Government of Belize

Repeat PEFA Assessment Report

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DISCLAIMER

CURRENCY AND EXCHANGE RATES

Currency unit = Belize Dollars (BZD)

€1 = BZD 2.0 (as of 1 November 2013)

Government Fiscal Year: April 1 - March 31

Abbreviations and Acronyms

AG	Accountant General
AGD	Accountant General's Department
ASYCUDA	Automated Systems for Customs Data
AW	ASYCUDA World
BCC	Budget Call Circular
BCCI	Belize Chamber of Commerce and Industry
BITA	Business and Income Tax Act
CARTAC	Caribbean Regional Technical Assistance Centre
CBB	Central Bank of Belize
CDB	Caribbean Development Bank
CED	Customs and Excise Department
CG	Contractor General
CITO	Central Information Technology Department
CPM	Corporate Performance Management
EBOs	Extra Budgetary Operations
EU	European Union
FARA	Finance and Audit (Reform Act
FOs	Financial Orders
FEs	Forward Estimates
GoB	Government of Belize
GST	General Sales Tax
GSTD	General Sales Tax Department
IDB	Inter-American Development Bank
HRMIS	Human Resource Management Information System
IPPMS	Integrated Personnel and Payroll Management System
ITD	Income Tax Department
MFED	Ministry of Finance and Economic Development
MoH	Ministry of Health
MNRA	Ministry of Natural Resources and Agriculture
MoWT	Ministry of Works and Transport
MPS	Ministry of Public Service
MTEF	Medium Term Expenditure Framework
MYES	Ministry of Youth, Education and Sports
PAC	Public Accounts Committee
PEFA	Public Expenditure and Financial Accountability Assessment
PFM	Public Financial Management
PAC	Public Accounts Committee
SDU	Service Delivery Unit
SIGTAS	Standard Integrated Tax Administration System
SOs	Stores Orders
SOE	State Owned Enterprises
TSA	Treasury Single Account

SUMMARY ASSESSMENT

Integrated Assessment of PFM Performance

1. Overall Summary

Some progress has been made in strengthening PFM systems since the 2008 PEFA assessment:

- The summary assessment table indicates increased scores for 9 PIs (1, 4, 6, 7, 9, 12, 13, 24, 26,) and 2 donor practice indicators.
- Five indicators show a strengthening trend (▲) though not yet by enough to increase the scores (8, 14, 17, 25, 28).
- Thirteen indicator ratings have not changed (3, 5, 10, 11 15. 16. 18-23, 27).
- The methodology for PI-2 changed and comparison with the previous rating is not possible.
- D-1 was rated in the 2008 assessment under different assumptions concerning the definition of budget support, and so the extent of change since then cannot be assessed.
- Thus 14 (more than half) of the 27 PIs (excluding PI-2 and the donor indicators) improved their ratings or are in the process of improving them.
- Seven of the PIs scored above C+ (1, 3, 4, 6, 7, 11, 13), compared to only 3 PIs under the 2008 assessment (1, 3, 11). Including PI-2, eight of the PIs score above C+. Conversely, 19 PIs scored below B, compared with 24 PIs under the 2008 assessment (excluding PI-2 from the analysis).

Areas of strengthened performance include:

- Budget preparation *(PI-11*);
- The controls over budget execution, which enable in-year predictability in budget execution and reduce the chances of payments arrears *(PIs 4, 16, 20).*
- Development of a tax audit function, though still in its early days.
- Debt recording and reporting *(PI-17*).
- In-year budget performance reporting *(PI-24*.
- The transparency of donor operations. Donor funding is increasingly being channeled through Treasury-controlled bank accounts: *(PI-7, PI-17, PI-24, D2-D3).*

Areas where performance has not strengthened significantly:

- Lack of transparency in the system of fiscal transfers to municipal governments. *(PI-8)*. This issue is currently being addressed by GoB, as noted by the Finance Secretary at MFED at the PEFA workshop on 23rd May.
- The fiscal risk posed by state-owned enterprises and municipal governments. This issue is also being addressed by GoB, as emphasized at the 23rd May workshop *(PI-9)*.
- Insufficient development of forward expenditure estimates, a pre-requisite for the development of a medium term perspective in budgeting, and, within this, the effective introduction of program budgeting *(PI 12)*. As emphasized at the 23rd May workshop. Progress is now being made in this area, as indicated in the FY

2014/15 budget, which was presented in programme budget format as well as traditional format and included two year forward projections.

- Insufficient costing of multi-year sector strategic plans (PI-12), also a pre-requisite for the development of a medium term perspective in budgeting.
- *Revenue administration:* discretionary element of tax laws, tax databases not yet integrated, penalty structure, collection of tax debts, insufficient accountability framework. The GoB is planning to resolve these issues *(PIs 13-15)*.
- *Lack of cash flow forecasting and associated use of cash plans, combined with a Treasury Single Account system not yet being in place,* detract from the efficiency of the budget execution process through constraining liquidity management *(PIs 16-17)*. These issues are in the process of being addressed. A large, but decreasing number of government bank accounts remain outside Treasury control *(PI-17)*.
- *Issues in payroll control*: *Ex post* reconciliation between the payroll and personnel records is not yet taking place. The first payroll audit undertaken in Belize has just been completed *(D rating for PI 18 iv)*.
- *Issues in procurement* (legal framework, justification for use of limited competition, transparency, appeals process); *(PI-19)*.
- *Non-compliance with a number of non-wage internal control*s (except expenditure controls), as indicated in the annual reports of the Auditor General *(PI-20).*
- Slow development of the internal audit function *(PI-21).*
- Problems in preparing annual financial statements, leading to their insufficient comprehensiveness and accuracy and delays in submitting the statements to the Auditor General *(PI-25).*
- Capacity constraints in Office in Auditor General leading to delays in submission of audit reports to Parliament *(PI-26).*
- The legislature approving supplementary budgets *ex post).*
- Non-functionality of the Public Accounts Committee, such that legislative scrutiny of audit reports has been minimal, though it has recently picked up *(PI-28).*

2. Summary of Core Dimensions

Credibility of the Budget (PIs 1-4)

The credibility of the budget remains good, in terms of the closeness of actual aggregate expenditures and revenues to budget amounts over the last 3 fiscal years and the apparent absence of expenditure arrears (apart from historical ones under the Ministry of Natural Resources and Agriculture). The credibility arises from a robust budget preparation system and strong budget execution controls, facilitated by Smartstream (the IT-based budget execution, reporting and accounting system).

Good ratings under these dimensions do not necessarily imply a high quality of public expenditures. As noted below, addressing PFM issues under many of the other indicators would help support both improved value for money of public expenditure and a higher level of public expenditure through strengthened revenue collections.

Transparency and comprehensiveness of the budget (PIs 6-10):

Ratings have improved under PIs 6-7.

- The comprehensiveness of budget documentation (PI-6) has improved to B from C, mainly through the inclusion of the macro-fiscal framework at the end of the Budget Estimates.
- The extent of external un-reported extra-budgetary operations (EBOs) has diminished, the rating for PI-7 (ii) increasing to B from C. This is due partly to more donor projects being executed through the Treasury system (due to donors increasingly channeling their funding to bank accounts held in Central Bank of Belize), and more information being provided by donors that are still using accounts outside CBB.

The transparency of inter-governmental relations and oversight of fiscal risk posed by statutory bodies and local governments remains limited. (PIs 8-9)*.*

- Local governments have been receiving subventions from central government for years, the size of each subvention much the same each year. The system is clearly non-transparent; population sizes have changed, so that per capita transfers now vary significantly between local governments for no apparent reason. An equity-based transfer system has been drafted, but has not yet been accepted. A major issue is the concern of some municipalities that they may receive lower transfers under an equity-based transfers formula. This is a particular concern for Belize City, which has pledged its subventions to a sinking fund in connection with the development bond that it put on the market in 2012.

- An improvement in transparency was the adoption in 2012 by local governments of the central government's chart of accounts *(increased rating for PI-8 dimension iii)*. In principle this means that their budget execution reports and financial statements can be consolidated with those of the central government, enabling the preparation of 'general' government reports. The benefit is that taxpayers have a better understanding of how much of their money is being spent on public service delivery in the country as a whole.

- This change is also strengthening GoB's ability to monitor local government finances *(increased rating for PI-9, dimension ii*). Local governments pose fiscal risk for central government, as their revenues, property taxes in particular, tend to underperform. Belize City appears to be a particularly significant risk due to the large infrastructure projects it is financing through its bond issue. On the positive side, local governments are generating new revenues through the assignment of traffic licensing responsibilities to it. GoB, through MFED and Ministry of Local Government (MoLG) does not yet prepare consolidated fiscal risk reports in relation to local governments.

- Statutory bodies/state owned enterprises pose potential fiscal risk to GoB (PI-9 (i)). GoB's monitoring of them has strengthened, *(increase to C rating from D rating under PI-9 (i)),* but GoB is not yet preparing consolidated fiscal risk reports that would reduce the surprise element of financial problems being experienced by these bodies and strengthen the design of risk mitigation measures.

The extent of public access to fiscal information has not changed (PI-10, C rating unchanged): Only 2 out of the 6 information elements are provided: budget documentation and in-year budget execution reports. External audit reports, contract awards and information on resources available to primary service delivery units are not available to the public, hindering it from holding the government to account for the way it spends public money.

Policy-based budgeting (PIs 5, 11-12)

Performance has strengthened under PI-11 (budget preparation) due to expenditure ceilings being introduced in the Budget Call Circular (BCC) for 2013/14 budget preparation, the BCC receiving the prior approval of Cabinet. A programme budgeting framework was piloted in five MDAs during FYs 2012/13 and 2013/14, and was rolled out for the preparation of the 2014/15 budget. The traditional line-item budgeting system will stay in place until the budget classification system (PI-5) has been amended to conform with the programme budgeting framework.

Revenue administration (PIs 13-15)

The transparency of taxpayer obligations and liabilities strengthened somewhat (increased rating for PI-13 to B from C+). Discretionary powers are still significant in terms of granting exemptions and waiving taxes and penalties for non-compliance *(*unchanged C rating for dim. (i))*,* but the extent of waivers is decreasing (e.g. some discretionary powers moved from Commissioner of Customs to Minister of Finance, the issue of guidelines by Minister of Finance on what areas exemptions can be given). The Belize Chamber of Commerce and Industry (BCCI) is concerned about non-transparency and complexity of the tax legislation which makes life difficult for the private sector.

The quality of tax payer services and the extent of tax payer education have strengthened; the BCCI was complimentary about this (rating for dimension (ii) increased to A from B). The advent of ASYCUDA World has helped to make the customs service more understandable.

The appeals systems in GSTD and ITD are operating, an improvement since the 2008 assessment (rating for dimension iii increased to C from D). The number of appeals is small; BCCI says that the requirement to pay tax due prior to appealing puts potential appellants off.

The control system for taxpayer registration and tax assessment is improving; the rating for PI-14 stays at C, but with an upward arrow. This is mainly through the establishment of a risk-based audit function in Customs and Excise Department, helped by the establishment of ASYCUDA World and a Post Clearance Audit function (PI-14 dimension iii). A risk-based audit function is in the process of being established in GSTD and ITD. Taxpayer registration controls have strengthened to an extent, but performance remains at C, as the three tax databases are still not integrated and cross checking links with other registration systems are still manual. Limitations in the Standard integrated Tax Administration System (SIGTAS) constrain integration. There is still no direct way of finding non-registered people/companies. No linkage is allowed yet between the tax databases and Social Security Numbers.

Penalties for non-compliance with registration and declaration requirements have not changed and still lack effectiveness (unchanged rating for dim. (ii). The non-filing rate is still significant (20% for GSTD, higher for ITD, though both exaggerated due to duplicate registrations. The porous border with neighboring countries continues to encourage smuggling. Big businesses tend to be more compliant than small businesses.

Collection of tax debts is still a problem for GSTD (annual tax arrears collection rate of about 20%) and ITD, the rating for PI-15 remaining at D+). The structure of SIGTAS makes it difficult to track tax debts. The accountability framework (reconciling collections with assessment) remains weak for the same reason, (rating for PI-15 iii unchanged at D), indicating a possible risk of leakage of funds. Tax collections continue to be efficient, through prompt deposit in the Consolidated Revenue Fund *(*unchanged A rating for dim. ii), but this is of limited comfort if a significant proportion of taxes is not been collected in the first place.

Budget execution and cash and debt management (PI 16-17)

The predictability of resource availability for budget execution (PI-16) has strengthened in an important respect, through signed contracts now having to be registered in Smartstream. Registration provides budget release provision for the payments certificates submitted during the year against the contracts. Previously, MDAs had to apply for budget release in order for the payments to be made. They were able, however, to enter into expenditure commitments with a long term time horizon with reasonable certainty that resources would be available to pay contractors, applying to MFED for budgetary reallocations and advance budget release de-reservations if necessary. The new requirement is preferable as it guarantees resource availability.

Cash flow forecasting enabling preparation of robust monthly cash plans is not yet practiced to the potential detriment of efficient liquidity management *(*unchanged D rating for PI-16 (i))). The budget release system (MFED provides monthly budget release – authority to spend – to MDAs equal to 1/12th of their budget for recurrent expenditure and budget release on request for capital expenditure) acts as an imperfect substitute, but works in terms of providing reasonable assurance to MDAs of resource availability. Moreover, the de-reservation advance procedure of MFED, which allows monthly budget releases to be brought forward, along with budget adjustment procedures, provide some flexibility (e.g. the Ministry of Health is able to purchase drugs in bulk for the year through a one-time purchase agreement). Frequent budget adjustments keep the rating for dimension (iii) unchanged at D, though this is partly a budget preparation and in-year planning problem*.*

With regard to cash management, the rating for PI-17 (ii) remains unchanged at C. MFED knows its consolidated cash position on a timely basis with respect to the 40 accounts it holds in the Central Bank of Belize (CBB), particularly the Consolidated Revenue Fund, and the 40 accounts it holds in commercial banks (e.g. those of the Revenue Departments and sub-Treasuries). This has not been the case with respect to commercial bank accounts held by MDAs, particularly bank accounts in which development partners (DPs) hold funds for executing the projects they are implementing. The Accountant General has therefore not had a full consolidated overview of GoB's cash position. The MFED has therefore sometimes resorted to overdrafts from CBB at the same time that there were idle cash balances in bank accounts.

Increasingly, however, DPs are transferring funds directly to accounts they hold in CBB, from which they transfer funds into MFED-held accounts in CBB and from which payments are paid in connection with projects/programs the DPs are funding. Eventually this practice would facilitate establishment of a TSA in the interests of strengthened liquidity management (combined with MDAs and MFED preparing in-year cash plans based on robust cash flow forecasts (PI-16)). At the time of the PEFA field work (November 2013), a consultant was conducting an overview of the cash handling and cash planning system with a view to planning for the creation of a TSA.

The quality of debt monitoring and reporting remains unchanged at B under PI-17 (i). Differences in the sets of debt records held by CBB and MFED are reducing due to speedier transmission of data to MFED from CBB, but not yet by enough to warrant an A rating.

The performance of the systems for contracting and guaranteeing loans remains unchanged, the rating remaining at C for PI-17 (iii). This is mainly due to the absence of a formal debt management strategy, which would inform the preparation of the macro-fiscal framework, itself informing the preparation of the annual budget. A pre-requisite for a meaningful debt management strategy is the ability to conduct debt sustainability analysis; GoB is in the process of developing its capacity in this regard *(as indicated under PI-12 (ii))*.

Internal controls (PIs 18-21)

Payroll control system performance remains unchanged, the overall rating for PI-18 remaining at D+. This reflects the unchanged D rating for dimension (i) on the extent of timely reconciliation between personnel records and payroll data. The correctness and timeliness of the data from the MDAs that are fed manually into the HRMIS is open to doubt and there is no mechanism for checking each payroll run against the previous run and the changes fed into HRMIS. The ratings for dimension (ii) and (iii) on the timeliness of changes to the payroll and controls over changes remain unchanged at C. The Auditor General recently conducted a comprehensive payroll audit, the first ever, thus enabling the rating for dimension (iv) to increase to B from D.

Procurement system performance (PI-19) has not changed (applying the revised methodology to the situation at that time). The existing procurement legislation has not been strengthened and weaknesses identified at that time still remain. A procurement regulatory unit in MFED has yet to be established. A Public Procurement handbook has been awaiting Cabinet approval for a long time. Open competitive tendering is not explicitly the default method of procurement, the justification for using limited competition procurement methods is non transparent and public access to information is limited. The Contractor General's Office is the only dedicated administrative procurement oversight and complaints receiver mechanism, but is under-staffed and has very limited capacity.

A significant improvement in internal control systems (PI-20) since the last assessment is that the Smartstream commitment control function has now come into full use. A majority of all expenditure now is controlled through the Funds Control Module in Smartstream and its commitment function; the rating for PI-20 (i) increasing to B from D. Signed contracts now have to be registered in Smartstream. This function is, according to Accountant General and Auditor General, on occasion being circumvented by MDAs through the use of manual purchase orders or informal agreements with suppliers, though the incidence of this is diminishing.

The extent of understanding and compliance with non-salary internal control systems (excluding commitment controls) remains the same (*C and D ratings for PI-20 dims. (ii) and (iii) respectively).* According to the Auditor General, (last annual audit report submitted 2012) there are widespread breaches and lack of control in government budget execution systems. General and specific rules for sound financial internal controls and clear accountability are contained in FARA (2005), Financial Orders, and the Control of Public Expenditure Handbook. The responsibilities of officers (e.g. accounting officers) are clearly stated as well as the sanctions imposed on any public officer incurring expenditures without proper authorization. The internal control systems now use, however, a mix of electronic (Smartstream) and manual procedures and the documentation on these has not been updated accordingly, thus hindering understanding. Systematic training does not take place. The rules and procedures are therefore not well established in practice so as to prevent malpractices from recurring. Internal control rules are not enforced and accountability is not demanded.

An internal audit function (PI-21) is still not in place and has yet to reach the planning stage.

Accounting and reporting (PIs 22-25)

Bank accounts reconciliation (PI-22 i) shows no change, the rating remaining at B, as reconciliations of bank accounts held in commercial banks by MDAs are still not being submitted to the Accountant General. Clearance of suspense accounts (PI-22 ii) is still rated D; large sums have been held in suspense accounts for several years and have yet to be cleared, capacity constraints and the time needed to clear the accounts being the reason.

The rating for PI-23 on the routine reporting on resources received by primary education and health service delivery units (SDUs) is unchanged at C. Robust systems remain in place for allocating resources (e.g. text books and drugs) to SDUs and routine monitoring on the receipt of these (e.g by parent-teacher associations) is strengthening (e.g. Management Boards of schools being established), but formal monitoring reports on the use of these resource are not yet prepared.

The quality of information on in-year reporting (PI-24) has increased substantially (D+ to C+) due to the improved functionality of Smart Stream. MDAs now have easy access to all necessary standard budget execution reports on line and CITO can also design special reports if requested (ratings for dims. (i) and (ii) improved to A from C). The concern, however, is that reports are far from complete as Smartstream is not capturing information held in below-the-line accounts in commercial banks, which are outside MFED's control. Information is improving, partly because DPs are increasingly not using below-the-line accounts and are instead depositing their funds into accounts in CBB and then depositing these into project accounts under the control of MFED *(*rating for dim. (iii) on the quality of information increased to C from D).

The quality of information issues mean that the Annual Financial Statements have weaknesses that make them incomplete (PI-25: rating unchanged at D+). In her last report, the Auditor General was withholding her opinion on the statements due to the significant material errors and omissions identified in the Financial Statements received from the Accountant General. Such errors and omissions are due in part to insufficient compliance with internal controls, thus facilitating the submission of incorrect data into the system.

The persistent delays of the annual statements are seriously affecting the accountability mechanisms of government. The Auditor General cannot fulfil her statutory audit unless complete statements are submitted. Delayed audit reports reduce the meaningfulness of Parliament's oversight.

External scrutiny (PI-26-28):

The performance of the external audit function (PI-26) has improved marginally, the rating increasing to D+ from D. The FARA (2005) mandates that the Auditor General audit the accounts of all entities that collect, disburse or transact in any way with public monies annually. But autonomous agencies can only be audited when their related legislation or act mandates it so, which may not be the case. Public utilities and government owned companies are not within the mandate of the OAG even if the government owns a majority of the shares. Neither are these bodies mandated to send their financial statements or audit reports to the OAG for information.

Capacity constraints are a serious challenge to making the audit process professional and aligned with modern international standards. The Auditor General's office is only covering 50% of the central government's budget and 40% of the budgets of Cities/Municipalities, though this is a substantial improvement from the situation at the time of the 2008 PEFA assessment, when the external audit function was still being established. Some municipalities have not been audited for several years. Capacity constraints contribute to the long delays in the submission of audit reports to Parliament (unchanged D rating for dim. (ii)).

The Auditor General's Office has applied General Accepted Auditing Standards to some extent when auditing the annual financial statements of GoB. The last submitted audit report mentions that INTOSAI auditing standards have been used as guidelines, indicating a limited use of them, but not full application. The new modern INTOSAI auditing standards (ISSAIs) are now being implemented, however, although it will take some time before staff are fully trained in their use.

The effectiveness of the Auditor General's function is also undermined by the lack of follow-up by MDAs on the recommendations of audit reports, the rating for dimension (iii) remaining unchanged at D.

The rules and procedures for legislative scrutiny (PI-27) of the budget have not changed since the last assessment, the rating remaining at D+. The draft budget is not reviewed until it is close to finalization, thereby limiting the meaningfulness of scrutiny in terms of the extent of linkages to policy objectives and priorities (unchanged C rating for dim. (i)). The process of approving supplementary budgets is an issue. In practice, MFED approves budget adjustments (additional expenditure and reallocations) without the required *ex ante* approval from the National Assembly through supplementary appropriations acts (unchanged rating of D for dim. iv).

The Parliament's oversight role (PI-28) with regard to PFM should be carried out by the Public Accounts Committee (PAC). The PAC has recently started to meet again after having been largely inactive for years. The FARA (2005) combined with the fiscal responsibility legislation under it (SI 95) have contributed to the re-activation. Beginning in September, 2013, it has been conducting hearings on the backlog of reports with the Auditor General and the Accounting General in attendance. No responsible Accounting Officers have, however, been summoned to the hearings. The Opposition is currently not participating in the work of the PAC which makes its work less legitimate and less effective. *The rating for PI-28 remains at D, but with an upward arrow.*

<u>(i) Assessment of the impact of PFM weaknesses</u>

Aggregate fiscal discipline: Aggregate fiscal discipline has largely been maintained, as shown in Tables 1and 2 of Section 2 of this report. Robust expenditure controls and, in recent years, reasonable debt management have contributed. The on-going development of a Medium Term Debt Strategy would add to the robustness of the macro-fiscal framework in support of aggregate fiscal discipline. Improved monitoring of the financial situation of state-owned enterprises and local governments would contribute to reduced fiscal risk posed by these entities, thereby supporting aggregate fiscal discipline.

Strategic allocation of resources: The absence of a medium term perspective to budgeting is hindering the rational strategic allocation of resources. As a first step, forward expenditure estimates need to be prepared, showing the projected costs of implementing current levels of service in the future. Costed sector strategic plans also need to be developed that would form the basis for allocating financial resources to ‘new’ spending above the forward estimates.

