regards the construction of a provisional wooden bridge to be used for the traffic diversion during the works and is financed by the Government of Belize (272,281 Bz\$=€ 250,000). The lot n.2 financed by the 8th (1.342 million euro) regards the demolition of the existing bridge and the construction of the new bridge. The tender for the selection of the Contractor, was launched on 30th of May 2002. Four bids were received on 30-7-2002. The contract was awarded and signed in October 2002.

The works started in November 2002 and have been completed in December 2003, excepted some minor supplementary works (rip rap protection of the river shores beside the bridge, supplementary safety barriers) to be carried out in January 2004. These works have been the subject of two riders to the initial contract.

CONTEXT AND OBJECTIVES:

The overall objective of the project is to promote economic growth by enhancing the road infrastructure serving the main citrus areas in the southern part of Belize.

The project purpose is to make uniform and consistent the standard of the rehabilitated Hummingbird highway with a safe and reliable crossing of the Sibun Bridge.

To achieve this purpose a new bridge is being built over the Sibun Bridge 91m long with a width of 7.2 m plus walkway. This arrangement will allow two traffic lanes and unrestricted pedestrian access. The construction of the new bridge will be implemented on the same emplacement of the existing bridge that is to be demolished. A provisional wooden bridge will allow the diversion of the traffic. The cost of the provisional wooden bridge is borne by the Government of Belize.

The supervision of the works is carried out by a British Consultant under GoB financing.

ACTIVITIES CARRIED OUT DURING 2003 AND RESULTS ACHIEVED

During 2003 the contractual works have been carried out and completed in December 2003. Some supplementary minor works (rip rap shore protection and supplementary safety barriers) will be carried out in January 2004. Two riders to the initial contract have been established in order to include the supplementary works mentioned above. The provisional acceptance is foreseen for January 2004.

**DEVELOPMENT OF COCKSOMB BASIN AND CROOKED TREE
WILDLIFE SANCTUARIES**
Project Number: B7-6200 / 1999-10

[to be updated]

**CONSERVATION AND SUSTAINABLE USE OF THE BARRIER
REEF COMPLEX**

Project Number: 8 ACP BEL 005

[to be updated]

PROJECT SHEET: EU BANANA SUPPORT PROGRAMME BELIZE (BSP)

- [to be updated]

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**DEVELOPMENT AND DEMONSTRATION OF SUSTAINABLE
FOREST MANAGEMENT**
[to be updated]