Operational efficiency: The principal issues in PFM concern weaknesses in controls (PIs 18-21) that provide the opportunity for funds not being used as efficiently as they could be. Establishment of a procurement regulatory unit in MFED and strengthening of the legislative framework for procurement would eventually lead to improved value for money in public procurement. Revision of the public expenditure handbook and financial regulations to take into account the modern day use of electronic procedures along with the provision of training courses would help to enhance staff understanding of internal control systems and procedures and thus help to strengthen compliance with these. Strengthened accounting would facilitate detection of funds leakages and misuse. Further strengthening of the external audit function, establishment of an internal audit function, and the meaningful re-activation of the Public Accounts Committee would help to discourage the violation of internal controls.

(ii) PFM Reform program

As indicated in Section 4, the GoB has been implementing PFM reforms for a number of years, partly based on the previous PEFA assessment. Progress has not been rapid, but this reflects the complicated nature of many PFM reforms and pressing capacity constraints, as well as, perhaps, political economy constraints. Implementation of PFM reforms (or any reforms for that matter) requires skilled and well-managed human capacity within a supportive institutional environment. Belize has plenty of skilled human resources, but attracting and retaining them in Government is a challenge. Until human resource and institutional capacity is built on a sustainable basis, the progress of PFM reform is likely to be slow.

(iii) Role of development partners

Apart from the provision of substantial amounts of TA, the practices of development partners are increasingly transparent (PIs 7, 17, 24, D2, D3).

Summary of Performance Indicator Ratings, 2008 and 2013 PEFA Assessments

	A: BUDGET CREDIBILITY	Score 2008 PEFA	Score 2013 PEFA	Performance changes
PI-1 (M1)	Aggregate expenditure out-turn compared to	B	A	**Performance improved.** Supported by revenue outturns close to budgeted amounts, actual expenditure deviated from

	original approved budget			the original budget by less than 5% in all three of the last 3 FYs.
PI-2 (M1)	Composition of expenditure out-turn compared to original approved budget *(i) Variance in composition of expenditure* *(ii) Average contingency*	NA *(A, under old method.)*	**B+** (i) B (ii) A	**Methodology changed, so comparison with the previous methodology is not possible.** The B rating for dimension (i) represents variance in the composition of the budget of 7.9%, 8.8% and 7.6% in 2010/11, 2011/12 and 2012/13 respectively, allocations to MoWT explaining much of the variance.
PI-3 (M1)	Aggregate revenue out-turn compared to original approved budget	**A** *(under both revised & old method.)*	**A**	**Performance improved,** though rating unchanged. Revenue outturns in 2010/11, 2011/12 and 2012/13 deviated from budgeted amounts by 0.4%, 3.8% and 0 % respectively. The deviations were lower than those the years covered by the 2008 PEFA assessment). .
PI-4 M1)	Stock and monitoring of expenditure payment arrears *(i) Stock of arrears* *(ii) Arrears monitoring system*	**D** **(i) D** **(ii) D**	**D+** (i) B (ii) D	**Performance improved due to improvement under dimension (i).** MNRA's stock of land purchase arrears fell sharply to 2.7% of primary expenditure at the end of 2012/13 from 7.2% in 2008. (ii) MFED has strengthened its system for guarding against the risk of year-end unpaid bills owed by line ministries. But it does not have a system for tracking such bills, which in the end have to be paid out of next year's budget.
	B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency	**Score 2008 PEFA**	**Score 2013 PEFA**	**Performance changes**
PI-5/ M1	Classification of the budget	**C**	**C**	**Performance unchanged.** The budget classification system is still on an administrative and economic classification basis, consistent with GFS.
PI-6/ M1	Comprehensiveness of information included in budget documentation	**C**	**B**	**Performance improved.** 6 of the 9 benchmarks were met, compared with 3 in the 2008 assessment.
PI-7/ M1	Extent of unreported government operations *(i) Domestic* *(ii) External*	**D+** (i) D (ii) C .	**B+** (i) C (ii) B	**Performance improved under dim. (ii).** Budgeted and actual development partner (DP)-funded projects/programs expenditures are being reported on to a greater extent. The D rating in the 2008 assessment under dim. (i) seems to have been too low.

PI-8/ M2	Transparency of Inter-Governmental Fiscal Relations *(i) Fiscal transfer systems* *(ii) Timeliness of fiscal transfer information* *(iii) Preparation of budget performance reports*	**D** (i) D (ii) D (iii) D	**C▲** (i) D (ii) A (iii) D▲	**Performance unchanged, but strengthening is occurring under dim. (iii)** due to the adoption by local governments of GoB's chart of accounts in 2012/13 and activities under the Municipal Development Project in 2013/14. GoB should be able to prepare a consolidated central and local government expenditure report for FY 2013/14. **The D rating for dim (ii) in the 2008 assessment appears to have been too low, and therefore the overall rating too low.**
PI-9/ M1	Oversight of aggregate fiscal risk from other public sector entities *(i) Central govt.-owned entities* *(ii) Local governments*	**D** (i) D (ii) D	**C** (i) C (ii) C	**Performance improved.** Financial monitoring has strengthened, but GoB is not yet preparing consolidated fiscal risk reports.
PI-10/ M1	Public access to key fiscal information	**C**	**C**	**Performance unchanged:** Out of the 6 elements of information available to the public, as indicated in the PEFA Framework, only 2 are provided – budget documentation and in-year budget execution reports.
	C. BUDGET CYCLE	**Score 2008 PEFA**	**Score 2013 PEFA**	**Performance changes**
	C (i) Policy-Based Budgeting			
PI-11/ M2	Orderliness and participation in the annual budget process *(i) Budget calendar* *(ii) Budget preparation guidelines* *(iii) Timeliness of budget approval*	**B** (i) A (ii) D (iii) A	**B** (i) B (ii) B (iii) B	**Performance improved under (ii)** due to expenditure ceilings being provided for recurrent and Capital II expenditure for 2013/14 budget preparation and the ceilings being approved by Cabinet prior to the distribution of the BCC. The rating for dim. (i) appears to have been too high in the 2008 assessment.
PI-12/ M2	Multi-year perspective in fiscal planning, expenditure policy and budgeting *(i) Multi-year forecasts* *(ii) Debt sustainability*	**D+** (i) D (ii) B (iii) D (iv) D	**C+** (i) C (ii) B (iii) C (iv) C	**Performance improved under three dimensions** as a result of the budgetary reforms being implemented.

	analysis *(iii) Costed sector strategies* *(iv) Investment budgets & forward estimates*			
	C (ii) Predictability & Control in Budget Execution			
	Revenue Administration			
PI-13/ M2	Transparency of taxpayer obligations and liabilities *(i) Clarity of tax liabilities* *(ii) Tax payer education* *(iii) Tax appeals mechanisms*	**C+** (i) C (ii) A *(iii)* D	**B** (i) C (ii) A (iii) C	**Performance strengthened** due to expansion of taxpayer education programmes and the appeals process becoming functional in GSTD and ITD. The rating for dim. (ii) appears to have been too high.
PI-14/ M2	Effectiveness of measures for taxpayer registration and tax assessment *(i) Controls* *(ii) Penalties* *(iii) Tax audit*	**C** (i) C (ii) C (iii) C	**C ▲** (i) C (ii) C (iii) C▲	**Performance is improving** through the adoption of a risk-based audit approach, in CED in particular, helped by the advent of ASYCUDA World.
PI-15/ M1	Effectiveness in collection of tax payments *(i) Collection of tax debts* *(ii) Timeliness of transfers of revenues to Treasury* *(iii) Reconciliation of revenues collected with assessed*	**D+** (i) D (ii) A (iii) D	**D+** (i) D (ii) A (iii) D	**Performance unchanged.** Collections of tax debt are still a small proportion of the debts, and ITD and GST are still behind in reconciling taxes collected with taxes assessed.
	Budget Execution & Cash/Debt Management			
PI-16/ M1	Predictability in the availability of funds for commitment of expenditures *(i) Cash flow forecasting* *(ii) Time horizon for*	**D** (i) D (ii) D (iii) D	**D+** (i) D (ii) A (iii) D	**Performance improved.** The reliability of resource availability for making payments against contracts has strengthened through signed contracts having to be registered in Smartstream. The 2008 rating for dim. (ii) appears to have been too low.

	making expenditure commitments *(iii) Transparency of in-year adjustments to the budget*			
PI-17/ M2	Recording and management of cash balances, debt and guarantees *(i) Debt data recording & reporting* *(ii) Consolidation of government's cash balances* *(iii) Contracting loans & issuing loan guarantees*	**C+** (i) B (ii) C (iii) C	**C+ ▲** (i) B▲ (ii) C (iii) C	**Performance improving under dim. (i), but not yet by enough to increase the rating**.
	Internal Controls			
PI-18/ M1	Effectiveness of payroll controls *(i) Integration & reconciliation* *(ii) Timeliness of changes* *(iii) Internal controls over changes* *(iv) Payroll audits*	**D+** (i) A (ii) A (iii) C (iv) D	**D+** (i) D (ii) C (iii) C (iv) B	**Performance unchanged,** but the payroll audit function has strengthened through the recently completed first ever payroll audit. The situation has changed little since the 2008 assessment. The ratings for dims. (i), (ii) & (iii) appear to have been too high.
PI-19/ M2	Competition, value for money and controls in procurement *(j) Legal framework* *(ii) Use of restrictive procurement methods* *(iv) Complaints system*	**D** *(revised method)* (i) C (ii) D (iii) D (iv) D	**D** (i) C (ii) D (iii) D (iv) D	**Performance unchanged. This indicator was revised in 2011 and is not comparable with the previous framework.** Scores for 2008 are reconstructed for comparison.
PI-20/ M1	Effectiveness of internal controls for non-salary expenditures *(i) Effectiveness of commitment controls* *(ii) Understanding of internal control systems* *(iii) Compliance with internal control*	**D+** (i) D (ii) C (iii) D	**D+** (i) B (ii) C (iii) D	**Performance improved under dim. (i)** due to the introduction of the Funds Control module of Smartstream in 2012**.**

	systems.			
PI-21/ M1	Effectiveness of internal audit *(i) Coverage & quality* *(ii) Frequency & distribution of reports* *(iii) Extent of management response*	**D** (i) D (ii) D (iii) D	**D** (i) D (ii) D (iii) D	**Performance unchanged. An internal audit function is still not in place**
	C (iii) Accounting, Recording and Reporting			
PI-22/ M2	Timeliness and regularity of accounts reconciliation *(i) Regularity of bank reconciliations* *(ii) Reconciliation & clearance of suspense accounts & advances*	C (i) B (ii) D	**C** (i) B (ii) D	**Performance unchanged. R**econciliations of bank balances held by MDAs are still not sent to AG. A large suspense account balance remains uncleared.
PI-23	Availability of information on resources received by service delivery units	**D**	**C**	**Performance unchanged.** Resource allocation and monitoring systems are in place but formal resource use monitoring reports are not yet prepared. The monitoring system has not significantly changed since the 2008 assessment, the rating for which appears to have been too low.
PI-24/ M1	Quality and timeliness of in-year budget reports *(i) Scope of reports* *(ii) Timeliness of reports* *(iii) Quality of information*	**D+** (i) C (ii) C (iii) D	**C+** (i) A (ii) A (iii) C	**Performance improved under all dimensions)** Commitments are now captured in the reports, Capital III expenditure is being increasingly captured, and reports can now be prepared quickly online. Information quality has improved but Smartstream is not yet capturing all information.
PI-25/ M1	Quality and timeliness of annual financial statements *(i) Completeness of financial statements (FS)* *(ii) Timeliness of FS submission to OAG* *(iii) Accounting standards used*	**D+** (i) D (ii) D (iii) C	**D+▲** (i) **C** (ii) D (iii) **C▲**	**Performance is improving** due to the increase in the amount of financial information in annual financial statements and the on-going implementation of IPSAS cash.

	C (iv) External Scrutiny and Audit	**Score 2008 PEFA**	**Score 2013 PEFA**	
PI-26/ M1	Scope, nature and follow-up of external audit *(i) Scope & nature* *(ii) Timeliness* *(iii) Extent of follow-up*	**D** (i) D (ii) D (iii) D	**D+** (i) C (ii) D (iii) D	**Performance improved, due to expanded audit coverage.**
PI-27/ M1	Legislative scrutiny of the annual budget law *(i) Scope* *(ii) Procedures* *(iii) Adequacy of time* *(iv) Rules for amendments to budget*	**D+** (i) C (ii) B (iii) D (iv) D	**D+** (i) C (ii) B (iii) D (iv) D	**Performance unchanged.** The main issues are the involvement of Parliament in scrutiny of the draft budget only at the final stage, and the *ex post* approval of supplementary budgets.
PI-28/ M1	Legislative scrutiny of external audit reports *(i) Timeliness* *(ii) Extent of hearings* *(iii) Issuance & implementation of recommendations*	**D** (i) D (ii) D (iii) D	**D** (i) D (ii) D (iii) D	**Performance unchanged, but strengthening is underway** through PAC resuming its scrutiny function, but the non-participation of the Opposition detracts from its legitimacy.
	D. DONOR PRACTICES	**Score 2008 PEFA**	**Score 2013 PEFA**	**Performance changes**
D-1/ M1	Predictability of Direct Budget Support (i) Annual (ii) In-year	**C+** **(i) C** **(ii) A**	**D** **(i) D** **(ii) NA**	**Change in performance cannot be assessed,** as the 2008 assessment was based on data that included project/programme aid support. The D rating mainly reflects the nature of the budget support agreements and does not necessarily imply donor unpredictability.
D-2/ M1	Financial information provided by donors for budgeting and reporting on project and program aid *(i) Estimates for budgets* *(ii) Disbursement*	**D** (i) D (ii) D	**C** (i) C (ii) C	**Performance improved,** due to most programme/project aid being reflected in GoB's budget and budget performance reports. The aid is not reported on according to GoB's budget classification codes.

	reports.			
D-3/ M1	Proportion of aid that is managed by use of national procedures	**D**	**C**	**Performance improved.** The proportion has increased to above 50%.

Some of 2008 PEFA ratings appear to be have been incorrect or had a different scope, as explained in the table below.

2008 PEFA PI ratings that appear to have been incorrect or had a different scope

P I	Rating	Reasons
PI-4 (i)	D	(i) *The D rating seems to have been too low*. The land purchase arrears amounted to 7.2% of expenditure. A rating of D means the stock of arrears exceeds 10%.
PI-4 (ii)	D	(ii) The rationale for the D rating is unclear, though the rating appears correct. The text states that 'no data on commitments with contractors and suppliers are available', but this is not correct, and, in any case is irrelevant, as it is payables, not expenditure commitments, that are relevant. Nevertheless, as payables are not recognised under the cash-based accounting system, MFED does not monitor unpaid bills owed by line ministries at the end of the FY.
PI-7 (i)	D	*The D rating and therefore the overall D+ rating, appear to have been too low.* The 2008 PEFA assessment shows unreported EBO expenditure as being over 10% of total primary expenditure in 2007/08. This is an overestimate, as it included EBO expenditures which were reported on, and some budgetary expenditures. After adjustment, the unreported EBO expenditures are 4.8% of total primary expenditure, which scores B. This may be an under-estimate, however, as it may exclude spending of un-reported non-tax revenues and is close enough to 5% to qualify for a C rating.
PI-8 (ii)	D	*The D rating, and therefore the overall D rating, appears to have been much too low,* because, it seems to reflect a mis-interpretation of the meaning of the dimension.
PI-11 (i)	A	It is unclear whether the A rating in the 2008 assessment is correct, as insufficient evidence was provided. Little has changed in the calendar and so performance appears not to have changed.
PI-13 (ii)	A	*The A rating seems to have been too high.* Taxpayer education and information services have strengthened since then.
PI-16 (ii)	D	*The D rating seems to have been too low.* The narrative was only one sentence long with no explanation, the apparent implication being that the D rating for dim. (i) meant that MDAs had no reliable information on resource availability for commitment of

		expenditure. In fact there was a cash management mechanism (through the budget release system), albeit inefficient, and MDAs could commit expenditures in accordance with their approved budgets.
PI-18 (i)	A	*The rating seems to have been too high.* Reconciliation between personnel records, the establishment list, and the IPPMS was not being routinely conducted.
PI-18 (ii) & (iii)	A & A	*The ratings seem to have been too high and inconsistent with the* evidence provided.
PI-20 (i)	D	*The D rating seems to have been too low.* Commitments made by MDAs had to be consistent with the approved budget. The funds control module of Smartsteam had not been established, but the budget release system provided for funding of payments requests against submitted payments certificates, if necessary through reallocation of funds between subheads, or advance dereservation of funds.
PI-23	D	*The D rating seems to have been too low.* Systems for allocating and routinely monitoring the resources to service delivery units were in place but not for preparing monitoring reports on the receipt of resources. The situation is largely unchanged.

1. Introduction

Objective

The main objective of this PEFA assessment is to undertake a comprehensive assessment of public financial management (PFM) in Belize, using the Repeat PEFA methodology, including taking stock of the progress made in the PFM reform process since the previous 2008 PEFA exercise. The assessment will help the Government of Belize (GoB) to take stock of where it stands right now in terms of PFM system performance and to determine what, if any, changes it should make in its PFM reform strategy. The assessment will also help Development Partners (DP) to determine what changes, if any, it should make to its TA and financial assistance programmes. The key DPs are EU, Inter-American Development Bank (IDB), Caribbean Development Bank (CDB) and World Bank.

Process

The field work for this PEFA assessment started on 12th November. The two EU-financed consultants, Peter Fairman and Goran Steen, conducted a work shop on the use of the PEFA Assessment methodology on 14th November. The process of meetings and information gathering began on 15th November and ended on 5th December with a briefing of MFED senior management, the team presenting an Aide Memoire and preliminary draft summary scoring table (the finalized version later to appear in the Summary Assessment of the full report). Meetings were held with the Senior Advisor of MFED, Budget Department (MFED), Accountant General's Department (MFED), the three Revenue Departments (MFED), the Auditor General, the Clerk of the National Assembly, representatives (led by the CEO) of Ministries of Education, Health and Works and Transport (and partly with the Ministry of Natural Resources and Agriculture, Ministry of Labour and Local Government, Ministry of Public Service, Human Resources and Management Information System (HRMIS) unit located in MPS (this meeting was held on May 27th, 2014 following the PEFA workshop), Contractor General, Central Bank of Belize, Belize Chamber of Commerce and Industry, and the Municipalities of Belmopan, San Ignacio and Belize City.

Mrs. Zita Magana (MFED) played a pivotal role in arranging the meetings, and organizing and co-ordinating the activities of the consultants.

Following their departure, the consultants prepared the first draft report and submitted it to MFED on March 1, 2014 (later than planned due to various events out of the control of the consultants). Comments were received from the EU delegation in Jamaica on 2 April and from MFED and GSTD on 7th May. The consultants returned to Belize on 20th/21st May and continued to work on the second draft report ahead of a workshop to be held on 23rd May in San Ignacio. The workshop was successfully held, the consultants making a presentation and responding to comments from the 50 participants (mainly from MFED, also a representative from IDB). Follow-up meetings were held on 27th May with representatives from Ministries of Education and Health (in relation to PI-23), HRMIS unit in relation to PI-18 (it had not been possible to meet with it during the first visit) and Budget Department (in relation to D-1). The team left Belize on 28th May and submitted this post-workshop draft on 10th June to MFED The draft was submitted to PEFA Secretariat in mid-June. The comments from the Secretariat were submitted to the team on 9th July. The team has taken these into account in this final draft, submitted on 1 August, 2014.

Scope and methodology

The assessment covers the central government only. It uses the standard PEFA methodology. As this is a repeat assessment, it determines whether the ratings in the 2008 PEFA assessment were correct, and explains changes in performance, if any, since the 2008 PEFA assessment on an indicator by indicator basis.

2. Background

2.1. Economic and Fiscal Information

Belize is the only Anglo-phone country in Central America, bordered by Mexico and Guatemala. It is small and ethnically diverse and has a population of about 350,000 contained in an area of 8,867 square miles, indicating a low population density of about 40 people per square miles. Belmopan, located in the hinterland, is the capital. Belize City, located on the coast, is by far the biggest population centre of the country, and is the economic and commercial hub of the country. Belize's topography ranges from mountains in the hinterland to sea level mangrove forests. Its economic base is mainly agriculture (crops and livestock), fisheries and tourism. A key tourism attraction is the second largest barrier reef in the western hemisphere, dotted with hundreds of islands. Crude oil has been extracted for several years, but production is declining, oil-related revenues projected to fall to 1.4% of GDP in FY 2014/15 from 3.1% of GDP in FY 2011/12. Belize is vulnerable to hurricanes, heavy flooding and crop disease on top of fluctuations in external demand.

Social indicators have not improved, in spite of significant spending in social protection. According to the July 2013 IMF Article IV consultation report, real per capita GDP growth is lower than its peers in the region, increasing 1% a year on average since 2008. The poverty rate increased to 41% in 2009 from 34% in 2002, reflecting increasing unemployment (16% in September 2012), widening income disparity, lagging educational attainment and rising crime.[1]

Table 1 provides macro-fiscal background information. Real GDP growth jumped to 5.3% in 2012 from 1.9% the year before, due to a rebound in agriculture (recovering from weather-related damages to commodity exports impacts in 2011) and tourism. Inflation has been low since 2009.

Table 1: Belize, Selected Economic Indicators	2008	2009	2010	2011	2012
Total population, 000s (2007 data for 2008)	309.8				342.6
% annual growth					2.03
National income and prices					
GNI per capita (US$) ***1/***			3740		
Nominal GDP, BZ$ mills.	2727	2678	2784	2962	3159
GDP % annual real growth	3.8	0	2.7	1.9	5.3
CPI inflation (annual average)	6.4	-1.1	0.9	1.5	1.3
Monetary sector					
M2 % growth	14.0	5.8	-2.1	4.7	5.1
Fiscal sector *(% GDP)*					
Revenue and grants	28.6	27.2	27.5	27.8	26.0
of which: oil revenue	1.5	1.5	2.4	3.0	1.4
external grants	3.2	1.2	0.2	1.1	1.0
Current expenditure	23.3	24.7	24.1	24.1	22.0
Capital expenditure & net lending	4.9	3.7	5.1	4.7	4.6
Primary balance (excl. interest)	4.2	2.4	1.8	2.3	1.3

[1] Information from GoB's Country Poverty Assessment, 2009.

Table 1: Belize, Selected Economic Indicators	**2008**	**2009**	**2010**	**2011**	**2012**
Overall balance	0.4	-1.2	-1.7	-1.1	-0.6
External sector (US$ mill.)					
Current a/c balance, % GDP 2/	-10.6	-4.9	-2.8	-1.1	-1.7
Public & publicly guaranteed debt	79.6	84.9	85.3	83.0	78.6
Domestic	7.8	7.5	12.1	11.2	12.2
External	71.9	77.3	73.2	71.8	66.4
Debt service	9.3	6.8	5.8	7.0	5.8
% exports of goods & services	14.7	12.5	9.8	10.9	8.7
% of government current revenue	35.9	27.5	21.8	26.2	22.9
Gross internal. reserves (US$ mlns)	166	214	218	236	289
% gross external financing needs	85	190	290	327	370
% next year's ext. debt service needs	183	267	211	255	384

Source: IMF Article IV consultation report, July 2013
1/ Per capita Atlas method
2/Includes official grants

At the time of the 2008 PEFA assessment the global financial crisis and hurricanes were hurting Belize's economy and public finances. The 'Superbond' agreement signed in 2007 under which external private creditors exchanged their claims for a new 22 year bond, repayable starting in 2019, would soon start to become a burden due to less favourable economic and fiscal circumstances than originally projected; the build-up of private external debt in earlier years had itself originated from hurricane damage. The projected decline in oil production, starting in 2012, combined with periodic rainfall shortages (impacting on agriculture and hydro-electricity generation), would add to the burden, unless offset by higher growth in the tourism and agriculture sectors, both requiring substantial government-led infrastructure investments; recent large-scale flooding has accentuated the importance of these.

Reacting to this situation, a newly elected, tightened fiscal and monetary policies, embarked on a PFM Reform Strategy in 2009, and negotiated the restructuring of the "Superbond" agreement leading to its signing in March 2013. The PFM reform program was supported by DPs through financial and technical assistance; the 2008 PEFA assessment helped to inform the design of the program. The debt agreement resulted in the exchange of the 'Superbond' for new US$ dollar-denominated bonds. Though the agreement resulted in a reduction in the Net Present Value (NPV) of debt, and substantial cash flow relief, the public debt ratio will remain high. Moreover, an on-going compensation dispute regarding the re-nationalisation of two public utilities poses significant fiscal risk for government (elaborated on under PI-9 in Section 3). The Minister of Finance, in his budget speech for FY 2013/14 (1 March, 2013), clearly recognized the fine line he had to adhere to in terms of providing for the resources needed to finance essential public services and preserving fiscal sustainability (page 13).

Table 2 summarises central government fiscal performance over the last four years.

Table 2: GoB fiscal performance

BZ$ millions	**Actual**	**Actual**	**Actual**	**Actual**	**Budget**
	2009/10	**2010/11**	**2011/12**	**2012/13**	**2013/14**
Total revenue & grants	**736**	**778**	**836**	**831**	**872**
Domestic revenues	702	771	803	798	831

BZ$ millions	Actual	Actual	Actual	Actual	Budget
	2009/10	2010/11	2011/12	2012/13	2013/14
External grants	34	7	33	33	41
Current expenditure	***669***	***682***	***725***	***701***	***751***
Non-interest	*572*	*585*	*625*	*643*	*681*
Wages & salaries	274	279	297	313	335
Pensions	48	45	52	54	55
Goods & services	157	164	172	173	181
Subsidies & transfers	93	97	104	103	110
Interest	97	97	100	58	70
Capital expenditure & net lending	**100**	**143**	**143**	**147**	**156**
Capital expenditure	95	126	138	144	153
Domestically-funded (Cap. 2)	54	73	73	65	67
Externally-funded (Cap. 3)	41	53	65	79	86
Net lending	5	17	5	3	3
Total expenditure	**769**	**825**	**868**	**848**	**907**
Overall Balance	**-33**	**-47**	**-32**	**-17**	**-35**
Primary balance 1	64	50	68	41	35
Financing	**33**	**47**	**32**	**17**	**35**
Domestic (net)	-13	47	42	19	59
External (net)	46	0	-10	-1	-23
Memo items.					
GDP, BZ$ mlns.	2727	2678	2784	2962	3159
Domestic revenue, % GDP	25.7	28.8	28.8	26.9	26.3
Total expenditure, % GDP	28.2	30.8	31.2	28.6	28.7
Overall balance, % GDP	-1.2	-1.8	-1.1	-0.6	-1.1
Primary balance, % GDP	2.3	1.9	2.4	1.4	1.1

Sources: Budget Speech, FY 2013/14 and IMF Article IV consultation report, July 2013.
*****Primary expenditure is total expenditure minus interest payments. It is different from the 'primary expenditure' defined in PIs 1 and 2 in Section 3, which also excludes development partner-financed project and program expenditure.

The Government's macro-fiscal policies are clearly elaborated on in the annual Budget Speech presented by the Minister of Finance to Parliament, and are also explained to government staff in the annual Budget Call Circulars (PI-11).

The main fiscal event of 2012/13 was the Superbond restructuring agreement itself (March 2013), whereby the maturity date of the $530 million of the new US$-denominated bonds is 2039, in place of the maturity date of 2029 for the $ 546 million of the Superbond. The agreement will provide debt service relief to GoB of about US$ 130 million over 5 years, though the public debt/GDP will only marginally decline as the net face value 'haircut' accepted by the creditors was only 3%. The decline on an NPV basis is much larger, however, 43% according to GoB estimates (page 27, 2013/14 Budget Speech, and 29%-31%, according to IMF (page 5 of the Article IV consultation). Details are shown in the 2013/14 Budget Speech and Annex 1 of the IMF report.

Reflecting the Government's commitment to fiscal discipline, fiscal performance has generally been good. After rising in 2010/11, the revenue/GDP ratio fell in 2012/13 to 26.9% of GDP, partly due to declining oil revenue. The fall in the revenue/GDP ratio was offset by a fall in the expenditure/ GDP ratio in 2012/13, largely due to sharply reduced interest payments, as a result of the liability management exercise that GoB undertook during the fiscal year (page 12 if 2013/14 Budget Speech). The primary balance fell in terms of GDP in 2012/13, but this was due to sharply lower interest payments The overall balance narrowed to -0.6% of GDP in 2012/13 from -1.1% the previous year.

The Budget Speech for 2013/14 indicated a broadly unchanged fiscal deficit target of 1.1% of GDP and primary surplus target of 1.1%. The revenue/GDP target would remain about the same as for 2012/13, declining oil revenues to be offset through strengthening revenue administration – increases in customs duties through the newly established ASYCUDA World system, and increases in revenue from General Sales Tax (GST) and Business and Incomes Tax (BPIT) through strengthening assessment and audit techniques. Strengthened revenue administration was a critical element of the equation given a large wage increase built into the budget (elaborated on under PIs 13-15 in Section 3).

The IMF's Article IV consultation report of July 2013 considered that GoB should aim at a high primary surplus ratio of at least 2% for three main reasons: (i) the public debt ratio remains high, notwithstanding the Superbond restructuring agreement, and amortisation payments kick in in 2019, now only 5 years away; (ii) the law suits against GoB in connection with the 2 re-nationalised utility companies might, if successful, prove more expensive to GoB than it expected; and (iii) the automatic civil service wage adjustments of 3% a year and pressures to increase these.

Economic classification of the budget

Table 3 shows the composition of the economic classification of the budget. The percentage distribution of the economic classification of the budget has changed little over the last five years. The main change is an increase in the share of capital expenditure to 17.3% (2012/13) from 13% in the 2009/10 budget, mainly at the expense of a decline in the interest payments share.

Relative to the distribution of economic classification shown in the 2008 PEFA assessment for 2004/05-2007/08, the share of wages and salaries has increased to about 36% of expenditure (average for 2009/10-2013/14) from 33%. The share of goods and services and subsidies and transfers has increased significantly, and the share of capital expenditure has fallen slightly. The share of interest payments has fallen sharply to about 10% from 22%.

Table 3: Economic classification of budget	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**
% Actual expenditure					**Budget**
Wages & salaries	35.6	33.8	34.2	36.9	36.9
Pensions	6.2	5.5	6.0	6.4	6.1

Table 3: Economic classification of budget	2009/10	2010/11	2011/12	2012/13	2013/14
Goods & services	20.4	19.9	19.8	20.4	20.0
Subsidies & transfers	12.1	11.8	12.0	12.1	12.1
Interest	12.6	11.8	11.5	6.8	7.7
Capital	13.0	17.3	16.5	17.3	17.2
Total	100.0	100.0	100.0	100.0	100.0

Source: Table 2

Functional classification

The budget documentation does not show the budget on a functional or sectorial basis. It does not even show the budget on a consolidated administrative basis, showing total recurrent and capital expenditure for each ministry. The tables in Annex 1 that form the basis for assessing PI-2 show recurrent and capital 2 expenditure for each ministry, but not capital 3 expenditure. MFED can clearly prepare a table showing functional classification according to, e.g. economic services, social services, law and order services, administrative services, on the basis of the administrative classification. The 2008 PEFA assessment showed that social services and economic services (e.g. Ministry of Works) comprised 38% and 11% of the budget respectively.

2.2 Legal and Institutional Framework for PFM

Changes in the legal framework for PFM since the 2008 PEFA assessment

Constitution: The Belize Constitution was up-dated in March 2012, mainly in relation to subject matters un-related to PFM. *Inter alia*, it defines the authority of the Governor-General (mainly a ceremonial figure representing the monarch (Queen Elizabeth 11), the Executive, the Legislature and the Judiciary. Part IX deals with Public Finance: establishment of the Consolidated Revenue Fund, the authorization of expenditure from it, and the authorization of expenditure in advance of its appropriation; establishment of a Contingencies Fund; public debt; and audit of public accounts.

An amendment in 2008 to Section 120 of the Constitution states that the Auditor General can be removed for any failure or undue delay to submit a report as required by section 120. This came into effect through Statutory Instrument (SI) 34. Elaboration is provided under PI-26 in Section 3. Section 120 covers the various duties and responsibilities of the Auditor General, also coming into effect through SI 34.

Executive: The Constitution defines the scope of Executive Authority and the roles of the Prime Minister, Deputy Prime Minister, the Ministers of Government, the allocations of portfolios to Ministers, the Attorney General, the Cabinet, Ministers of State, Leader of the Opposition, Chief Executive Officers of ministries, and Secretary to the Cabinet.

Legislature: The Legislature is defined in the Constitution as the National Assembly, which comprises the House of Representatives (Lower House) and the Senate (Upper House). It is constitutionally independent of the Judiciary and Executive. Its powers are defined in the Constitution.

Judiciary: The Judiciary is defined in the Constitution as the Supreme Court and Court of Appeal. It is constitutionally independent of the Executive and the Legislature. The judges on the Supreme Court are appointed by the Governor-General on the advice of the Prime Minister. The Judiciary's powers are defined in the Constitution.

Legislation: The Finance and Audit Reform Act (FARA) of 2005 was amended in 2010 (FARA Amendment Act, No. 31, 30th December 2010) in relation to procurement and fiscal responsibility. For procurement, Section 23 of the Act was amended: (i) to restore the Financial Orders (FOs) and Stores Orders (SOs) to their original status of subsidiary legislation; and (ii) to enhance transparency in the tendering process for Government tender and sale contracts by providing for the establishment of thresholds for open, selective and limited tendering procedures. The FOs and SOs, dating back to the 1960s, had lost their legal status when FARA (2005) was approved. They were supposed to be revised in order to be consistent with the new FARA, but were not. Section 23 was also amended in order to introduce various principles of, and provisions for, fiscal responsibility (e.g. preparation of a fiscal strategy paper). The amendment came into force through SI 95, gazetted as the Fiscal Transparency and Responsibility Regulations on 9th October, 2010. References are made to SI-95 in Section 3, particularly under PI-12.

Revenue administration continues to be mainly governed by the General Sales Tax (GST) Act (2005), the Business and Income Tax Act (BITA) (2000) and the Customs and Excise Act (CEA) (2000). Statutory Instruments (SIs) are used to periodically amend GST rates and exemption/zero rating levels. Nine these were gazetted during 2009-2013, following passage through Parliament. The BITA has been amended five times since 2008 to provide for changes in income thresholds and allowances and Business Tax rates. The Customs and Excise Act is being amended in order to bring it up-to-date, particularly in terms of developments in IT (introduction of ASYCUDA World) that allow for electronic customs processing. Elaboration is provided under PI-13 in Section 3.

Changes in the institutional framework for PFM since the 2008 PEFA assessment

The main changes in the institutional framework for PFM since the 2008 PEFA assessment were: (i) the merging of the Ministry of Economic Development with the Ministry of Finance in early 2012 to form the Ministry of Finance and Economic Development (MFED), thus bringing all PFM functions under the responsibility of one ministry; and (ii) the replacement of Permanent Secretaries by Chief Executive Officers (CEO). The MFED has two CEOs, one is the Finance Secretary (who chaired the two workshops conducted by the PEFA team), and the other heads the Economic Development Department, which used to be its own Ministry. The purpose of creating CEO positions was to improve operational efficiency, but in practice this has apparently not happened, partly due to the large political involvement in the appointment of CEOs. The key operational departments in MFED continue to be the Budget Department, the Accountant General's Department and the three tax departments, each headed by a Director. A highly qualified and experienced Senior Advisor provides high level support to MFED.

Changes in the key features of the PFM system since the 2008 PEFA assessment)

- Following 2 years of piloting, the budget for 2014/15 was prepared in a programme budgeting framework, aided by the new Corporate Performance

Monitoring (CPM) software introduced to prepare budgets in place of Excel-based budget preparation procedures. Programme budgeting will continue to be prepared in parallel with the traditional line item budgets, as the chart of accounts has not yet been amended to incorporate programme budgeting codes and therefore programme budgets cannot yet be executed.

- MFED is introducing a pre-paid fuel card system as a way of guarding against fuel bill arrears.
- Introduction of ASYCUDA (Automated System for Customs and Data) World (AW) into Customs and Excise Department in 2010/11 and the roll-out since then, now fully completed. The AW system is on-line, providing for operational efficiency gains benefits in terms of assessment, audit and payments.
- The establishment of a Post-Clearance Audit (PCA) unit under the Department of Controller, Trade and Training in CED. The establishment of both AW and PCA were envisaged in the Customs Modernisation Program, which was a key component of the Customs and Excise Strategic Plan that ran through to 2011
- A debt tracking module in the Standard Integrated Tax Administration system (SIGTAS) was developed, coming into operation in 2012 (PI-15 in Section 3 elaborates).
- Establishment of a risk management unit in CED.
- The distribution of responsibilities for the payroll changed in 2008 and changed back again in 2012: Prior to the change in 2008, the Human Resource Management Information System (HRMIS) managed through the Integrated Personnel and Payroll Management System (IPPMS, a module of Smartstream) was the responsibility of Accountant General's Department (AGD), though it was located in MPS. Responsibility for HRMIS was handed over to MPS in April 2008, AGD only executing the payroll. This arrangement apparently didn't work well and so, in April 2012, the situation reverted back to the pre-2009 one. The distribution of responsibilities is therefore the same as at the time for the last assessment.
- A significant improvement since the last assessment is that the SmartStream commitment control function (Funds Control module) came into full force in 2012, which means that a majority of all expenditure is now controlled by the function.
- Reporting on expenditure in general through Smartstream has been helped since 2012, by the acquisition of a new reporting facility. Prior to 2012, a less user-friendly and less secure reporting facility was being used ('Query and Analysis'). The new reporting facility now enables the generation of up to 75 reports. At first, a license was needed for the Funds Control module, but the license is no longer needed, thereby enabling more comprehensive report generation.
- Due to the new reporting facility, the Accountant General is no longer distributing any reports to MDAs as they can now generate reports themselves through Smartstream at any time;
- Following several years of inactivity, the Public Accounts Committee (PAC) became active again in September 2013, reviewing Auditor General reports and signing off on various supplementary budgets dating back over several years. A downside, however, is that the opposition party in Parliament is not participating in the reviews.

3. Assessment of the PFM Systems, Processes and Institutions

3.1. Introduction

The following sub-sections provide the detailed assessment of the PFM indicators contained in the PFM PMF (Public Finance Management-Performance Measurement Framework). The scoring methodology only takes into account the existing situation and does not cover on-going and planned activities that may result in higher scores under future assessments, but these are summarized at the end of the discussion on each section.

Each indicator contains one or more dimensions in order to assess the key elements of the PFM process. Two methods of scoring are used. Method 1 (M1) is used for all single dimensional indicators and for multi-dimensional indicators where good performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator). A plus sign is given where any of the other dimensions are scoring higher.

Method 2 (M2) is based on averaging the scores of individual dimensions of an indicator. It is prescribed for multi-dimensional indicators, where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. A conversion table for 2, 3 and 4 dimensional indicators is used to calculate the overall score. The PEFA handbook (“PFM Performance Measurement Framework, www.pefa.org) provides detailed information on the scoring methodology. Effective January 2011, a revised methodology is being used for PIs 2, 3 and 19.

The PEFA assessment reviews PFM performance under the existing situation. The relevant time period depends on the type of indicator. For some indicators, the relevant time period is the last completed fiscal year (s), for example, PIs 1-4, 25, 26, 28. For many indicators (e.g. PIs 13-14 concerning revenue administration and the first three dimensions of PI-18, concerning payroll control), the relevant time period is the situation up the time of the assessment. More information is available in the PEFA Secretariat’s publication ‘Guidance on evidence and sources of information to support the scoring of indicators.

3.2. Budget Credibility

Good practice in public financial management emphasizes the importance of the budget being credible so that planned Government policies can be achieved. Budget credibility requires actual budgetary releases to be similar to voted budgets and requires appropriate fiscal discipline to be in place. The indicators in this group assess to what extent the budget is realistic and implemented as intended.

Assessment of Performance Indicators of Budget Credibility

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-1:	B	A	**Performance improved.** Supported by revenue outturns

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
(M1)			close to budgeted amounts, actual expenditure deviated from the original budget by less than 5% in all three of the last 3FYs. In comparison, actual expenditure deviated from the original budget by more than 5% in 2 of the 3 FYs covered in the 2008 assessment,
PI-2: (M1)	**NA** *(A under old method)*	**B+**	**Methodology changed, so comparison with previous methodology not possible** The B rating for dimension (i) represents variance in the composition of the budget of 7.9%, 8.8% and 7.6% in 2010/11, 2011/12 and 2012/13 respectively, allocations to MoWT explaining much of the variance.
PI-3 (M1):	**A** *(under both old &revised methods)*	**A**	**Performance improved,** though rating unchanged. Revenue outturns in 2010/11, 2011/12 and 2012/13 deviated from budgeted amounts by 0.4%, 3.8% and 0 % respectively. The deviations were lower than those in the period covered by the 2008 PEFA assessment.
PI-4	D	**D+**	**Performance improved through dimension (i).** MNRA's stock of land purchase arrears fell sharply to 2.7 % of expenditure at the end of 2012/13 from 7.2% in 2008. (ii) MFED monitors MNR's large stock of unpaid land purchase bills. Because payables are not recognized under the cash-based accounting system, MFED does not monitor year-end unpaid bills owed by line ministries.

3.2.1. PI-1: Aggregate expenditure out-turn compared to original budget

Performance improved to A from B

Actual primary expenditure deviated from budgeted expenditure by less than 5% in each of the last three completed financial years (Table 4)**,** supported by revenue outturns being close to budgeted amounts ('A' rating for PI-3). Primary recurrent expenditure was close to budgeted amounts, the main deviation being in 2010/11, mainly due to a wages and salaries outturn lower than projected, reflecting savings identified during the year and delays in recruitment. The lower than budgeted outturn and a small revenue surplus helped to finance higher than budgeted Capital II expenditure. A significant revenue surplus (3.8% in 2011/12) helped to finance Capital II expenditure that was also significantly higher than budgeted. Capital II expenditures were less than budgeted for in 2012/13 due to slower than expected progress in implementing projects.

The aggregate expenditure deviations were smaller than in the period covered by the 2008 assessment (2005/06-2007/08). During this period, aggregate expenditure significantly exceeded budgeted amounts as a result of revenue surpluses that were larger than during 2010/2011-2012/13.

Table 4: Budget execution rate for total primary expenditures

	2010/11			2011/12			2012/13		
	Bud.	**Act.**	**% dev.**	**Bud.**	**Act.**	**% dev.**	**Bud.**	**Act.**	**% dev.**
Recurrent expenditure	621.0	600.8	-3.2	634.1	637.5	0.54	658.7	660.2	0.22
Capital II spending (domestic)	61.2	69.6	13.7	42.7	66.9	56.6	86.9	62.1	-28.6
Total primary expenditure	**682.2**	**670.4**	**-1.7**	**676.8**	**704.4**	**4.1**	**745.6**	**722.3**	**-3.1**

Source: Budget Department, MFED; Annual budget documents

Note: Primary expenditures are defined as total expenditure less debt service payments less Capital III expenditure (i.e. DPr-funded projects/programmes).

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-1 (M1)	**B**	**A**	**Performance improved.** Supported by revenue outturns close to budgeted amounts, actual expenditure deviated from the original budget by less than 5% in all of the last 3 FYs,

PI-2: Variance in composition of the budget

The methodology for assessing this indicator was revised with effect from January 2011. Applying the revised methodology to the equivalent data for 2005/06-2007/08 was not possible as the data were not easily accessible, and therefore direct comparability with the rating under the 2008 assessment is not possible.

Variation in the composition of the budget was 7.9%, 8.8% and 7.6% in 2010/11, 2011/12 and 2012/13 respectively (Table 5), indicating a B rating. The main reason for the variance was significant allocations during the year to Ministry of Works and Transport (MoWT) in 2010/11 and 2011/12 due to unexpected infrastructure rehabilitation costs (e.g. Hurricane Richard in FY 2010/11), and the general election in 2010/11 generating additional expenditure on roads maintenance. The allocations were financed by allocations away from other ministries and the revenue surplus in 2011/12. The other significant variance was for MFED in 2012/13 due to (i) higher than budgeted water, electricity, and telephone bills of line ministries (MFED paying the water and electricity bills of line ministries directly as per administrative arrangements, but ministries are responsible for paying their telephone bills); (ii) requests by organisations for additional grants; and (iii) litigation costs arising from the re-nationalisation of BEL and BTL.

Table 5: PI-2: Expenditure Composition Variance & Average Contingency

FY	Average Contingency (% of budget) 1/	Composition Variance 2/
2010/11	0	7.9%
2011/12	0	8.8%
2012/13	0	7.6%

1/: The rating is A if the contingency and other unallocated items are all allocated to line ministries. This is academic in the case of Belize, as there is no contingency item in the budget.
2/: Defined as the sum of the absolute deviations for each MDA from the 'adjusted' budget, defined as the original budget for the MDA plus/minus the aggregate deviation (as assessed under the revised methodology for PI-2 that came into effect in January 2011). The detailed tables appear in Appendix A. The column headed 'Deviation' may indicate that some MDAs tended to spend more than would have been implied by an across-the-board budget cutback, indicating reallocations from other MDAs that spend less than implied by an across-the-board cutback. The old method led to a combination of upward bias in scores in the case of deviations being all the same sign (i.e. all positive or negative) and downward bias due to allocations from contingency/reserve funds to ministries during the year being counted twice in terms of deviations.
Source: Budget Department, MFED.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-2 **(M1)**	**NA** *(A under old method)*	**B+** (i) B (ii) A	**Methodology changed, so comparison with the previous methodology is not possible** (unless the revised methodology is applied to the previous data)**.** The B rating for dimension (i) represents variance in the composition of expenditure of 7.9%, 8.8% and 7.6% in 2010/11, 2011/12 and 2012/13 respectively, allocations to MoWT explaining much of the variance. Dimension (ii) assesses the extent that reallocations from a contingency/reserve item in the MFED budget are to the budgets of other ministries; an A rating means that they are all reallocated. MFED does not have a contingency/reserve item, so the rating is A.

3.2.2. PI-3: Aggregate revenue out-turn compared to original approved budget

Accurate forecasting of domestic revenue is a critical factor in determining budget performance, since budgeted expenditure allocations are based on that forecast. A comparison of budgeted and actual revenue provides an indication of the quality of revenue forecasting.

The scoring methodology was changed in January 2011, with revenue over-performance being penalised as well as under-performance.

Performance unchanged at A, but actual revenues deviated from budgeted amounts by smaller percentage amounts than under the 2008 PEFA assessment.

Revenue estimates are prepared by: (i) the three tax departments in conjunction with the tax policy division in MFED and the Central Bank of Belize-led team that prepares the medium term fiscal framework (MTFF) (PI-12); and (ii) line ministries that earn non-tax revenue through the provision of services. The estimates are thus based on both bottom-up and top-down forecasting methods. CARTAC has provided assistance in forecasting, including through a revenue modelling and forecasting workshop that it conducted in 2009. The annual Budget Call Circulars (BCCs) issued by MFED provide guidance to line ministries in projecting revenues. Conservatism is stressed in projecting revenues in order to minimize the risk of revenue shortfalls that may result in payments arrears (PI-4) or in-year budget cutbacks imposed by MFED (PI-16) that may disrupt public service provision.

Revenue performance has been satisfactory over the last three completed FYs; actual revenues exceeded projections by small margins. The Budget Speeches include explanations. For example, non-tax revenue fell well short of target in 2012/13 partly because of non-payment of BTL dividends, but substantially exceeded the target in 2010/11 because of payments of arrears.

Table 6: Revenue performance *(BZ$ millions)*

Ministry	FY 2010/11		%	FY 2011/12		%	FY 2012/13		%
	Budget	Actual	Dev.	Budget	Actual	Dev.	Budget	Actual	Dev.
Tax revenue	**703.5**	**672.3**	**-4.4**	**687.3**	**675.1**	**-1.8**	**683.3**	**703.9**	**3.0**
Taxes on income & profits	247.5	249.2	0.7	256.7	252.3	-1.7	226.2	233.0	3.0
Taxes on property	7.0	6.6	-6.2	5.5	6.7	22.2	6.9	4.9	-28.8
Taxes on international tTrade	175.8	160.5	-8.7	198.3	180.8	-8.8	186.4	188.8	1.3
Taxes on goods & services	273.1	256.1	-6.2	226.7	235.3	3.8	263.9	277.3	5.1
Non-tax revenue	**80.8**	**114.8**	**42.1**	**96.8**	**138.9**	**43.6**	**136.1**	**115.9**	**-14.9**
Licences	11.8	14.5	22.7	13.6	12.0	-11.7	12.9	21.1	63.2
Rents and royalties	30.6	29.1	-4.8	28.8	40.6	40.9	31.7	27.3	-13.8
Government Departments	26.1	48.6	85.9	35.8	50.0	39.8	39.0	34.0	-12.8
Property income	6.9	18.0	159.2	12.2	24.1	97.2	20.6	5.7	-72.3
Other financial resources	5.4	4.7	-12.8	6.3	12.1	92.1	31.8	27.7	-13.0
Total	**784.3**	**787.1**	**0.4**	**784.0**	**814.1**	**3.8**	**819.4**	**819.8**	**0.0**

Source: Budget Department, MFED

On-going and planned activities

The 2013/14 budget projected an increase in revenue collection, partly due to strengthened revenue administration efforts, in particular through ASYCUDA World, which was introduced in 2010/11 and is now fully rolled out, and through strengthening of tax audit efforts (as elaborated on under PIs 13-15). Nevertheless, the continuing decline in petroleum-based revenues means that the overall projected increase in revenues is small.

MFED is planning to establish a macro-fiscal unit, thus diminishing its reliance on Central Bank of Belize on macroeconomic forecasts, including revenue forecasts, and to provide a cross-check on the revenue forecasts of the tax departments.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-3	A *(under both revised and old method)*	A	**Performance improved.** Revenue outturns in 2010/11, 2011/12 and 2012/13 deviated from budgeted amounts by 0.4%, 3.8% and 0 % respectively, the deviations being lower than those in the years covered in the 2008 PEFA assessment).

3.2.3. PI-4: Stock and monitoring of expenditure payment arrears

Payments arrears can arise from financial resource inflow unpredictability, combined with problems with budgeting and budget execution systems. The arrears have to be paid off at some point (providing that the original commitments were legally entered into) out of future budgets, thereby reducing the resources available for financing the delivery of services in future years. In general, a persistent arrears problem reduces the credibility of the budget as a tool for providing for the public goods and services desired by society.

Overall performance improved, the rating increasing to B+ from D+ due to a sharp reduction in the stock of land purchase arrears owed by MNRA under dimension (i).

(i) Stock of expenditure payments arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock)

Performance improved to B from C due to the sharp reduction in the stock of land purchase arrears

In principle, arrears in payments for the purchases of most goods and services are not possible. Requests for purchase orders (POs) are supposed to be electronically generated through Smartstream, which rejects them if they are not consistent with the approved budget and the monthly budget release schedule. If consistent with the budget release schedule, goods and services ordered through POs and delivered are paid for almost immediately under the cash-based accounting system, payment being made on delivery. Payables are not recognized under the cash-based accounting system.

If a ministry's proposed PO or contract is not consistent with the budget release schedule, a ministry can apply to MFED for an advance de-reservation warrant, which increases the budget release for a particular month, or months, against offsetting reductions in budget releases in later months (PIs 16 and 20). It used to be possible for line ministries to obtain these warrants after the fact, but, under Ministry of Finance Circular 33 of 2008, this is no longer possible.

Nevertheless, it may be the case that ministries process POs too late in the FY for delivery of the ordered goods and services by year-end, after which the cash is no longer available to pay for the goods and services when they arrive. Any bills not paid by the end of the financial year have to be paid out of next year's budget at the expense of the services that were supposed to be delivered through that budget. This is clearly not desirable, so MFED issues a Circular each year that stipulates a date by which POs should be submitted into Smartstream. To provide teeth for this, MFED withdraws the budget release for the last month of the year, for ministries which have accumulated a substantial stock of un-committed budget releases. MFED also tries to makes life easier for line ministries by notifying line ministries near the end of the year about POs still outstanding (as indicated by Smartstream). The Ministries of Education and Health indicated that they do not have unpaid bills at the end of the year.

To avoid the risk of line ministries not paying their utility and rent bills, the MFED directly pays these (as indicated in the Budget Call Circulars (BCC)). Withholding of budget releases for the last month of the year also enables MFED to pay off any fuel and telephone bills incurred by line ministries;[2] The MFED instructed Belize Telemedia Limited (BTL) 3 years ago to cut off non payers of bills.[3] [4]

MFED also pays line ministry subscriptions to various, mainly international, organisations. Foreign travel plans require its prior approval. In the case of payments obligations against multi-month contracts, the chances of unpaid bills at the end of the year has fallen beginning in 2013/14, as the whole amount of the approved contract can be reserved in Smartstream, if consistent with the approved budget. Payments certificates against the contract are then processed for payment during the year through Smartstream. Ministry of Health indicated that it can buy drugs in bulk in this way. Prior to 2013/14, the contract could not be reserved in Smartstream. Payments certificates were submitted during the year and accepted if they were consistent with the approved budget for the project that year and with the budget release schedule. Reserving the whole contract provides a greater degree of certainty that the funds will be available for making payments.

Expenditure arrears can arise if ministries submit manual POs to suppliers, the POs thus not being approved through Smartstream. Such practices are not supposed to exist, but they persist, usually in cases of urgent unforeseen need (e.g. health emergencies and road washouts). The supplier takes the risk that he/she will not be paid if the PO is not consistent with the approved budget and the monthly budget release schedule, in which case the invoice submitted into Smartstream for payment would be rejected. The Ministries of Health and Education indicated that they stopped issuing manual POs several years ago, and 2 years ago respectively.

An example of use of manual POs is an intended purchase of fuel due to an unforeseen need. To mitigate this risk, MFED is introducing a system of pre-paid fuel cards. The MNRA indicated that adequate supplies of fuel were an issue, but it generally managed to stay within its self-imposed monthly quota system that it instituted in June 2011, based on the approved budget.

In the past, such unforeseen expenditure needs did not lead to unpaid bills as they were met through supplementary budgets financed by overdrafts extended by CBB. With effect from 2013/14 this is no longer allowed, due to the stipulations under the fiscal responsibility regulations that came into effect in 2010 (SI 95).

The high ratings for PIs 1-2 imply that unforeseen expenditure needs accommodated through supplementary budgets financed through overdrafts from CBB and unpaid bills carried over to following years are not substantial. In the case of the former, significant supplementaries imply lower ratings for PI 1. In the case of the latter, non-payment of this year's bills and payment of these bills next year through budgetary reallocations both imply lower ratings for PI-2.

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[2] Line ministries complained to the assessment team about this practice as the cut-off tends to come without any warning. MFED considers that un-committed budget releases that accumulate during the year indicate a lack of seriousness by line ministries, and that any spending of these releases at the end of the year was likely to be on frivolous items (e.g. travel abroad).

[3] MNRA noted in its comments on the 1st draft report that telephone bills are sometimes presented to them late. Nevertheless, it prepares payments requests through Smartstream as soon as it receives the bills.

[4] The BCCs issued by MFED in recent years note with concern arrears being incurred by line ministries on fuel and telecommunications bills and the carry-over of these to the following budget year, at the risk of disruption in the execution of next year's budget, The BCCs mention that "Accounting Officers who fail to manage their budgets within the ceiling will be required to provide to Cabinet/Parliament a detailed explanation for any overruns and why corrective action was not taken sooner".

The large compensation being demanded by the previous private sector owners of BTL and Belize Electricity Limited (BEL) for the re-nationalisation of these companies in 2007 and 2011 is being considered in court. These cannot be classified as arrears yet until a court judgement has been reached on whether GoB has a legal liability to pay any compensation.

There are no known wage and pension arrears. Interest payments due on public debt are not in arrears.

In the 2008 assessment, the only actual data on arrears collected by the assessment team were those owed by Ministry of National Resources and Agriculture (MNRA), with respect to a land purchase program. These arrears amounted to BZ$ 53.1 million (October 2008), representing 7.2% of total 2007/08 primary expenditure. As of 1 April, 2014, these arrears had fallen to BZ$ 19.7 million, including interest, representing 2.7% of total primary expenditure in 2012/13.

(ii) Availability of data for monitoring the stock of expenditure payment arrears

Performance unchanged, the rating remaining at A. The original D rating in the 2008 assessment has been revised to A.

The budget execution/accounting system is cash-based, (i.e. no accounts payable, invoices are on cash terms, not credit terms; payment is due immediately on delivery) and so arrears (which are payables) are not possible. MFED therefore does not request information on unpaid bills from line ministries, as it is their responsibility to pay these bills out of next year's budget if they cannot pay out of this year's budget. .The only way for MFED to find out about unpaid bills carried over to the following year is to request the information from line ministries. It does not do so, however, mainly because it considers that these bills, if any, are the responsibility of line ministries to pay. The size of the land purchase arrears owed by MNR is clearly beyond the capacity of MNR to pay, and MFED does receive information on this.

The D rating in the 2008 assessment appears to be incorrect. The argument is that data on commitments are not available under a cash-based transactions system, and so control of unpaid obligations (payables) is difficult. A commitment, which is an agreement to purchase, is not the same thing as a payable and is not an accounting term. Smartstream records commitments as part of the budget execution control process.

.***On-going and planned activities***

- MFED is looking at software applications that can be used to better track payments arrears being incurred by line ministries, and which cannot be tracked in Smartstream, which rejects any invoice not based on POs/contracts already approved in Smartstream.
- MFED is introducing a pre-paid fuel card system as a way of guarding against arrears in paying fuel bills.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-4	D	**D+**	**Performance improved due to a sharp reduction of in the stock of land purchase arrears owed by MNRA.**
(i)	D	**B**	**Performance improved.** As of 1 April, 2014, the stock of land purchase arrears owed by MNRA had fallen to BZ$ 19.7 million, representing 2.7% of 2012/13 primary expenditure from BZ$ 53.1 million in 2008, representing 7.2% of expenditure, though the D rating in the 2008 assessment appears to have been too low. The cash-based accounting/cash-on-delivery system combined with the monthly budget release system imply limited risk of unpaid bills at the end of the fiscal year. MFED has a system to mitigate this risk and, as noted above, has strengthened this system since the 2008 assessment. The stock of any year-end unpaid bills on top of the land purchase arrears would therefore be very small.
(ii)	**D**	**D**	**Performance unchanged**. MNR is able to track its arrears on land purchase payments, but MFED does not have a system for tracking any year-end unpaid bills owed by line ministries. Payables are not recognised under the cash-based accounting system. MFED does not have a system for monitoring unpaid bills at year-end if the goods and services haven't yet been delivered due to late processing of POs. It considers these bills to be entirely the responsibility of the line ministries, so sees no need to track them. But, ultimately it should track them, as payment of these bills out of next year's budget may affect the timely execution of that budget. The D rating provided in the 2008 assessment appears to be correct, but for the wrong reasons, the explanation being unclear.

3.3. Comprehensiveness and transparency

The indicators in the Comprehensiveness and Transparency dimension of PFM assess to what extent the budget and fiscal risk oversight are comprehensive, as well as to what extent fiscal and budget information is accessible to the public. The matrix below summarises the assessment of indicators under this dimension.

Assessment of Performance Indicators for Comprehensiveness and Transparency

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-5: Budget classification	**C**	**C**	***Performance unchanged*.** The budget classification system is still mainly based on an administrative and economic classification.
PI-6: Budget documentation	**C**	**B**	***Improved performance.*** The number of elements met increased to 6 from 3.
PI-7 (M1): Extent of un-reported government operations	**C** *(revised from D+)*	**C+**	***Performance improved under dimension (ii).*** Budgeted and actual donor resources and projects/programs funded by them are being reported on to a greater extent.

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
			The rating for (i) in the 2008 assessment has been revised to C from D, indicating an overall revised rating of C.
PI-8 (M2) Transparency of inter-governmental relations	**C** *(revised from D)*	**C▲**	***Performance unchanged, but strengthening is occurring*** under dim.(iii) due to the adoption by local governments of GoB's chart of accounts in 2012/13 and the activities under the Municipal Development Project during 2013/14. The 2008 rating for dim. (ii) has been revised to A from D.
PI-9 (M1): Oversight of aggregate fiscal risk	**D**	**C**	***Performance improved.*** Financial monitoring has strengthened, but consolidated fiscal risk reports are not yet being prepared.
PI-10: Public access to fiscal information	**C**	**C**	***Performance unchanged*: Out of the 6 elements of information available to the public, as indicated in the PEFA Framework, only 2 are provided – budget documentation and in-year budget execution reports.

3.3.1. PI-5: Classification of the budget

This indicator assesses the extent to which the budget classification system enables the tracking of budgeted expenditure on an administrative, functional and economic classification basis.

Performance unchanged, the rating remaining at C

The Government Finance Statistics (GFS) -consistent economic classification is used for recurrent expenditure and partly for capital II (i.e. domestically-funded) expenditure. But some capital II expenditure and all capital III expenditures are listed by project, with no economic classification. Some projects contain significant elements of recurrent expenditure. Not differentiating between recurrent and capital expenditure under each project means that the overall figures for recurrent and capital expenditure may be inaccurate.

On-going and planned activities

A new Chart of Accounts is being prepared under the Treasury and Accounting Services program in order to accommodate the new program budget framework that has been piloted by 5 ministries in recent years and is now being rolled out. CARTAC is providing assistance.

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-5: Budget classification	C	C	**Performance unchanged.** The budget classification system is still mainly based on an administrative and economic classification.

3.3.2. PI-6: Comprehensiveness of information included in budget

Annual budget documentation should inform the executive, the legislative, and the general public and assist in informed budget decision making and transparency and accountability. In addition to the detailed information on revenues and expenditures, the annual budget documentation should include information on the elements listed in Table 7. The assessment is based on the last budget presented to the legislature, which was for FY 2013/14.

Performance has improved, the rating increasing to B from C.

Table 7: **Information provided in the budget documentation**

No.	Budget documentation benchmarks	Avail-ability 2008 PEFA	Avail-ability 2013 PEFA	Notes
1.	*Macro-economic assumptions*, incl. at least estimates of aggregate growth, inflation and exchange rate	No	Yes	**Performance improved.** The Budget Speech, which is attached to the detailed 2013/14 Budget Estimates, contains projections of real GDP growth and inflation, both in narrative and in tabular form. These were not provided in the budget documentation reviewed by the 2008 PEFA assessment team.
2.	*Fiscal balance* is defined according to GFS or another internationally recognised standard	Yes	Yes	**Performance unchanged**. The fiscal balance in GFS-format is shown in the first two tables in the 2013/14 Budget Speech and the first table in the 2013/14 Budget Estimates.
3.	*Deficit financing*, describing anticipated composition	No	Yes	**Performance improved.** The composition of deficit financing is shown in the last table in 2013/14 Budget Estimates and is described in the Budget Speech (under Summary of Draft Estimates).
4.	*Debt stock*, incl. details at least for the beginning of the current	No	No	**Performance unchanged.** The 2013/14 Budget Estimates (also 2012/2013 and 2011/12 Estimates) give debt servicing details by loan, but not the stock of debt outstanding on each loan. The Budget Speech for the 2013/14 (also

No.	Budget documentation benchmarks	Avail-ability 2008 PEFA	Avail-ability 2013 PEFA	Notes
	year			2012/13 Speech) provides a narrative summary of total external and domestic debt outstanding (page 29 under the section on public debt and liability management). A table is necessary, however, to clearly depict the debt stock situation.
5.	*Financial assets*, incl. details at least for the beginning of the current year	No	No	**Performance unchanged.**
6.	*Prior year's Budget out-turn*, presented in the same format as the proposed Budget	Yes *(revised from No)*	Yes	**Performance unchanged**. In the 2013/14 Budget Estimates, the prior year's (2011/12) budget outturn is shown in detail for both revenue and under each ministry for expenditure. This element should have been rated Yes in the 2008 assessment.
7.	*Current year's Budget* (revised budget or estimated out-turn), presented in the same format as the proposed Budget	Yes	Yes	**Performance unchanged.**
8.	*Summarised Budget data for both revenue and expenditure* according to the main heads of the classification used, incl. data for current and previous year	No *(revised from Yes)*	No	**Performance unchanged.** For revenue, the summary pages in the 2013/14 budget estimates show the revenue outturn for 2011/12, the estimated outturn for 2012/13, as well as the 2013/14 estimates. For expenditure, the summary pages do not show the expenditure outturn for 2011/12. The estimates for 2013/14, as in previous years, do not contain summary expenditure data according to economic classification. This element should have been rated No in the 2008 assessment.
9.	*Explanation of Budget implications of*	No	Yes	**Performance improved.** The analytical quality of the annual budget speeches has strengthened. The 2013/14 Budget Speech did

No.	Budget documentation benchmarks	Avail-ability 2008 PEFA	Avail-ability 2013 PEFA	Notes
	new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs			not contain any major new tax measures, but indicates the reasons for the projected increase in revenue (e.g. the impact of an improvement in tax administration). The 2012/13 budget speech contained some tax measures: restoring GST on petroleum products and lowering the rate of business tax on electricity producing entities. The budgetary impact of the former is not explicitly mentioned, but is largely implicit, and is explicitly mentioned in the latter. As in the 2012/13 Budget Speech, the 2013/14 Budget Speech list expenditure priorities on a sector basis, and explains the associated changes in expenditure for the next year relative to the current year. The 2013/14 Budget Speech did not contain any new substantial policy initiatives.

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-6: Budget documentation	C	B	**Performance improved.** The number of documentation benchmarks that were met increased to 6 from 3.

3.3.3. PI-7: Extent of unreported government operations

Annual budget estimates, in-year execution reports, year-end financial statements and other fiscal reports for the public should cover all budgetary and extra-budgetary activities of governments to allow a complete picture of government revenue, expenditures and financing.

This indicator assesses the level of unreported extra-budgetary operations (EBOs) at the central Government level. Reporting of EBOs should cover planned/budgeted expenditure, actual expenditure, and annual financial statements either through consolidation with other central government expenditure, or shown in a separate document presented to the legislature. The spending by MDAs of own-source revenues also potentially represents an EBO, if they are allowed to retain the revenue for spending, rather than surrendering it to MFED. The assessment covers 2012/13 (last completed fiscal year).

Performance has improved, the rating increasing to C+ from D+, due to strengthening under dimension (ii).

<u>(i) Level of extra-budgetary expenditure (other than donor-funded projects), which is unreported, i.e. not included in fiscal reports</u>

Performance has not changed.

Domestic EBOs consist of the operations of GoB-owned statutory and other bodies that receive grants from GoB to finance their operations, the budgets for which are not included in the budget that GoB presents to Parliament. The planned and actual operations of most of these bodies are not shown in any other reports available to the public and therefore they constitute un-reported EBO**s**; grants to lower level governments are not included within the scope of coverage of this dimension.

GoB grants to government and non-government owned entities are shown as one line items in the Budget Estimates under each ministry under various 5 digit economic classification codes; the first two digits are 35 (representing a form of transfer), the other three represent the type of transfer in terms of the recipient of the transfer. The Budget Estimates do not contain a detailed economic classification table, and so the reader has to go through each ministry in order to identity the grants that are specific to government-owned entities. This would have been very time consuming, but the Budget Department in MFED prepared a table (Table 8) for the assessment team, showing GoB grants to government-owned entities that did not report on their operations.[5]

The Budget Estimates do not always make clear which bodies are GoB-owned and non-GoB owned. The exclusion of grants to organisations, institutions and educational institutions may mean that some EBOs are omitted from the analysis, thus causing the assessment of unreported EBOs to be under-estimated. The omission of grants to GoB-owned educational institutions may be justified on the basis that the grants are determined by a formula (e.g. number of students and specified grants per student). Some of the EBOs may have their own revenues (e.g. Karl Heusner Memorial Hospital), the expenditures of which are not reported on, thereby also causing under-estimation of un-reported EBOs.

The sum of the grants to GoB-owned entities with EBOs that they did not report on was 5.8% of total primary expenditure in 2012/13, about the same as during the two previous FYs. This is much lower than the 13% shown in the 2008 PEFA assessment for FY 2008, but this included some operations that probably should not have been included:

- GoB contributions to Social Security Board (SSB), which administers the Social Security Fund; the SSB, however, publishes an annual report which shows income and expenditures and audited financial statements.
- Contributions to Special Funds, which are in fact the counterpart funding components of Capital II expenditure in relation to donor-financed Capital III expenditures, and which are shown in the Budget Estimates.

Excluding these two items, un-reported EBOs amounted to BZ$ 27.1 million in 2007/08, equivalent to 4.8% of total primary expenditure.[6]

[5] Table 8 excludes grants to individuals (code 35001), organisations and institutions outside government (codes 35002 and 35003)), municipalities and cities (codes 35004 and 35006), care of wards of the state (code 35016)., and grants to educational institutions (apart from University of Belize), both GoB-owned and non GoB-owned (codes 35018 and 35019).

[6] The 2008 report indicates 3.7% of total expenditure, but it appears that total expenditure was being used as a base, and not total primary expenditure.

Table 8: GoB grants to public entities with unreported EBOs (BZ$ million)

Code	Type and name of EBO	2010/11 Actual	2011/12 Actual	2012/13 Actual
35005	Statutory Bodies (not individually specified in Budget Estimates)	3.2	3.6	5.6
35007	Karl Heusner Memorial Hospital	18.6	19.1	19.2
35008	University of Belize	10	10.3	10
35010	Belize Trade and Investment Development (BELTRADE)	0.7	0.9	1.3
35011	National Institute of Cultural History	1.8	2.0	2.0
35012	Statistical Institute for Belize	1.7	1.8	1.8
35013	Social Investment Fund	2.9	2.1	1.5
35014	Coastal Zone Management Authority	0.3	0.2	0.3
35015	Central Building Authority	0.2	0.2	0.3
	Total	39.4	40.1	41.9
	Total Primary Expenditure (PI-1)	670.4	704.4	722.3
	Total grants as % of total primary expenditure	5.9	5.7	5.8

Source: Budget Department, MFED

(ii) Income/expenditure information on donor-funded projects/programmes which is not included in annual GoB budgets but which are included in fiscal reports

Performance has improved, the rating increasing to B from C.

Information on donor-funded projects is being reported on in budget documentation to a greater extent. This is due to more donor projects being executed through the Treasury system and DPs increasingly using MFED as their main interface with GoB and decreasingly dealing directly with line ministries. Instead of holding their funds in overseas bank accounts and making payments to suppliers directly through these, donors are holding more of their funds in accounts in CBB, and then transferring funds from these into project bank accounts in CBB under the authority of the Treasury (PIs 17, 22, 24-25). The World Bank, IDB, CDB, Kuwait Fund, OPEC Fund and Central American Bank for Economic Integration (CABEA) are now channeling their funds mainly through the Treasury systems. The Global Fund and the UN agencies operating in Belize are increasingly doing so. Furthermore, MFED has had some success in requesting information from DPs that that are not yet using the government systems, notably the EU - only 30% of EU aid money to Belize passes through GoB systems - and then noting this information in its ledgers.

The tables near the back of the 2013/14 Budget Estimates indicate for each DP the projected and actual receipts of grants and loans for financing Capital 3 expenditure (externally financed) for the 2013/14 and 2012/13 budgets. Table 9 summarizes.

Table 9: Budget Estimates for budgeted and actual resources and expenditures received from donors and spent (excl. budget support & aid-in-kind)

Modality	Budget Estimates	Estimated actual	Budget Estimates	Estimated actual	Budget Estimates	Estimated actual
BZ mlns.	*2010/2011*		*2011/12*		*2012/13*	
Resources	*NA*	*NA*	*107.3*	*60.2 1/*	*77.3*	*77.7* ***1/***
Loans			57.4	35.3	52.1	59.2
Grants			49.8	24.9***/***	25.2	18.5/
Expenditures	81.5 ***1***/	43.7 ***1***/	107.3	57.1 ***1/***	77.5	77.7 ***1***/

Source: Budget Estimates and Budget Department, Ministry of Finance

1/ Excludes national security-related expenditure of BZ$ 1.5 million, BZ$ 8.2 million and BZ$ 4 million in 2010/2011, 2011/12 and 2012/13 respectively, funded by US govt. through aid-in-kind.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-7	**D+**	**C+**	**Performance improved under dimension (ii). Budgeted and actual expenditures on DP-funded projects/programs are being reported on to a greater extent than under the 2008 PEFA assessment.**
(i)	**D**	**C**	***Performance unchanged.*** The percentage of un-reported EBO operations (as measured by grants to GoB-owned entities) was 5.8% of total primary expenditure in 2012/13. This may be an underestimate, but is unlikely that total unreported spending would exceed 10% of primary expenditure. The D rating in the 2008 assessment seems to have been too low. Unreported EBO expenditure was stated as being 13%% of total primary expenditure in 2007/08. But this appears to have included some budgetary expenditures and EBO expenditures that were in fact reported on.
(ii)	**C**	**B**	***Performance improved***. More donor projects are being executed through the Treasury system and more information is being provided by donors that are not yet using the government systems. An A rating would require complete information for at least 90% of DP-funded projects, but the information is not exact enough to justify this.

3.3.4. PI-8: Transparency of inter-governmental fiscal relations

This indicator assesses the transparency of transfers from central government to sub-national governments (SNG) for the use of these funds during the last completed (FY 2012/13).

Background

The significance of municipal and town governments (henceforth called 'local') governments has increased since the devolution of government responsibilities to them in September 2008. A national policy on local governance (NPLG) was issued in August, 2009.

Performance is unchanged.. Strengthening is occurring (▲) under dim. (iii), however, due to the adoption by local governments of GoB's chart of accounts in 2012/13 and activities in 2013/14 under the Municipal Development Project.

(i) Transparency and objectivity in the horizontal allocation of fiscal transfers among Sub-national governments

Performance is unchanged, the rating remaining at D.

Local governments comprise 7 towns and 2 municipalities (Belmopan and Belize City). They have been receiving subventions from central government for several years, the size of each subvention differing for each local government, but being more or less the same each year. The size of each subvention was originally determined in the late 1990s on the basis of population size.

The subvention system is non-transparent; population sizes have changed, so that per capita transfers now vary significantly between local governments for no apparent reason. For example, according to the mayor of San Ignacio, it receives BZ$ 31,780 a month, while some smaller municipalities receive more, for example Corazol receives BZ$ 34,000. No other 'equalising' criteria (e.g. area, poverty rates, financial performance, infrastructure deficits) are taken into account which would strengthen the transparency and fairness of the transfers. Moreover, municipalities may receive additional grants during the year based on need, but the system for providing these is also non-transparent, as they were provided outside the annual budget preparation exercise according to non-transparent criteria.

The NPLG recognized this problem, stating that "municipal councils will negotiate with central government on an annual basis for central government financial transfers based on a standardized and fair formula that includes but is not limited to criteria of population size, geographical size, relative level of need and/or past financial performance.' A formula-based transfer system was drafted in 2009, but has not yet been accepted.[7] A major issue is the concern of some local governments that they may receive lower transfers under a formula system, as in fact demonstrated in the paper referenced in footnote 8. This is a particular concern for Belize City, which has pledged its subventions to a sinking fund in connection with the municipal development bond that was put on the market in 2013.

The World Bank-supported Municipal Development Project (MDP), implementation of which started in 2011 through GoB's Social Investment Fund, uses a formula for allocating the investment funds under the Project to the participating municipalities and towns, the funds to be used for financing infrastructure development. The formula is similar to the one drafted in 2009.[8]

[7] Draft Report on Review of Central Government Annual Subventions to Municipal Councils and Proposals for a Standard Formula, prepared by Carla Bennett, for Ministry of Labour, Local Government and Rural Development, January 2009. The report was prepared under the auspices of a UNDP-supported project to strengthen municipal governance ("Promoting dialogue and Action on Decentralisation and Local Governance in Belize").

[8] The Municipality Resource Allocation Index under the Project distributes resources for investment according to a formula: Area , 10%;, population size, 20%;, level of infrastructure development, 20%; financial performance, 15%; population growth rate, 15%; and level of need, 20%. Annex 4, page 35 of the Project Appraisal Document, August 2010.

(ii) Timeliness of reliable information on fiscal transfer allocations to SNGs

Performance is unchanged,

The amount of transfer has been the same each year for each local government for several years. So each municipality/town knows with virtual certainty how much it will be allocated for next year's budget.

The 2008 PEFA assessment incorrectly scored this dimension as D, as it took into account the additional allocations that municipalities/towns may receive during the year from the central government according to needs not anticipated in the approved budget. This dimension is concerned, however, only with the timeliness of the information provided to local governments on the amount of subvention that will be provided in next year's budget.

(iii) Extent of consolidation of fiscal data for general government according to sectoral categories

Performance is unchanged, the rating remaining at D, but strengthening is taking place, justifying an upward pointing arrow.

An improvement in transparency has been the adoption in 2012/13 by local governments of GoB's chart of accounts, which in principle enables the consolidation of local government budget performance reports with that of GoB's. Under the support of MDP, and facilitated by the adoption under the project of new accounting software (Quickbook), local governments have been preparing monthly budget performance reports on a regular basis since April 2013, and the Ministry of Local Government (MoLG) is consolidating these into one monthly report covering all local governments. The assessment team received a sample of a monthly report for Orange Walk Municipality and a copy of an Excel spreadsheet showing consolidated revenues and expenditures for April-September 2013. The eventual outcome will be a consolidated central government and local government report for 2013/14 and therefore an increased rating in the next PEFA assessment.

On-going and planned activities

GoB is finalising the development of an inter-governmental transfer formula based on the draft prepared in 2009. The formula would take into account geographical size, financial performance (larger subvention for more timely preparation of financial reports and financial statements and more timely audits), level of need, as well as population.

In this regard, the Finance Secretary (MFED), in his comments on the first draft of this report, indicated that MFED has recently requested the audited financial statements of all statutory bodies and municipalities. The request is based on the observations made in the first draft report and also the requirements of the Fiscal Responsibility Order No 95 of 2010. The information will help inform the finalization of the transfers formula that satisfies fiduciary risk concerns (PI-9) as well as equity concerns.

PI (M2)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-8	D	C▲	**Performance unchanged, but strengthening is occurring under dim. (iii) due to the adoption by local governments of GoB's chart of accounts in 2012/13, supported by the activities under the MDP during 2013/14.** The 2008 rating appears to have been too low.
(i)	D	D	***Performance unchanged***. The draft allocation formula that would provide an equitable and transparent allocation of subventions between municipalities and towns has yet to be adopted.
(ii)	D	A	***Performance unchanged***. The amount of the monthly subvention has been the same for each local government for several years, so local governments know with a high level of confidence how much subvention they will receive in next year's budget. The 2008 D rating appears to have been too low, based on a misunderstanding.
(iii)	D	D▲	***Performance unchanged, but*** strengthening has been taking place during 2013/14 due to the adoption by local governments of GoB's chart of accounts in 2012/13 and then preparing monthly budget performance reports , supported by MDP. The adoption means that it should be possible to have a consolidated central and local government report for 2013/14.

3.3.5. PI-9: Oversight of aggregate fiscal risk from other public sector entities

This indicator assesses the extent to which central government monitors and manages fiscal risks with national implications arising from the activities of state-owned enterprises (SOEs) and the operations of local (municipal) governments. The assessment is based on the last completed FY (2012/13).

Overall performance improved, the rating increasing to C from D. The monitoring of the financial situation of SOEs and local governments has improved, but GoB does not yet prepare consolidated fiscal risk reports.

<u>(i) Extent of central government monitoring of autonomous government agencies and public enterprises</u>

Performance improved, the rating increasing to C from D.

Some SoEs pose significant potential fiscal risk to GoB:

- The Marketing and Development Board tends to run at a deficit during the year due to pressures on GoB to protect domestic rice producers from foreign competition.
- On-going compensation disputes arising from the re-nationalisation of utilities: Belize Water Services (BWS), Belize Telemedia (BTL) and Belize Electricity Limited (BEL). They were privatized in the 1990s, but the expected benefits didn't materialize. So GoB re-nationalised them in 2006 (BWS), 2009 (BTL) and BEL (2011). The key private sector stakeholder in BTL and BEL then sued for compensation and the lawsuits are still on-going. According to the

IDB Country Strategy for Belize (November 2013) the compensation could potentially cost 6% - 30% of GDP to public debt, the lower figure representing the GoB's estimate.

- Pension liabilities: The Social Security Fund does not face financial problems, but, according to an actuarial study carried out by IDB, public pension schemes are not sustainable under current parameters.[9]
- The Klaus Huesner Memorial Hospital (KHMH) in Belize City was carved out of the Ministry of Health (MoH), several years ago, and is financed partly by a large subvention representing about 18% of MoH's budget. The KHMH also receives substantial funding from EU and Spain, which exert pressure on KHMH to keep its financial house in order. According to MFED, KHMH does not represent a significant fiscal risk. MoH indicated to the assessment team, however, that KHMH's clients are not paying their fees in full.

GoB's monitoring of SOEs has improved, SOEs now being required to prepare periodic in-year budget performance reports and to submit audited annual financial statements to their parent ministries and to MFED. Each SOE has a Board of Directors; MFED has a representative on each Board. The oversight provided by the Boards is, according to MoWT (which oversees the Belize Ports Authority and Belize Airports Authority), a useful mechanism for detecting potential financial problems.

MFED does not, however, prepare any consolidated analytical fiscal risk reports**.** These would analyse the probability of fiscal risk materializing into actual financial infusions from GoB and would recommend mitigation measures. MFED does not have any monitoring unit. The most it does is to record contingent liabilities (PI-17).

(ii) Extent of central government monitoring of local governments' fiscal position

Performance improved, the rating increasing to C from D. Local governments pose fiscal risk for central government, as their revenues, property taxes in particular, tend to underperform and accounts payables accumulate as a result. GoB's monitoring of the financial situations of local governments has improved, but it does not yet prepare consolidated fiscal risk reports.

The Belmopan Municipal Government, for example, has been paying its bills by using its overdraft facility at a commercial bank, but this supposedly is no longer possible under the MDP (referred to under PI-8) It requested permission from MFED to issue an infrastructure bond, but was denied. The property tax collection rates of the municipal governments of San Ignacio and San Pedro are very low, resulting in requests to MFED for financial assistance. Resort to bank overdrafts is less possible now, as one of the conditionalities for receiving infrastructure funding through the MDP. Punta Gorda Town also faces a major pension liabilities problem.

The MoLG's monitoring of the financial situation of local governments is improving through the required submission of monthly budget performance reports and audited annual financial statements (AFS), but the audits tend not to be up-to-date, The AFS are prepared by private auditors, as arranged by MoLG. For example, the 2010/11

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[9] 'The Pension Scheme of Belize: Assessment and Policy Options', Technical Note No. IDB-TN-418, G. Larrain and J. Rodriguez (2011).

and 2011/12 audits for Belmopan municipality are not yet finalized, and the audit for 2012/13 has not yet started. San Ignacio was lasted audited in 2011. An issue has been problems with computers, which have caused difficulties in obtaining and processing assessment data. The issues are now being resolved through the acquisition, via MDP, of an accounting software package (Quickbook), which will facilitate the preparation of AFS. One of the conditionalities for municipalities to receive MDP funding is that they should organize annual audits. The team was provided with examples of recent financial reports, including a consolidated report prepared through Quickbook by MoLG on revenues and expenditures covering all towns and municipalities from April to September 2013/14.

Belize City poses a particularly significant risk due to the large infrastructure projects it is financing through its BZ$ 20 million bond issue (in December 2012). The interest rate is high: 8% above BZ$ 9 million, 5.5% on BZ$ 5 million-BZ$ 9 million, and 3.5% on the BZ$ 1.5 million-BZ$ 5 million portion. The bond was floated on the domestic market and is not guaranteed by GoB. Most of the bond was bought by the Social Security Board and insurance companies; commercial banks did not buy any of the bond. The reason for issuing the bond was the need to address urgent infrastructure needs, road rehabilitation in particular. Relying on the annual subventions from GoB and the City's own revenues meant that it would take much longer to address these needs. An alternative option of GoB using DP funds appears to have been ruled out for the same reasons.

To ensure servicing of the payments due on the bond, a sinking fund for debt service payments was established in CBB. The fund is financed through the deposit of the annual subvention from GoB into the fund plus one third of the tourist tax revenues the City earns from visiting cruise ships.[10] Shortfalls in the tourist tax revenues would lead to financial difficulties, particularly if property tax revenues also fall short of target, the risk of which is significant, as in other municipalities. The City has mitigated this risk to some extent through its recent revision of the property tax roll.

Belize City's financial situation is monitored by a governing Board appointed by the Finance Secretary in MFED. The City prepares monthly and annual financial reports, which are submitted to MFED and MoLG, which also conduct an Annual Board of Survey under which the end-year stock of cash balances and inventory items is checked. The Office of Auditor General (OAG) conducts an annual survey of the City's cash situation and its fixed assets and the payroll. The City was audited by OAG for the first time in relation to FY 2011/12; the audit report was completed in December 2012. The audit for 2012/13 is running late, partly due to teething problems associated with the introduction of Quickbook. The City used to run an overdraft, but no longer does so as it used the proceeds from the bond issue to pay it off.

On-going and planned activities

MFED has requested help from IMF in analyzing fiscal risk posed by public enterprises and local governments.

[10] The other two-thirds go to Belize Tourism Village (Protected Area Conservation Trust) and the Belize Tourism Board.

Some local governments are endeavouring to improve their financial situation. Vehicle licensing responsibilities were assigned to local governments in 2008/09, the San Ignacio Government, for example, taking advantage of this opportunity. It has also been trying to get approval from MoLG for property rate increases, rates currently being no higher than 5%;. It is also trying to save money in certain areas. For example, it managed to get out of a garbage collection contract with a private company.

In his comments on the first draft of this report, the Finance Secretary (MFED) acknowledged the issue. MFED will no longer guarantee any more loans to municipalities. Some guarantees on existing loans may remain, but municipalities will now be required to provide collateral for their loans and GoB will not guarantee repayment of the loan.

PI (MI)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-9	**D**	**C**	**Performance improved through strengthened financial monitoring, but MFED is not yet preparing consolidated fiscal risk reports.**
(i)	**D**	**C**	***Performance improved***. SOEs now submit fiscal reports and audited financial statements to their parent ministries and MFED. As yet, however, MFED does not prepare consolidated analytical fiscal risk reports.
(ii)	**D**	**C**	***Performance improved*** through increased financial monitoring by GoB and through financial strengthening activities under MDP. The GoB is still not preparing consolidated fiscal risk reports.

3.3.6. PI-10: Public access to key fiscal information

This indicator assesses the extent to which information on the budget and its execution by the government is easily accessible to the general public or at least the relevant interest groups.

Overall performance is unchanged, the rating remaining at C.

Table 10 summarises the availability of the six elements of information stipulated under the PEFA methodology.

Table 10: Fiscal information available to the public

Elements of information for public access	Availability	Assessment
Annual budget documentation when submitted to the legislature	**Yes**	*No change.*
In-year budget execution reports within	**Yes**	*No change.* The MFED prepares periodic fiscal operations reports,

one month of their completion		covering both revenue and expenditure performance. The last one was posted on MFED's website on November 26 2012 and covered April-September 2012. Assuming preparation of the report took one month, the report was posted on the website within a month of its completion. The CBB's monthly and quarterly economic reports include budget execution reports.
Year-end financial statements within 6 months of completed audit	**No**	*No change.* The last audit of the financial statements cover FY2010/11, the audited statements being presented to the Prime Minister/Minister of Finance on 31st May, 2012. The PM/Minister of Finance is then supposed to submit these to Parliament for review by the Public Accounts Committee (PAC), which, however, has been inactive. It became active again in September 2013, and has since reviewed a number of audit reports, dating back to 2003/04. As a result, these audit reports were posted on the Auditor General's website subsequent to PAC's review of them, but months/years after their completion.
External audit reports within 6 months of completed audit	**No**	As per the above.
Contract awards (app. USD 100,000 equivalent) published at least quarterly	**No**	*No change.* As also indicated under PI-19, dimension (iii).
Resources available to primary service unit at least annually	**No**	*No change since the 2008 PEFA assessment*. The timely availability of resources to service delivery units is monitored by the relevant MDAs (Education and Health), as indicated under PI-23, but the information is not publicised.

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-10	C	C	**Performance unchanged:** Out of the 6 elements of information available to the public indicated in the PEFA Framework, only 2 are provided – budget documentation and budget execution reports.

3.4. Policy based budgeting

The indicators in this group assess to what extent the central budget is prepared with due regard to government policy.

Assessment of Performance Indicators for Policy Based Budgeting

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-11: Budget preparation	B	B	***Overall performance is unchanged, but performance under dim. (ii) has improved.*** Expenditure ceilings for recurrent and Capital 2 expenditure came into full effect for the 2013/14 budget preparation. The ceilings were approved by Cabinet prior to the distribution of the BCC.
PI-12: Medium term perspective in budgeting	D+	C+	***Performance improved under three dimensions*** as a result of the budgetary reforms being implemented.

3.4.1 PI-11: Orderliness and participation in the annual budget process

This indicator assesses the organisation, clarity and comprehensiveness of the annual budget preparation process.

Overall performance is unchanged, the rating remaining at B, but performance improved under dimension (ii). The elections in 2012 delayed the budget preparation process, otherwise the overall rating would have been B+.

(i) Existence of and adherence to a fixed budget calendar

Performance is unchanged.

The annual budget calendar is not fixed in terms of the legislation, MFED establishing each year's budget preparation calendar through the issuance of a Budget Call Circular (BCC), as guided by the 'Control of Public Expenditure' handbook, dated 1966. The relevant fiscal year in terms of this assessment is the last completed one, FY 2013/14.

The MoF issues the BCC to line ministries in October or November each year and states a deadline for the provision of submissions to MoF. The BCCs for the 2011/12, 2012/13, and 2013/14 budgets were issued , through a Ministry of Finance Circular, on November 2, 2010, October 5, 2011, and November 23, 2012 respectively (and October 28, 2013 for the not-yet-completed 2014/15 budget preparation). The deadlines for the provision of submissions to MoF were November 20, 2010, November 30, 2011 and December 20 2012 (November 29, 2013 for the yet-to-be-completed preparation of the 2014/15 budget). The time allowed was therefore 3 weeks, 8 weeks and 4 weeks respectively. The four line ministries (Education, Health, Works and Transport, Natural Resources and Agriculture) visited are generally satisfied with the time allowed to prepare budget submissions, though they would like more time, which they tend to find by commencing preparation before the BCC is circulated.

The budget preparation process is much longer for ministries with offices and service delivery units in the districts. For Ministry of Education (MoE), the process starts in the schools. District education offices then roll the budget estimates of the schools into one district budget submission. The MoE then rolls these up into one national budget submission. The process is similar for Ministry of Health, starting with health care centres and hospitals in districts. For Ministry of Works and Transport, the process starts in districts. The Ministry of Natural Resources and Agriculture has Land Administration and agricultural offices in each district.

(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions

Performance improved, the rating increasing to B from D due to the stipulation of spending ceilings and the prior political approval of these, both for the first time.

The BCCs, distributed electronically, provide clear instructions and templates for line ministries to use and, starting in principal with the 2011/12 budget, have resulted in expenditure ceilings being imposed for each ministry for recurrent and Capital 2 (domestically financed) expenditure. The expenditure ceilings were, however, only fully in effect for the preparation of the 2013/14 budget. The BCC for the 2013/14 budget was the first one to be approved by the Cabinet prior to its distribution to line ministries consistent with the Fiscal Transparency and Responsibility Regulations, SI. No. 95, of 2010.

Starting with the 2013/14 budget preparation cycle, the Cabinet introduced an extra degree of rigour into annual budget preparation through separating the procedures to be followed by all MDAs for estimating forward/baseline expenditures and for submitting proposals for 'new' spending. The ceilings shown in the 2013/14 BCC Annex 1 represent baseline budget ceilings for each Ministry for recurrent and Capital II expenditure, reflecting existing policies and programmes only (i.e. excluding any adjustments for new spending and lapsing programs).

If Ministries considered that resources were required in addition to the baseline they would need to submit a formal well-justified request to the Cabinet. New spending could consist of new programmes, expansion of existing programmes, additional recurrent expenditures which arise from recently completed capital projects and/or additional staffing resources. Cabinet would consider each request, taking into account need, priority and available resources. As part of the move towards a medium perspective in budgeting (PI-12), the BCC also requested Ministries to provide an estimate of the costs of each proposal for the two fiscal years following 2013/14. Given the fiscal constraints facing the government, in order to fund new spending requests, the Cabinet required all ministries to identify potential recurrent expenditure savings options equivalent to 5% of their 2013/14 baseline recurrent budget ceiling. Line ministries that did not identify any savings options would face an across-the-board cut in their spending ceiling of 5%.

Following Cabinet consideration of new spending requests and savings options, Ministries were advised in January 2013 of their final budget ceilings for recurrent and Capital 2 expenditures, the ceilings to be adhered to in preparing their detailed expenditure estimates for 2013/14.

The BCC for the 2013/14 budget required ministries to provide expenditure estimates and proposals for Capital 3 (externally financed) projects), but did not stipulate ceilings, the rationale being that funding availability from donors is the binding constraint. Proposals should only be for projects for which funding has already been secured.

International practice, however, is that overall expenditure, including that financed by donors, should be subject to a ceiling based on a macro-fiscal framework and not just the availability of financial resources. Large increases in government spending financed by external aid can have adverse macro-fiscal impacts through real exchange rate appreciation, which may impact on private sector competitiveness.

The 4 line ministries visited were generally satisfied with the quality of the BCCs.

(iii) Timely budget approval by the legislature or similarly mandated body

Performance fell, the rating falling to B from A for the 2012/13 budget due to elections.

The draft budgets for two out of the last 3 fiscal years have been approved by Parliament prior to the end of the fiscal year. The reason for the delay in approving the 2012/13 budget was the elections earlier in the year.

Table 11: Dates of approval of the draft budget

Fiscal Year	Date approved
2011/12	25th March, 2011
2012/13	12th July, 2012
2013/14	22nd March, 2013

On-going and planned activities

Following two years of piloting in five ministries (MFED, Education, Works and Transport, Human Resource Development, and Natural Resources and Agriculture), the 2014/15 budget was being prepared at the time of the PEFA assessment team's field work in a programme budgeting format within a multi-year framework, as well as the traditional format, both using the newly introduced Corporate Performance Management (CPM) software; Excel was used in the previous years. Technical assistance for preparing program budgets and forward estimates was provided through SEMCAR.

The CPM blocks any attempt to budget higher than the ceilings. Its use will also reduce spread-sheet type errors in preparing estimates. One reason for such errors had been the frequent changing of budget codes due to changes in the pilot program, sub-program and activity codes. The use of CPM should make it easier to achieve an electronic interface with Smartstream, which will assist the accurate up-loading of the approved budget into Smartstream.

The CPM, however, can only be used at HQ level, as not enough licenses have been obtained for use of CPM other than at HQ level. Therefore, unless more licenses are purchased, the lower level units will continue to have to use Excel, thereby perhaps reducing the benefits to be derived from program budgeting.

The budget calendar for the 2014/15 budget also included the preparation of a Fiscal Strategy Statement in line with SI 95 of 2010 and its submission to Cabinet for approval by 12th February, 2014. Following Cabinet approval it was then to be incorporated into the budget documents to be presented to the National Assembly on 1st March, 2014.

The programme budgets being prepared will initially be supplementary to the traditional cost centre-based budgets until a new programme-based Budget Classification and Chart of Accounts has been prepared that will enable the program budgets to be executed as well as prepared. A programme budget will not of much use if it cannot be executed through the current budget execution controls contained in Smartstream.

PI (M2)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-11	**B**	**B**	**Overall performance is unchanged, but performance under (ii) has improved due to expenditure ceilings being provided for recurrent and Capital 2 expenditure for 2013/14 budget preparation and to the ceilings being approved by Cabinet prior to the distribution of the BCC.**
(i)	A	B	***Performance unchanged.*** The budget calendar is laid out in the annual BCCs. Larger ministries find that the time allowed to prepared budget submissions is not enough and so they start preparing the budget prior to the receipt of the BCC. It is unclear whether the A rating in the 2008 assessment was correct, as insufficient evidence was provided. Little has changed in the calendar and so performance appears to be unchanged.
(ii)	D	B	***Performance improved*** due to expenditure ceilings on recurrent and Capital 2 expenditure being provided in the BCC for the first time for preparation of the 2013/14 budget. Expenditure ceilings are not yet provided for Capital 3 expenditure (externally -financed projects).
(iii)	A	B	***Performance fell:*** Budgets were approved for 2011/12 and 2013/14 before the beginning of the fiscal year, but were approved late for 2012/13 due to elections.

3.4.2. PI-12: Multi-year perspective in fiscal planning, expenditure policy and budgeting

This indicator considers the link between budgeting and policy priorities in the medium-term perspective and the extent to which costing of the implications of policy initiatives is integrated into the budget formulation process.

Overall performance improved, the rating increasing to C+ from D+, the improvements falling under dimensions (i), (iii) and (iv).

<u>(i) Preparation of multi-year fiscal forecasts and functional allocations</u>

Performance improved, the rating increasing to C from D.

The annual budgets have been prepared within the confines of a medium term macro-economic and fiscal framework (MTFF) for a few years, as alluded to in recent BCCs. The CBB has the main responsibility for maintaining the MTFF, which is based on IMF-style financial programming principles. The content of the ‘Medium Term Economic and Fiscal Outlook’ section in the BCCs indicates the key macro-fiscal targets within the MTFF, particularly the primary surplus and overall budget deficit, and the aggregate expenditure that arises from this.[11] The BCCs then set ceilings for recurrent and capital 2 expenditure spending; capital 3 spending is determined by the external funding available, therefore with no impact on the overall balance. The outer 2 years of the MTFF are not published, but the first year (i.e. next year's proposed budget) has been shown in the budget documentation since 2011/12.

A Medium Term Expenditure Framework, that shows indicative allocations by ministry over the medium term consistent with the macro-economic framework, is not yet in place.

(ii) Scope and frequency of debt sustainability analysis (DSA)

Performance is unchanged, the rating remaining at B.

IMF Article IV consultation missions conduct DSAs. The MFED and the Central Bank of Belize are not involved, but they accept the results of the DSA. The most recent Article IV report was dated July 2013, the one before that was dated October 2011. The DSAs cover both external and domestic debt.

(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure

Performance improved, the rating increasing to C from D.

A Medium Term Development Strategy (MTDS) came into effect in 2010 and ran until 2013. The MTDS was prepared by Ministry of Economic Development (which merged with Ministry of Finance in 2012). The sector/ministry strategies and plans referred to below are based on the MTDS.

Education: Actual expenditure of Ministry of Education, Youth and Sports (MEYS) comprised 29% of total primary expenditure in 2012/13. All central government expenditure on education falls under MEYS.

The current Education Sector Strategy (ESS) runs between 2012 and 2016. The strategy is costed (Chapter 4), the main driving force being student enrolments. The costs also reflect quality improvements and efficiency improvements (e.g. increasing the pupil/classroom ratio). The costs are largely reflected in the multi-year estimates for MoE prepared under the piloting phase of programme budgeting (as discussed under dimension (i) and reflect conservative forecasts of donor aid (Table 10 of ESS).

The projected costs indicate a funding gap of about 9 percent a year, which the ESS says can be bridged through having less ambitious targets, introducing additional measures to improve efficiency and through seeking new cost sharing arrangements, for example with NGOs and the private sector, and introducing a student loan scheme at tertiary level.

[11] The term : 'Medium Term Economic and Fiscal Outlook' appears in the 2013/14 BCC. The term is a misnomer as the BCC only refers to the fiscal outlook for the coming year. The two previous BCCs used the term 'Principles guiding the mid-year outturn and the framework for the 2012/13 budget (and 2011/12 budget)' but basically it is the same term.

Works and Transport: The Ministry of Works and Transport covers infrastructure, communications (Post Office), and transport. Until recently it was just Ministry of Works. Its expenditure comprises about 5% of total primary expenditure, the seemingly low proportion due to two large statutory bodies that fall under the ministry (Belize Airports Authority and Belize Ports Authority), both of which fund much of their expenditures out of their own revenues. Thus there is no one strategic plan, but separate plans for each functional area, all consistent with GoB's overall MTDS. The roads plan is just a list of projects. A National Transportation Policy and Master Plan are being prepared.

The IDB's Country Strategy for Belize for 2013-2017 (published November 2013) mentions the lack of sector planning in the transport sector due, until recently, to the dispersion of responsibilities across ministries.

Health: The expenditure of Ministry of Health (MoH) comprises about 14% of total primary expenditure (actual, FY 2012/13). The MoH is currently preparing a health sector strategic plan covering the next five years. This will be the first such plan, though the MTDS contains a summary of MoH's health sector strategy in un-costed form. Previously, MoH departments prepared plans, for example, the National Health Information System (NHIS) strategic plan covering 2010-2014, but these were not consolidated into an overall sector development plan. The NHIS was costed, but had a very large financing gap of 80%, which hints of fiscal unrealism. The strategic plans of the other departments were not costed.

iv) Linkages between investment budgets and forward expenditure estimates

Performance improved, the rating increasing to C from D.

Investment projects selected for implementation are generally consistent with the MTDS and sector strategies. The template in the BCC for 2013/14 for requesting 'new spending' (as opposed to forward/baseline spending) includes a provision for justifying such spending (as indicated under PI-11).

The BCC for 2011/12.indicates that appropriate provision should be made for recurrent expenditures which arise from capital projects already commenced. The BCC for 2013/14 specifies that Accounting Officers should ensure that the full future recurrent costs of proposed projects are identified. The line ministries met by the team indicated that they took these costs into account when preparing their budgets, though perhaps not always sufficiently. The IDB Country Strategy (November 2013) notes the poor condition of some major roads due to insufficient maintenance (paragraph 3.13).

On-going and planned activities

- A Medium Term Expenditure Framework (MTEF) that shows indicative allocations for each line ministry for 3 years ahead is not yet in place. As a step towards introduction of an MTEF, **a**ll line ministries were required by the BCC for 2014/15 to prepare programme budgets for the 2014/15 budgets and forward estimate (baseline) expenditure projections for 2015/16 and 2016/17. The pilot ministries have received training in programme budgeting and preparation of forward estimates through SEMCAR.
- SI 95, 2010 required the preparation of a Fiscal Strategy Statement with a medium term perspective, and an annual Fiscal Outlook and Mid-year Report, which would assess fiscal performance against the Fiscal Strategy Statement, and a Final Budget Outcome Report. The 2014/15 BCC indicated that the

preparation of the first Fiscal Strategy Statement would be included in the timetable for preparing the 2014/15 budget.
- Training to be provided to MFED in debt sustainability analysis.
- Ministry of Health to prepare a strategic plan and MoWT to prepare a Transportation Master Plan (with support from IDB).

PI (M2)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-12	**D+**	**C+**	**Performance improved under three dimensions.**
(i)	**D**	**C**	***Performance improved:*** A medium term macro-fiscal framework (MTFF) has been in place for the last few years.
(ii)	**B**	**B**	***Performance unchanged:*** The IMF still conducts DSAs every Article IV consultation mission and MFED and CBB still accept most of the findings. The last 2 Article IV consultation reports were issued in July 2013 and October 2011, more than 1 year apart.
(iii)	**D**	**C**	***Performance improved:*** A costed education sector strategy (ESS) is in effect, under the auspices of the MTDS. Education expenditure was about 30% of total primary expenditure in 2012/13. The MoH and MoWT do not yet have costed strategic plans.
(iv)	**D**	**C**	***Performance improved:*** The 5 pilot programme budget ministries, comprising about 70% of primary expenditure, have been preparing forward expenditure estimates that are required to include the future recurrent costs implied by committed capital projects. Recent BCCs have required line ministries to take such recurrent costs into account.

3.5. Predictability and control in budget execution

This set of indicators reviews the predictability of funds for budget execution and the internal controls and measures in place to ensure that the budget is executed in an accountable manner. The set is divided into three sub-components: Revenue administration, budget execution and cash/debt management, and internal control systems.

3.5.1. Revenue Administration (PIs 13-15)

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-13:Transparency of taxpayer obligations and liabilities (M2)	**C+**	**B**	***Performance strengthened*** due to expansion of taxpayer education programmes and the appeals process becoming functional in GSTD and ITD.
PI-14: Effectiveness of measures for taxpayer registration and assessment (M2)	**C**	**C▲**	***Performance is improving*** through the adoption of a risk-based audit approach, in CED in particular, helped in part by the advent of ASYCUDA.

			World.
PI-15: Effectiveness in collection of tax payments (M1)	D+	D+	***Performance unchanged.*** Collections of tax debt are still a small proportion of the debts, and ITD and GST are still behind in reconciling taxes collected with taxes assessed.

3.5.1.1. PI-13: Transparency of taxpayer obligations and liabilities

This indicator assesses the level of clarity and comprehensiveness of major tax legislation and regulations; access of taxpayers to this information; and the existence and functioning of the tax appeals mechanism.

Background

The relevant legislation comprises the General Sales Tax (GST) Act (2005), Income and Business Tax Act (IBTA, 2000), and Customs and Excise Duty Act (2000). The GST Act has its own Regulations (2006). Revenue administration continues to be divided between three different departments of MFED: General Sales Tax Department (GSTD), Income Tax Department (ITD) and Customs and Excise Department (CED). Each Department is led by a Commissioner who reports to the Financial Secretary within MFED. Each Department has a number of functional segments (e.g. Audit and Investigation in GSTD), An Objections, and Appeals and Training section was established in ITD only in 2011. A new section was created in ITD in 2011 to monitor large taxpayers directly. Each Department has offices in the districts of Belize.

The structure of CED is in a fluid situation due to the advent of ASYCUDA (Automated System for Customs and Data) in 2010. A major change has been the establishment of a Post-Clearance Audit (PCA) unit. Both of these were envisaged in the Customs Modernisation Program, which was a key component of the Customs and Excise Strategic Plan that ran through to 2011.

Each Department has its own Corporate Business Plan. For example, the first plan for GSTD covered 2009-2012, though the plan is still being implemented. Mention is made of Belize's low revenue/GDP ratios (about 20%) relative to some other Caribbean countries, and of the challenges to tax administration posed by the growth of free trade areas, such as CARICOM. The Plan also mentions: (i) capacity constraints as an issue, particularly a very limited number of telephone lines in relation to need, and an inadequate IT system (Standard Integrated Tax Administration System (SIGTAS)), that had not been able to generate reports needed by management; and (ii) the need to improve compliance by making greater use of audits and through making the penalties structure more effective.

An IMF /CARTAC report recommended amalgamation of the three tax departments into one agency, but this has yet to happen; the April 2013 IMF report on tax policy re-iterated this recommendation. [12]

The main sources of revenue continue to be General Sales Tax (GST), Income and Business Tax, customs and excise duties, and revenues from oil production.[13]

[12] 'Tax reform for growth, fairness and sustainable revenues', Russell Krelove, Roberto Schatan, and Pierre-Pascal Gendron,, IMF, April 2013.

Revenue from GST comprises about half of all revenue. The threshold for registering for GST is an annual turnover of at least BZ$75,000, though companies with lower turnover can register in order to qualify for input credits. The GST rate is 12.5%, increased from 10% in 2010.

The business tax is a tax on gross receipts, not net income, mainly for the reasons of administrative simplicity. The IMF's tax policy report, referred to above, recommended that a tax on profits should, over time, replace the business tax, as the latter can pose a burden on businesses and, through its cascading effects, make it harder for domestic companies to compete with imports.

Contrary to practices in many countries, hotels are exempt from GST, instead paying a 9% Hotel and Accommodation tax to the Belize Tourist Board, which uses the money to help pay for its activities. The IMF tax policy report mentions that the exemption complicates revenue administration and that the hotel tax may place a burden on tourism operations. It recommends abolishing the hotel tax and bringing hotel operations into the GST net. Gambling casinos are also not subject to GST, apparently mainly for political reasons.

CARTAC has provided substantial assistance to the Belize tax departments since 2008 under the Collection and Enforcement Program. CARTAC has also financed regional seminars, two in 2013 in St. Kitts and Nevis and Dominica. GSTD staff consider that the revenue administrations in these two countries are more advanced than in Belize and the staff benefited from the visits.

The IDB has also provided TA since 2008: in connection with revenues that Belize receives from oil and gas.

Overall performance improved under dimensions (ii) and (iii).

(i) Clarity and comprehensiveness of tax liabilities

Performance is unchanged at C.

GSTD: The legal and regulatory framework for GST administration has not changed significantly since the 2008 PEFA assessment. Amendments to the legislation were conducted through the issue of Statutory Instruments (SI)s, which are published in the Government Gazette under the signature of the Minister of Finance and on the GSTD website following their approval by the House of Representatives. Nine SIs were issued under the GST Act between 2008 and 2012, mainly relating to the addition and subtraction to/from the list of zero-rated and exempt items. The IMF tax policy report mentioned above and the IDB's Country Strategy for Belize for 2013-17 considers that the number of zero ratings is too high, resulting in erosion of the tax base, and works against the concept of GST being a tax on consumption.

Discretionary powers remain significant in terms of granting exemptions and waiving taxes and penalties for non-compliance, but these powers have diminished to an extent through the shifting of some discretionary powers from Commissioner to Minister of Finance, who has issued guidelines on what areas exemptions can be

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[13] The Government collects 10% of gross oil sales based on its shareholding relationship with Belize Natural Energy Limited, a private company, 40% of its profits and royalties of 5%. All oil revenues are transferred to the budget.

given. Commissioners can still waive penalties but they need to provide justification and can only provide a waiver once for any case. Penalties cannot be waived for late filing. Waivers have to be reported to the Prosecutors' Office. Between 5-10 waivers are provided each year.

The Belize Chamber of Commerce and Industry (BCCI) considers that the crediting and refund process works far less transparently than the process stipulated in the GST Act, to the detriment of the private sector. The Act provides for refunds to be made within 3 months of the claim, but in practice the process can take up to a year. The usual reason provided by GSTD is the need to investigate the claim in order to check that it is based on purchases of items required for the business and not on purchases of items not related to the business. This is a valid reason as elaborated on under (PI-14 (iii)).[14]

Income Tax Department: The IBTA is amended periodically to provide for changes in income thresholds and allowances and Business Tax rates, but the extent of discretionary powers has not changed since the 2008 PEFA assessment. The Commissioner may remit additional tax resulting from an assessment (article 38 (7)) and the Minister of Finance may remit whole or any part of income tax payable by any person if considered just to do so (Article 95 (1)), but notices of such remissions should be gazetted. The Minister may also exempt new businesses from business tax payments during their first 2 years (5 years in case of crops). The Commissioner can waive interest, but requires the approval of the Minister of Finance. In practice, no waivers of payables have been issued during the last 4 years.

The IMF tax policy report mentioned the importance of eliminating from the law many exemptions, special regimes, loopholes and discretionary powers of the Minister to grant additional exemptions.' The IDB's Country Strategy for Belize for 2013-2017 also refers to these issues.

A general complaint of the Belize Chamber of Commerce and Industry (BCCI) is the non-transparency and complexity of the tax legislation which makes life difficult for the private sector. A specific complaint is the ITD's practice of restricting the crediting of the excess of business tax over income tax in any one year to no more than 20% of the next year's business tax liability. Section 21 of BITA provides for the business tax being final and fully creditable against income tax; this means that if the income tax is lower than the business tax (which is levied on turnover) the excess can be carried forward as an expense until it is fully absorbed. For a business, the quicker the excess is absorbed the better. The 20% carry forward annual limit administratively imposed by ITD potentially creates a burden on businesses.[15]

Customs and Excise Department: The legal framework is being changed so as to be brought up-to-date, particularly in terms of developments in IT that allow for electronic customs processing. The revised framework will be in alignment with the CARICOM framework. Specific changes would be the addition of a requirement to pay duties by a specific time and imposition of time limits on goods being held in bonded warehouses. The adoption of ASYCUDA World in 2010 already allows these deadlines to be met.

[14] GSTD further emphasized its point of view in a comment it provided on the first draft report.

[15] The IMF's Tax policy report of April, 2013 refers to this issue (para. 5, section 1)

As under the GST Act and IBTA, discretionary powers under the CED Act have been reduced since the 2008 assessment, through transfer of these from the Commissioner of CED to the Minister of Finance. Only the Minister can provide exemptions on the basis of guidelines issued by MoF in 2008; in 2009 some exemptions were provided to charities and tourism-related activities and fewer exemptions were given on exemptions. The automation of the customs system since the 2008 assessment has substantially reduced the scope for exercising discretionary power.

(ii) Taxpayer access to information on tax liabilities and administrative procedures

Performance improved to A.

The quality of tax payer services and the extent of tax payer education have strengthened; the BCCI was complimentary about this.

GSTD:

- Established a customer service charter in 2009.
- Posted an up-dated GST guide on its website in March 2011. Various forms and notifications are posted on GSTD's website, e.g. application to register, provision for submitting GST returns when paying online through a bank. In general the website provides very good and comprehensive information.
- GSTD's website is now up-dated monthly.

ITD: Forms and guides are provided on its website, established in September 2008. Prior to 2009, there were no interpretations of the IBTA to assist taxpayers in understanding and meeting their obligations.

Taxpayer education services provided since the 2009 PEFA assessment include the Revenue Fair, (2009), Foyer Service for Taxpayers for helping them make their bi-monthly business tax payments (2012), Solution Week (late 2012) to deal with outstanding issues raised by taxpayers, Trade Show/Expo (2012/13), continued Taxpayer Education via Media houses/talk shows, (2010 ongoing), meetings/consultations with the business community through BCCI, and implementation of 2 hotlines in 2011 in order to enable rapid response to taxpayer enquiries. Most of these are additional to the services being provided prior to 2009. ITD also launched a Taxpayer Recognition/Rewards Program in January 2011 for its compliant taxpayers (e.g. rewards may include a waiver of penalty on the first late payment and priority access to processing of refunds).

CED: The advent of ASYCUDA World in 2010 and the upgrading of CED's website have helped to make the customs service more understandable. CED has worked with BCCI in terms of improving the transparency of its operations and has delivered lectures to the Brokers Association on the valuation of imported goods. It has participated in Tax Fairs with the other tax departments and participated in the annual Public Service Day 2-3 years ago. It has an open door policy with regard to schools.

(iii) Existence and functioning of a tax appeals mechanism

Performance improved, the rating increasing to C from D.

The objections and appeals systems in GSTD and ITD are operating. Objections are made to the Commissioner of the Department. If not satisfied, the objector may appeal to the Appeals Board for GST or income tax. Contrary to what is said in the 2008 PEFA assessment, an objections/appeals process was in place then, as provided for in the legislation (e.g. Section 42 of the GST Act), but was not being utilized due to a lack of appeals. The number of appeals is small; most of them fall under ITD. BCCI says that the requirement to pay tax assessed prior to submitting an appeal puts potential appellants off (Section 45 of the GST Act states that 50 percent of the assessed value must be paid before an appeal may be considered). Moreover, BCCI indicated that the appeals process was very time consuming and, on top of this, any refund resulting from a successful appeal may take over a year to receive, with no interest even being paid. The Appeals Board for income tax has sided with the Appellant in some cases.

GSTD faces about 10 disputes a year, but only one case is currently under review by its Appeals Board, most objections being settled at Commissioner level. The case involves a logging/farmer operator who is trying to obtain refunds, despite having already been audited 3 times. The Appeals Board comprises 3 people, a lawyer, an ex-public officer (often a former Finance Secretary, as at present) and a CPA.

The Appeals Board for ITB was established in 2009 and became fully functional in 2011, following the creation of the new 'Objectives, Appeals and Training Section, which prepares cases for the Board. The Board also comprises 3 people: the Chairman (the current Chairman is a former Finance Secretary), a former Assistant Commissioner of Income Tax and now a partner in an accounting firm, and an attorney-at-law. Before an appeal can be considered, the appellant has to pay all the taxes that have been assessed. A table shown to the team indicates the status of the 11 appeals that the Appeals Board had adjudicated on since 2009. The interval between the submission of the appeal and date of the Board's ruling varied between 3 months and 15 months, the interval generally becoming shorter over time. If an appeal goes against ITD, it has to pay interest to the appellant on the tax paid. Two unsuccessful appeals went to the Supreme Court, which rejected them.

The Customs Department doesn't have a formal appeals process (appeals are usually concerning valuation issues), but membership of CARICOM and World Customs Organisation, under which classes of goods are harmonized, reduces the scope for discretion and thus the motivation to appeal. The incidence of valuation-related complaints has fallen to 5-10 percent of import shipments from 20 percent over the last few years. Complaints are submitted to an administrative committee in CED, but complainants are permitted to go straight to the Finance Secretary of MFED. The administrative committee comprises representatives of CED and the Brokers' Association.

On-going and planned activities

- MFED is considering the establishment of only one department for all taxes and making it a separate agency from MoF.
- GSTD is planning to establish tax payer centres in Belmopan and Orange Walk.
- ITD has prepared a professional development course for its staff (a course outline was provided to the assessment team). It is planning to further upgrade its website.
- ITD is considering fast tracking of review of appeals.
- The legal framework for customs administration has been revised to bring it into line with modern practices, specifically those that fall under the CARICOM legal framework. It is expected to come into law during 2014.
- The Minister of Finance, in his Budget Speech for the 2013/14 budget, mentioned the 'urgent need for Business Climate Reforms to foster private sector

development in Belize'. In relation to this, GoB is considering the recommendations of the 'Tourism Taxation Study' (supported by IDB) conducted during FY 2012/13. The Budget Speech also mentioned that a study would be conducted (also IDB-supported) during 2013/14 on the revenue losses caused by tax expenditures. The recommendations of the study are still being reviewed.

PI (M2)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-13	**C+**	**B**	**Performance strengthened due to expansion of taxpayer education programmes and the appeals process becoming functional in GSTD and ITD.**
(i)	**C**	**C**	***Performance unchanged.*** The legislative framework has not changed significantly. Discretionary powers have diminished to some extent, but still remain significant.
(ii)	**A**	**A**	***Performance improved*** through the expansion of taxpayer education programmes. The A rating in the 2008 assessment appears to have been too high.
(iii)	**D**	**C**	***Performance improved*** due to the appeals process becoming functional in GSTD and ITD. The number of appeals is small, the requirement to pay the tax due up-front perhaps being a deterrent to appealing.

3.5.1.2. PI-14: Effectiveness of measures for taxpayer registration and tax assessment

Performance is improving through the adoption of a risk-based audit approach, in CED in particular. The rating remains at C, a strengthening process indicated by an upward pointing arrow.

(i) Controls in the taxpayer registration system

Performance is unchanged, the rating remaining at C, though closer linkages between the three tax databases –helped by the advent of ASYCUDA World - and between these and other registration systems are evolving.

The ratio of domestic revenue to GDP has changed little in recent years, averaging about 27% of GDP (Table 2, Section 2), despite the increase in the GST rate to 12.5% in 2010 from 10%. This indicates little change in compliance with tax laws and regulations, despite the efforts made by the tax departments to strengthen compliance. The numbers of taxpayers registered under the GST Act and IBTA increased on average by 4.3% a year between 2009 and 2013 (Table 12), but this mainly represents an increasing number of employees/businesses rather than increased compliance.

Table 12: Taxpayers registered under the GST Act and IBTA

Tax Type	2009	2010	2011	2012	2013 1/
GST	3,131	3,212	3,312	3,456	3,753
Business tax	3124	3306	3504	3594	3993
Income tax: Individual	14,436	14,850	15,300	15,808	16,403
Income Tax: Employee (PAYE)	138,127	145,369	153,068	158,969	163,665
TOTAL	**158,818**	**166,737**	**175,184**	**181,827**	**187,814**

Up to October, 2013

Source: GSTD, ITD.

The numbers shown in Table 12 are not completely accurate as they include registrants who have been counted more than once due, for example, to spelling mistakes, and registrants, who should have been de-registered because they were one-time visitors to Belize, for example, musical groups. The way SIGTAS is configured makes it difficult to deregister people.

Income tax paid by employees under Pay As You Earn (PAYE) is the largest taxpayer group. Employees are paid net of tax liabilities, so it is the responsibility of the employer to make sure that it is registered under IBTA. ITD's ability to keep track of such employers is greater, due to their relatively large size and the high proportion of government employees in this group, than its ability to keep track of individual income tax payers.

Electronically linked tax databases have not yet been achieved, even though all taxpayers have a common Taxpayer Identification Number (TIN). Absence of such linkages hinders the efforts of the tax departments to in increase registration coverage. The ITD's database is contained in SIGTAS, but is not electronically linked to GSTD's database, even though this is also contained in SIGTAS. SIGTAS was established in 2001, so GST had to be grafted on when it was introduced in 2006, the fit not being perfect. Information interchange between GSTD and ITD is therefore manual. This is supposedly not a problem as the departments are located in the same building, only one floor apart, but electronic linkages would clearly be preferable. The two departments can view CED's database, which is contained in the electronic ASYCUDA World (AW) system, but viewing is on a 'read only' basis, due to the absence of electronic interfaces.

Since the 2008 PEFA assessment, GSTD and ITD have strengthened their ability to check whether all potential registrants under the GST Act and IBTA are in fact registered: Prior to FY 2007/08, there was very little checking on compliance:

- GST registration has been required for importers since 2009/10. The CED informs GSTD about importers without such registration, enabling GSTD to check that they register and pay the GST. The AW has made GST registration easier for importers.
- The Ministry of National Resources and Agriculture (MNRA) is now informing (manually) GSTD about land purchases. Stamp duty of 5% is payable to GSTD on the purchase of land, so GSTD can check that the purchasers are registered for GST. The GSTD passes on the information to ITD, which can

than check if the purchasers are registered under IBTA. There appears to be no mechanism, however, for enforcing this flow of information. It is not clear why MNRA doesn't provide the information directly to ITD.
- Prosecution of potential GST payers that had not registered - the ability to prosecute being strengthened through the training of staff on court procedures.
- The opening of branches in Punta Gorda and San Pedro,
- Periodic surveys and registration drives. The effectiveness of these is not guaranteed, however (e.g. potential taxpayers may try to avoid being captured in such drives).

The requirement of banks for companies to have Tax Clearance Certificates (TCCs) as a condition for lending to them and for companies bidding for government contracts to have TCCs also helps to bring companies into the tax net. A TIN is required for a TCC.

Neither GSTD nor ITD have an electronic linkage with the Company Registry (CR) which would help them to check that companies listed in the CR are registered for payment of GST and BITA. The ITD has had an agreement since 2012 with the Companies Register (CR), whereby the Registrar General sends information on newly registered businesses to the Petroleum and Large Audit Section in ITD. New businesses, including street vendors, require trade licenses, which are obtainable from the CR. The ITD can then manually share the information with GSDT. The relationship between ITD and CR is manual, however, so ITD has only limited assurance that the CR is providing full information to it.

The behaviour of some government departments is not necessarily conducive to encouraging compliance with GST registration requirements. All government departments are liable for GST, but, nevertheless, City Councils and sanitation companies have exempted themselves. This does not set a good example to the private sector and moreover increasing its costs of doing business as private sector suppliers cannot claim input credit; this point is noted in the IMF tax policy report.

The checking mechanisms used by GSDT and IDT, as summarised above, are indirect in nature and rely on the co-operation of other parties (e.g. the Company Registrar and MNRA). A direct way of detecting non-registered people/companies who in principle should be registered has not yet been developed. No linkage is in place yet with Social Security Numbers (SSN), whereby the SSN and TIN are one and the same (the case, for example, in Canada and USA), though the issue has been raised.

Both tax departments consider that SIGTAS is part of the issue of enforcing compliance with tax declaration and registration requirements. They re-iterated this issue at the workshop on 23rd May. SIGTAS is now 13 years old, ancient in terms of the rapid developments in IT since then.

CED: A major development since the 2008 PEFA assessment has been the modernisation of the customs system through the Customs Reform and Modernisation Project. The main feature was the purchase of ASYCUDA World (AW) in 2010 in order to strengthen the efficiency of the customs registration, declaration, clearance and payments process. The system replaced the ASYCUDA 2.7 system, acquired in 1994. The upgrading has enabled the replacement of various customs entry forms by the Single Administrative Document accompanied by the automation of many customs clearance processes all the way to goods release. Following training of CED staff and authorised customs brokers during 2009, AW was rolled out during 2010-12, starting with Belize City. It is now also in place in Corazal, Belize airport, Punta Gorda, Big Creek, Santa Elena and Benque Viejo. AW is also accessible by other ministries, thus facilitating their procurement processes.

AW is internet based, enabling importers to submit customs manifests and bills of lading on-line prior to arrival in Belize and to pay duties on-line into CED accounts held in Atlantic and Belize banks or through credit cards. The whole clearance process can be completed within 24 hours, in marked contrast with the inefficient and time consuming process previously in place (as highlighted in the 2008 PEFA assessment).

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations

Performance is unchanged, the rating remaining at C.

Penalties have not changed since the 2008 PEFA assessment.

- Under the GST Act, the penalty for not registering when registration is required by law (i.e. annual turnover exceeds BZ$ 75,000), or does not register in time, is BZ$5000-BZ$10,000 or up to two years' imprisonment or both (section 22 (5) of GST Act). There are no penalties for not registering under the IBTA.
- The penalty for non-filing or late filing of GST returns is BZ$ 500- BZ$ 1000 plus an additional $50 for each day the return remains outstanding, and/or imprisonment for up to 6 months. Not complying with the requirement under the ITA to file a return results in a fine of BZ$10,000, BZ$ 5 for each day the return remains outstanding and imprisonment not exceeding 2 years. Unreported business tax receipts are taxed at 50% plus other penalties.
- The penalty for late payments is 10 percent of tax due plus 1.5 percent interest a month on the amount still outstanding (Section 58 (1) of GST Act). The penalties under the ITA for delays in making payments are the same as under the GST Act.

The non-filing rate (in terms of tax assessment declarations) remains significant, ranging between 18% and 22% during 2009- 2013 (up to October) in the case of GST, and higher in the case of ITD.As noted under dim. (i) there is no easy way of identifying people who have failed to register, The non-filing rate may be exaggerated, however, due to duplicate registrations and non-deregistration when this was required, partly a problem with SIGTAS (as also noted under dim. (i)). Big businesses tend to be more compliant than small businesses, mainly because they have the accounting resources to enable them to comply and because they want to have a good public image.

CED: The penalties for trying to avoid customs duty are high, unchanged from 2008, but, as per the situation in 2008, the chances of getting caught are low and the incentives for non-compliance high. Offences and penalties are covered in the Customs Regulations, articles 1-7-117. The penalty is three times the value of the imported good. The porous border with neighbouring countries, the limited resources available to the Government to patrol it and the high customs duties (generally 20-30 percent, even, as mentioned by BCCI, up to 100 percent),combined with competitively priced goods from Mexico and Guatemala encourage smuggling, despite a boat that patrols the river border. Belize has not yet entered into a free-trade agreement with Mexico and Guatemala. A Coastguard unit, financed partially by USA, patrols the beaches with some degree of effectiveness, though the patrols are aimed more at drugs smuggling.

To a lesser extent, the same issue applies to the Export Processing Zones (EPZ) of Corazal and Bengki (the latter not functioning), and the Commercial Free Zone (CFZ) next to the Mexican border. Materials can be imported duty free into the EPZs for the manufacture of exports. Duty free imports are not supposed to be sold duty free in the domestic market, but this apparently happens, resulting in foregone customs duty and GST revenue, and harm to domestic businesses (also indicated by BCCI). The same issue applies to the CFZ, whereby foreigners can buy imported goods duty free in Belize, but Belize residents cannot.

The costs of administering these incentive structures and policing the zones in order to guard against leakage into the domestic market add to the costs of revenue administration. Imports into the CFZ amounted to about 17% of GDP in 2012 and exports from EPZs comprised 40% of non-petroleum exports in 2012 (according to the IMF tax policy report), so the leakage issue is potentially significant. The IMF report notes (para. 141) the significant revenue risk posed by the CFZ due to CED having insufficient resources to monitor purchases by Belize residents inside the CFZ.

<u>(iii) Planning and monitoring of tax audit and fraud investigation programmes</u>

Performance is improving, particularly in CED, The rating is unchanged at C, but a strengthening trend is in place (upward-pointing arrow).

The tax audit function is developing, with the assistance of CARTAC. The concept of risk-based audits is being adopted, particularly in GSTD and CED, the idea being to focus efforts where the potential for high returns is significant, rather than spreading audit resources too thinly.

GSTD: A tax audit function established, following the introduction of GST in 2006. It wasn't until 2010/11, however, that audit plans began to focus on larger companies (annual sales of at least BZ$ 5 million), the revenues generated by which comprised a large share of total revenue, and on relatively high risk areas, GST refunds in particular, with a relatively high probability of recovery.[16] Since FY 2010/11 the audits of large companies/persons have been stepped up after it was discovered that a number of them were not reporting the correct amounts of taxable sales or were misclassifying sales.

GST refunds are problematic as businesses may try to claim GST credit for purchases of goods and services (electricity and fuel in particular) that are not related to their businesses and may try to avoid paying the output GST. Some sections of Belize society reputedly engage in this type of activity than others. In conjunction with CARTAC, a set of guidelines was developed for the management and administration of the refunds programme. Controls were tightened, helped by an increase in the number of audit staff. All refund claims larger than BZ$ 10,000 submitted to GSTD are now audited in order to verify the accuracy of input tax credits being claimed. Nevertheless, GSTD considers that the tax legislation needs to be amended in order to enable a significant tightening of controls over the issuance of GST refunds.

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[16] According to the National Audit Plan for GSTD for FY2010/11, registrants with annual sales >B$ 5 million are classified as large registrants, numbering 130, which are to be audited over a 2 year cycle (i.e. half every year). GST registrants with annual sales of B$1 million-B$ 5million are classified as medium sized registrants, numbering 340, which are to be audited over a 4 year cycle.

ITD: The ITD has also stepped up its audit efforts since 2011. The Petroleum and Large Audits Section was established in 2011, and an Audit Manual was prepared (May 2012) and the number of staff involved in audit activities increased to 30 from 22. ITD's first ever audit plan covers 2013-15. Areas of focus include compliance, certificates of business losses, refunds and PAYE. Revenues collected in 2013 (until October) as a result of its audits amounted to BZ$ 3.7 million. Major areas of risk are lawyers, accountants, contractors and hotels. These statistics were not being compiled prior to 2013.

The assessment team reviewed ITD's Audit Manual. It is comprehensive in terms of describing the process of conducting an audit. What is still needed is a formal material risk assessment framework, which would provide guidance on what areas to focus most on in terms of the potential for revenue recovery. The scope of the sample of audit reports viewed by the team appeared to lack focus as they were not sufficiently oriented to addressing key risk areas where there were reasonable chances of achieving high revenue recovery rates. Focussing on large companies just because they generate a large proportion of GoB's revenues is not necessarily the best way to go, as larger companies tend to be more compliant than smaller ones as it is their interest to maintain a good public image.

An indicator that ITD's audit section uses as a means to check possible non-compliance with declaration and payments obligations is the statistical variance between GST and Business tax collections. The GST and business tax collections for each taxpayer should be reasonably correlated with each other as both are based on receipts from sales. The assessment team viewed (via the SIGTAS unit in CITO) Excel files showing GST and business tax collections per taxpayer number for groups of districts and towns for 2007-2013 (to October). The correlation coefficients varied widely and were very low (about 21%) for some of the groups indicating the possibility of significant amounts of non-declaration of tax and, thus perhaps meriting audit attention. According to ITD, companies that are zero-related for GST are not reporting incomes.

CED: Following the establishment of AW in 2010, a Risk Management and Post Clearance Audit policy was drafted, a risk management unit was established in CED and training programs implemented, with assistance from UNCTAD and CARTAC. The Single Administrative Document has standardised the format of customs declarations, thereby facilitating the audit effort. A Post Clearance Audit (PCA) unit was established, whereby documentation is checked after goods have been cleared. Well-known risk areas are imports from certain countries and, as indicated under dim. (ii), the EPZs and CFZs. The implementation of the audit policy is reflected in the traffic lights system of AW (i.e. green, no check; amber, document check; blue, post audit check; red, full physical inspection).

On-going and planned activities

- The Government is planning to amend the tax legislation in order to tighten controls.
- The GSTD is planning to join up with ITD and CED in order to conduct joint audits.
- Risk management programs are being drafted jointly with GSTD and ITD in order to avoid duplication of effort.
- E-filing is being considered.
- The GSDT is trying to establish a link with the Financial Intelligence Unit.

- ITD is planning a large survey at the end of 2014 to check that potential taxpayers are registered and to update taxpayer files.
- ASYCUDA World is to be rolled out to more border posts and valuation mechanism are to be strengthened.
- SEMCAR funds to be used for a study on upgrading of SIGTAS.

PI (M2)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-14	**C**	C▲	**Performance is improving through the adoption of a risk-based audit approach, in CED in particular helped in part by the advent of ASYCUDA World.**
(i)	**C**	C	**Performance unchanged in terms of the rating,** but closer links between the databases of the tax departments are being developed, and manual linkages have been established between the Company Registry and ITD and between MNRA and GSTD. Nevertheless, the databases remain unconnected, the linkages remaining manual.
(ii)	**C**	**C**	**Performance unchanged.** Penalties are high, but non-compliance appears to remain significant.
(iii)	**C**	**C ▲**	**Performance is improving.** The establishment of ASYCUDA World and Post Clearance Audit has significantly helped to strengthen risk-based audit in CED.

3.5.1.3. PI-15: Effectiveness in collection of tax payments

This indicator assesses the effectiveness of the tax administration authorities to control the level of tax arrears and collect them when they occur, to transfer tax collection to the Treasury on a timely basis and to undertake reconciliation exercises to ensure that the collection system works as intended. This indicator analyzes the last two completed fiscal years for the first dimension and the situation at the time of this assessment (November 2013) for the other two dimensions.

Overall performance is unchanged, the rating remaining at D+.

(i) Collection ratio for gross tax arrears

Performance unchanged, the rating remaining at D. The monitoring and collection of tax debts has been a problem for GSTD and ITD, as indicated in Table.13. GSTD's and ITD's annual tax arrears collection rates in relation to collectible debts (i.e. excluding tax arrears in dispute) have been low, no more than 25%, and, moreover, declining between 2008/09 and 2012/13. As indicated under PI-14 (i) non-filing rates for GST and Business Tax (BIT) have remained significant, contributing to the large increase in tax debts. Collection rates in relation to total debts (including tax arrears in dispute) have been no more than 12%, also declining over time. Companies have resorted to going to court in order to avoid paying tax debts. The GSTD obtained a successful conviction, resulting in imprisonment for somebody, who, however, was able to use his influence to get out of jail almost immediately.

Some companies have declared bankruptcy rather than pay arrears. National Assembly approval is required for proposed tax debt write-offs.

As noted under PI-14, SIGTAS related issues have complicated the monitoring of tax debt, due to the SIGTAS database exaggerating the number of non-filers. The debt data shown in the 2008 assessment are considered by the SIGTAS unit in CITO to be inaccurate, though the rating is still D.

Monitoring has improved, however, since 2011 due to the development of a debt tracking module in SIGTAS in the wake of a visit to Dominica in 2011 to study its SIGTAS, which is more advanced than Belize's. The number of enforcement and collection officers in GSTD and ITD has doubled (6 to 13), all trained in the use of the module. A non-filers identification program was implemented, with monthly arrears inventory reports being generated directly from SIGTAS. All payment arrears agreements are being processed through SIGTAS. Debts can be collected via third parties through garnishment of receivables (i.e. amounts owed by companies/individuals to companies that are in arrears on their GST payments can be seized by GSTD). The tax legislation does not yet permit garnishing of the bank accounts of GST registrants.

Another improvement was the establishment of electronic cash registers in 2010, enabling direct payment of GST through an electronic linkage with GSDT, and thus a lower risk of tax debts accruing. Compliance is strengthened as the payment is automatic whenever a bill is paid by a customer (e.g. a hotel bill).

All customs duties have to be paid prior to CED releasing the goods to the importer, so the issue of arrears does not arise.

Table 13: Stock and collections of tax debts

BZ$ millions	2008/09	2009/10	2010/11	2011/12	2012/13
1. End-year stock of tax arrears	90.5	93.9	123.5	131.7	164.4
GST collectibles **1/**	9.9	8.2	13.5	16.6	22.0
Income/business tax collectibles **1**/	36.2	14.8	32.7	20.2	39.0
2. Sum, collectible arrears	46.1	23.0	46.2	36.8	61.0
3. Total tax collections			672.4	675.1	703.9
o/w GST			256.1	235.3	277.3
o/w Income/business tax			249.2	252.3	233
4. Tax arrears as % of collections (=1/3)			18.4%	19.5%	23.4%
5. Collectible tax arrears as % collections (=2/3)			6.9%	5.5%	8.7%
6. End-year stock tax arrears collected next FY **2/**	11.0	3.1	3.1	3.3	NA
7. As % of end-year stock (=6/1)	12.1%	3.3%	2.5%	2.5%	
8. As % of collectible arrears stock (=6/2)	23.8%	13.5%	6.6%	9%	

1/ Excludes deceased persons, registrants who are no longer residing in the country and large cases pending in court etc.

2/ E.g. Out of BZ$ 90.5 million stock of tax arrears at end-FY 2008/09, BZ 11 million was collected during FY 2009/10. Data on end-FY 2012/13 stock of tax debts collected during FY 2013/14 are not yet available.

Source: GSTD, ITD, CITO

(ii) Effectiveness of transfer of tax collections to MFED

Performance unchanged, the rating remaining at A.

GSTD: Tax collections continue to be efficient, through their prompt deposit into MoF's Consolidated Revenue Fund (CRF), held in CBB. The Belize and Atlantic banks have been added as places to pay GST. People can now pay online, but only at these two banks. Nevertheless, people prefer to pay at the last minute on collection day (15th of the month) and prefer to come to GSTD (including its branches in the districts) and collect a receipt, rather than go to the bank. Payments to GSTD are then deposited straightaway into the CRF. Direct deposit schemes have been in place since 2009.

ITD: The ITD has been promoting on-line declarations (for business tax) and payments through Atlantic Bank, starting in 2008 and is engaging with other banks to provide these services. 95% of payments are still made, however, through cash and cheques, mainly through the Bank of Belize), the funds being deposited in the CRF the same day. Some payments are paid directly to ITD rather than being deposited in the bank, but the funds are still deposited straightaway into CRF.

CED: Customs duties and the GST payable on imports are paid to CED either in cash or online through AW. Either way the money ends up in the CRF the same day. AW generates daily reports ('Cash Daybook') for each customs office on amounts collected by revenue type (e.g. import duty), means of payment (e.g. cash), and type of payment operation, (e.g. 'cash declaration in' by payer). The assessment team was provided with examples of these three different types of reports (dated 21st November 2013).

(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by MFED

Performance unchanged, the rating remaining at D. The accountability framework for reconciling tax collection with tax assessment continues to be weak for GSTD and ITD, but the situation is beginning to improve. No accounts reconciliation has taken place in GSTD and ITD for years. SIGTAS has been part of the problem: (i) the person responsible for operating SIGTAS was away for 2 years; (ii) SIGTAS was foreign-based and as a result fixing problems could be time consuming; and (iii) as noted under PI-14, SIGTAS was becoming out of date. The situation has improved since the Government purchased the software in 2009 and progress is now being made in using it for reconciliation (recent technical improvements in SIGTAS are mentioned under dimension (i)). Another part of the problem, at least for ITD, has been human errors, high staff turnover and lack of manuals.

Delays in receiving bank statements from commercial banks are also an issue. It can take up to 3 weeks for ITD to receive a bank statement that shows how much revenue has been deposited in its account by type of revenue and how much has been transferred to the CRF. Part of the problem is revenue classification errors, due to revenues deposited in a commercial bank account not being classified according to revenue type, and instead being placed in a suspense account.

Reconciliation is much easier for CED, as duties are due as soon as they have been assessed and must be paid before imported goods can be released. CED's records (AW generated, including a receipt number) of how much has been paid into its bank account can be checked daily, through AW's accounting module, the collection statement being prepared by the bank and sent to CED. The assessment team was provided with a sample of a collection statement. Similarly, the amounts sent to CRF daily from CED's bank account can be reconciled with the amounts deposited into its account that day.

On-going and planned activities

- An arrears write-off program is to be implemented, December 2013-November 2014.
- The ITD is testing a link with CITO in order to create a list of close out files in relation to double registration and registrants who should be de-registered. It has also drafted several MoUs with legal counsel for vetting in regards to targeting non-filers and potential registrants.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-15	D+	D+	**Performance unchanged.** Collections of tax debt are still a small proportion of the debts, and ITD and GST are still behind in reconciling taxes collected with taxes assessed**.**
(i)	D	D	***Performance unchanged:*** The tax debt collection ratios for GST and BIT continue to be low (Table 13.), Debts owed to CED are virtually zero, but the weighted overall rating is still D.
(ii)	A	A	***Performance unchanged:*** Revenues collected by the tax departments are deposited in MFED's CRF account in CBB the same day.
(iii)	D	D	***Performance unchanged.*** Partly due to issues with SIGTAS, GSTD and ITD are years behind in their annual reconciliations between taxes assessed and taxes paid into the CRF. CED is very up-to-date with reconciliation by virtue of the nature of its operations, but the weighted rating is still D.

3.5.2. Budget Execution and Cash/Debt Management (PIs 16-17)

Summary of assessment of indicators for PIs 16-17

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-16: Budget execution	D	D+	Performance improved, the predictability of resources availability for making payments against contracts has strengthened.
PI-17: Cash/debt management	C+	C+▲	Performance improving under dimension (i) on the quality of debt data recording and reporting, but not yet by enough to increase the rating.

3.5.2.1. PI-16: Predictability in the availability of funds for the commitment of expenditures

Effective execution of the budget in accordance with work plans requires that spending ministries and agencies receive reliable information on the availability of funds within which they can commit expenditure.

Performance slightly improved, the predictability of resources availability for making payments against contracts having strengthened.

<u>(i) Extent to which cash flows are forecast and monitored</u>

Performance unchanged at D. A cash flow planning mechanism is not yet in place, though it is now required by the Fiscal Responsibility and Transparency Regulations of 2010 (SI 95). The BCCs of 2012/13 and 2013/14 requested line ministries to start preparing cash flow forecasts for each cost centre, taking seasonal factors into account. Ministries are required to indicate expected payment dates for contracts they have signed under the Capital II budget. In practice this initiative has not yet got off the ground, though some ministries prepared forecasts for the 2013/14 budget (e.g. Ministry of Health).

Cash flow plans submitted to MFED would enable it to prepare monthly cash plans for each ministry taking into account the monthly revenue forecasts prepared by the tax departments. MFED would aim to ensure that cash is available to meet cash requirements consistent with the cash plans. As noted under PI-17, however, the benefits of monthly cash plans would only be fully realised through AGD being able to have daily knowledge of GOB's cash position and being able to access this cash daily. This would only be possible through establishment of a Treasury Single Account, which GoB is in fact envisaging.

Cash is in fact available when required through the long-standing budget release mechanisms for recurrent and capital expenditure, and facilitated by good revenue performance and the use of the overdraft facility at CBB. The Budget Department is responsible for budget releases (authority to spend) to the line ministries and releases 1/12th of the approved recurrent budget on the first of each month. A ministry that needs more than this amount (e.g. school uniforms, drugs) either has to plan for this by accumulating monthly budget releases until they can make the purchase, or they request a de-reservation advance from the Ministry of Finance through Smartstream, a procedure that temporarily makes more budget release available now, but less later in order to stay within the annual budget. Capital budget releases are made on request to, and approved by, MFED.

Use of the overdraft facility is expensive, CBB charging 11% interest. An amendment to the Central Bank Act in 2009 has sharply reduced GoB's overdraft limit to 85% of the previous year's revenues. This was a contentious issue, as indicated by the 1.5 years it took to negotiate the amendment. Adoption of rigorous cash management plans and establishment of a TSA would greatly contribute to reducing recourse to the overdraft facility.

<u>(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment</u>

Performance improved, the system for executing the Capital II budget having strengthened.

MDAs can issue purchase orders and sign contracts that imply payments obligations during the year against contracted deliveries, or that require large payments for bulk purchases (e.g. textbooks, drugs), thus implying a commitment horizon of up to a year. An improvement since the 2008 PEFA assessment is that signed contracts have to be registered in Smartstream, the registration providing budget release provision for the payments certificates submitted during the year against the contracts and therefore the certainty that funds would be available to make the payments. Previously, signed contracts consistent with the approved budget were not registered in Smartstream and payments certificates submitted into it were only accepted if sufficiently covered by budget release provision. This resulted in the possibility of delayed payment in the event of cash shortfalls, though, in practice, the overdraft facility combined with budget adjustments and use of advance de-reservation warrants guarded against such shortfalls.

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

Performance unchanged at D. The MDAs have no experience of unforeseen budget cuts imposed on them. Many adjustments to budget allocations arise, however, due to some MDAs requesting more resources than budgeted for, which can be financed through revenue surpluses relative to budgeted amounts and/or through some MDAs agreeing to reallocations from their budgets if they do not need all the resources budgeted for them. Many of the adjustments appear to reflect insufficient diligence during both the budget preparation and execution process and do not appear to meet the 'urgent, unavoidable and unforeseen' criteria for requesting budget adjustments. For example, many of the adjustments are for payment of fuel and telecoms bills.

The amounts are significant in relation to total expenditure. Supplementary adjustments approved by Parliament comprised 11.6%, 7%, 8% of the 2010/11, 2011/12 and 2012/13 approved budgets. Supplementary adjustments approved during April-November 2013 amounted to 6% of the 2013/14 budget. The adjustments number hundreds every year and are only brought to Parliament after the adjustments have been, indicating a high level of non-transparency (as discussed under PI-27).

On-going and planned activities

Cash flow forecasting is in the process of being introduced, as stipulated in BCCs.

As indicated in the BCC for 2013/14, the Cabinet issued new guidelines for the approval of supplementary estimates ('supplementary warrants'). Supplementary estimates would not be considered unless the requested additional expenditure was urgent, unavoidable and unforeseen. Requests for supplementary expenditures on the basis of insufficient diligence during the budget preparation process would not be considered unforeseen and ministries would have to find offsetting savings of up to 5% of ceilings. The Cabinet would have to approve any proposed savings to ensure that they are pure efficiency gains and do not adversely affect service delivery. Requests for supplementary allocations for proposed new spending that was not approved by Cabinet during the budget preparation process would also not be considered.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-16	**D**	**D+**	**Performance improved. The reliability of resource availability for making payments against contracts has strengthened.**
(i)	**D**	**D**	***Performance unchanged.*** A cash flow planning mechanism is not yet in place. In practice, cash tends to be available when needed, facilitated by good revenue performance, the use of the advance de-reservation warrant system, and the use of the overdraft facility at CBB.
(ii)	**D**	**A**	***Performance improved, the reliability of resource availability for making payments having strengthened.*** Since the 2008 PEFA assessment, line ministries have been able to register contracts in Smartstream, thereby providing budget release during the year against payments certificates. The D rating in the 2008 assessment appears to have been too low. The narrative was only one sentence. The cash management process was inefficient, as indicated by the D rating for dimension (i) but MDAs could plan and commit expenditures in accordance with the budgeted appropriations.
(iii)	**D**	**D**	***Performance unchanged.*** The MDAs have no experience of unforeseen budget cuts imposed on them. Budget adjustments are, however, frequent, numerous and non-transparent. They are often at the request of the MDAs and reflect insufficient diligence by them in preparing and managing their budgets.

3.5.2.2. PI-17: Recording and management of cash balances, debt and guarantees

Efficient cash and debt management can result in substantial savings in net borrowing costs. Efficiency is enhanced if balances in all government-held bank accounts can be identified and consolidated (including those for extra-budgetary funds and government controlled donor-funded project accounts).

Performance is improving under dimension (i), but not by enough to raise its score, the overall score remaining at C.

<u>**(i) Quality of debt recording and management**</u>

Performance is improving, through diminishing differences between CBB and MFED data records and more timely preparation of reports. The coverage of debt data is not yet 100%, however, so the rating remains at B.

The CBB has the responsibility for recording government debt through the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS). The CS-DRMS provides comprehensive data on stocks, disbursements, debt service and valuation adjustments. The CBB reconciles its data monthly with that of local banks and international multilateral banks. It has electronic access to IDB's creditor records; access to CDB's records is pending. It receives hard copy statements from World Bank. Some statements come less frequently than monthly (e.g. twice a year in the case of Kuwait Fund and OPEC Fund) if there is no movement in the account but data from reconciliations are still valid as any changes are registered and reconciled when received.

The CBB staff indicated that the international financial institutions have no issues with the quality of its debt records. 'Superbond' creditors engaged with negotiations with GoB and CBB that led to the debt agreement of March 2013 also had no problem with the quality of the data.

MFED also compiles debt data and reconciles these with CBB quarterly. MFED records may differ slightly from those of CBB due to different exchange rates used. Differences between these two sets of records have diminished in recent years due to speedier transmission of data to MFED by CBB. The CBB staff indicated no material discrepancies between CBB and MFED debt records, as the MFED has done extensive work to reconcile the debt information between what is recorded in SmartStream and the CS-DRMS.

Nevertheless, according to AGD, although the comprehensiveness and quality of debt data has improved, they do not yet capture 100% of all debt transactions. As a result, the debt data shown in the annual financial statements prepared by AGD have some gaps (PI-25). Some creditors apparently still make payments directly to contractors.

The CBB's Monthly Economic Reports (very high quality) include a section on domestic and external debt statistics (stock of debt outstanding at beginning of period, new disbursements, debt service, valuation changes, debt outstanding at end of period). The latest report posted on CBB's website is for October 2013. Timeliness has improved since the 2008 PEFA assessment, which indicated time lags of 3-8 months in compiling monthly debt statistics and made no reference at all to whether reports were prepared.

(ii) Extent of consolidation of the government's cash balances

Performance is unchanged at C. The AGD controls the Consolidated Revenue Fund (CRF) held in CBB. The CRF has 2 sub-accounts, namely the collections accounts of the revenue departments and the disbursement accounts from which payments are cleared through Smartstream. Loans have to be approved by MFED and therefore the proceeds of loan funds are deposited into accounts held in CBB. Altogether, GoB has 40 accounts in CBB and 40 accounts in commercial banks (those of revenue departments and sub-treasuries) which are under the control of AGD.

AGD never has a full real time consolidated overview of GoB's cash balance. In principle, the AGD must authorize the opening of new bank accounts by MDAs. MDAs, however, hold an unknown number of accounts in commercial banks that are not under AGD control and into which their own revenues as well as grants from development partners (DPs) are deposited (the latter in separate accounts, but under the control of the MDA. The AGD does not routinely receive information on the balances on these accounts, nor the balances on the accounts of statutory bodies and semi-autonomous government agencies/institutes (PI-7). The balances on MDA-controlled accounts are reported to AGD only once a month with three weeks delay. Even if AGD had a full overview of GoB's cash balances, it does not have access to these balances for the purposes of efficient liquidity management.

As noted under PI-7, DPs are increasingly depositing their funds into accounts opened in CBB. These are not yet under AGD control (necessary if DP accounts are to be part of the envisaged TSA), but DPs transfer funds from these accounts into AGD-held accounts from time to time when required.

iii) Systems for contracting loans and issuance of guarantees

Performance is unchanged at C. The MFED is the sole authorized central government agency for contracting and managing domestic and foreign loans and issuing guarantees. The approval of Parliament is also required. A debt management strategy was noticeably missing for several years, the consequence of which was a debt sustainability problem, eventually leading to the March 2013 debt restructuring agreement, the terms of which are summarised in the Budget Speech for 2013/14. The MFED, in conjunction with CBB, intends to prepare a Medium-Term Debt Strategy, necessary if the rating is to increase.

Ongoing and planned activities

Cash management: At the time of the PEFA assessment field work a consultant contracted by CARTAC was reviewing the cash management system with a view to determine the steps needed to establish a Single Treasury Account (STA). The FARA might need to be amended to allow for this as it does not require that all the accounts of the non-financial public sector should be controlled by the AGD and form part of an STA.

As indicated in the BCC for 2013/14, Cabinet agreed with MFED's proposal that Ministries move towards operating one single operating Treasury Account. The MFED reminded MDAs to report any accounts held with commercial banks into which revenues were being deposited and from which payments were being made (commonly known as 'below-the-line' accounts). Balances in these accounts (except those exempted by the Ministry of Finance) were to be reconciled and deposited in the CRF and the accounts closed. LMs were required to carry out this exercise and have most accounts closed by March 31, 2013. Requests for new accounts at commercial banks would not be approved unless necessary (e.g. DPs requiring the use of commercial bank accounts). LMs that receive allocations from the Official Charities Fund into their bank accounts were to request these allocations from the Grants vote instead.[17]

No progress was made in this regard, however, and the 2014/15 BCC makes no reference to the issue. At the time of the PEFA workshop (23rd May), the MFED was reviewing the CARTAC report on cash management, which covers the implementation of a TSA.

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[17] The Official Charities Fund receives funding from a privately operated Lottery. A specified percentage of the earnings for the Lottery is paid into the Fund, from which donations are made to various organisations (e.g. Blood Donor Service), as indicated in Annex A of the Budget estimates. Some of these organisations appear to be government-owned. Annex A shows the approved estimates and projected expenditures of such donations, as well as the beginning and end-year balances of the Fund.

Debt management: As indicated in the 2013/14 Budget Speech MFED and CBB collaborated with the Capital Markets Section of IMF in late 2012 in a review of public debt management practices. As a result the Government decided to implement reforms, including passage of a Public Debt Management Act and a new Securities and Capital Markets Act. MFED would create a modern-style Debt Management Unit with front, mid and back office functions. With help from IMF, including the provision of training in DSA (PI-12), GoB and CBB will jointly prepare a medium term debt strategy (MDTS). The March 2013 Superbond debt agreement implies some components of this, notably no more external non-concessional borrowing.

PI (M2)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-17	C+	C+▲	**Performance improving under dimension (i), but not yet by enough to increase the rating**.
(i)	B	B▲	***Performance improving***. Data differences between CBB and MFED debt records have reduced. The timeliness and regularity of debt reports has increased. Nevertheless, AGD considers that the public debt records are not complete due to some creditors paying contractors directly.
(ii)	C	C	***Performance unchanged.*** DPs are increasingly depositing their assistance into bank accounts held in CBB, the balances of which are known to AGD. AGD still does not receive timely information on balances held by MDAs in commercial bank accounts.
(iii)	C	C	***Performance unchanged.*** A debt management strategy is not yet in place. Contracting of loans and issuance of guarantees are not decided on the basis of clear guidelines.

3.5.3. Internal control systems (PIs 18-21)

Summary of assessment

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-18: Payroll control (M1)	D+	D+	***Performance unchanged, but the payroll audit function has strengthened, through the recently finalised payroll audit.*** The ratings for dimensions (i)-(iii) in the 2008 assessment appear to have been too high.
PI-19: Procurement controls (M2)	D	D	**No change in overall scoring.** (Score for 2008 is reconstructed to fit into new methodology)
PI-20: Non-salary expenditure controls (M1)	D+	D+	***Performance has improved in terms of compliance with commitment controls due to the establishment of the Funds Control module in Smartstream, but is unchanged in terms of the understanding of, and compliance with, internal control rules.***

PI-21: Internal audit (M1)	**D**	**D**	***Performance unchanged. The internal audit function has still not been established***.

3.5.3.1. PI-18: Effectiveness of payroll controls

As a major component of expenditure, effective control of the payroll is an important indicator of sound financial management.

Overall performance unchanged at D+. Complete reconciliation between the establishment list, personnel records in MDAs and the payroll in AGD is not yet routinely conducted. The ratings for dimensions (i)-(iii) appear to have been too high in the 2008 assessment.

Background

The payroll procedures in the government of Belize involve the following operators:

- MDAs, which are submitting personnel data to the Human Resources Management Information System (HRMIS). MDAs are not connected to HRMIS and submit personnel data to it manually.
- HRMIS is the personnel management component of the integrated personnel and payroll management system (IPPMS), contained in Smartstream. HRMIS falls under Ministry of Public Service (MPS), which is in charge of the establishment list. HRMIS is located in a physically separate office and has little interaction with MPS itself. HRMIS has 7 staff, including the Director.
- The payroll unit in AGD is responsible for the payroll management component of the IPPMS. A firewall separates it from HRMIS; it cannot make any personnel information changes submitted by HRMIS. Correspondingly, HRMIS cannot make any changes to the payroll prepared by the payroll unit. The payroll unit is located in the same office as for HRMIS, but falls under MFED. The unit has 9 staff.
- CITO, which is responsible for the technical management and maintenance of the IPPMS.

The HRMIS contains data on the following: Employee position (e.g. clerk); cost centre/head to which employee is assigned; employee status where staff person is employed; status of employee (active/terminated); information on employee (e.g. married); pay elements (salary, allowances, deductions).

The Police and Belize Defence Forces are included in HRMIS, each employee having a specific position, but under different pay structures. Teachers working in GoB schools are included in HRMIS, those working in grant-aided schools are paid out of the subventions to those schools. Temporary employees tend not to be included in HRMIS but through ‘payables’. Also not covered in HRMIS but through payables are people in temporary positions or people whose posts have not yet been approved or their budgets have not yet been approved.

The distribution of responsibilities for the payroll changed in 2008 and changed back again in 2012: Prior to the change in 2008, HRMIS was the responsibility of AGD, though it was part of MPS. Responsibility for HRMIS was handed over to MPS in April 2008, AGD only executing the payroll. This arrangement apparently didn’t work well and so, in April 2012, the situation reverted back to the pre-2008 one. The distribution of responsibilities is therefore the same as at the time for the last assessment but there has been considerable development of Smart Stream over the years.

The number of employees contained in HRMIS has increased since the previous assessment in 2008, from 8,484 to 9,396 as per October 31, 2013. According to MPS, reasonable accuracy in the estimate of these numbers was not reached until April 2012, when the distribution of responsibilities for the payroll was changed back to the pre-2008 situation.

(i) Degree of integration and reconciliation between personnel records and payroll

Performance is unchanged D. The A rating in the 2008 assessment appears to have been too high. Every payroll period (biweekly), HRMIS provides a list of all staff to be paid to the payroll unit through IPPMS. The list is based on information on changes provided by MDAs to HRMIS. Prior to submitting the list to the payroll unit, HRMIS sends it (the 'maintenance' list) to the line ministries to verify against their personnel records.[18]

Complete integration between the establishment list maintained by MPS, the personnel records maintained by MDAs, and IPPMS is not possible as yet: the establishment list is not electronically connected with HRMIS or the personnel records of MDAs, and HRMIS is not electronically connected with the personnel records of MDAs either. HRMIS is electronically connected with the payroll unit through IPPMS.

Full reconciliation is possible through *ex-post* checking after the payroll has been run, but this is not done, the checking instead being both *ex ante* and insufficient. Although the HRMIS unit sends the 'maintenance' list each month to the human resource departments (HRD) of MDAs, it doesn't give sufficient time for them to check that the list is correct. Errors arise, according to CITO and HRMIS. For example, deductions may be made against the wrong people, or changes in bank accounts may not be registered, or somebody should have been removed from the payroll but hasn't. The personnel records may not be correct and kept up-to-date, partly because of capacity weaknesses in MDAs. Errors may also arise in the manual submissions of adjustments to personnel records to HRMIS. HRMIS checks for errors, but, with only a few staff, it is hard to check everything. The checking is a particular challenge in terms of the large MDAs, particularly Education and Health, which have district offices. HRMIS communicates directly with these offices, rather than relying on the HQs to do the checking.

Staff are likely to check their pay statements and point out errors, but this does not guarantee full reconciliation. This would consist of HRMIS and the payoll unit checking that the new pay period's payroll is fully consistent with the last period's payroll and changes submitted by MDAs to HRMIS since then, and with the establishment list.

[18] 8-9 staff are in charge of payroll component of IPPMS. The same number work in HRMIS unit.

(ii) Timeliness of changes to personnel records and the payroll

Performance unchanged at C. The A score from 2008 appears to have been too high Changes made in HRMIS are quickly reflected in the payroll, though perhaps not until the following month if the changes are made too late in the pay period. As noted in (i), however, changes made by MDAs to their personnel records may be made erroneously, with corrections made later. Moreover, the manual adjustments that are made to HRMIS on the basis of changes made by MDAs to their personnel records may contain errors. Checks between the establishment list maintained by MPS and the personnel records of MDAs may also reveal errors that may take time to change.

The assessment team requested information from CITO on the extent of retro-active adjustments to the payroll, but CITO indicated that such information is not prepared on a routine basis.

(iii) Internal controls of changes to personnel records and the payroll

Performance is unchanged at C. The A rating in the 2008 assessment appears to have been too high.

There are clear and documented restrictions and segregation of duties when it comes to the authority to introduce changes to the payroll. The authority for changes to personnel records and payroll is restricted to a list of named officers. The establishment list can only be changed by MPS, and then only on the basis of decisions made by the Public Service Commission (e.g. appointments, promotions). Only designated officers in the HRMIS unit can make changes in HRMIS. A firewall contained in IPPMS between HRMIS and the payroll unit prevents anyone in the latter from changing the draft bi-weekly payroll submitted to it by HRMIS. All changes made in IPPMS generate an audit trail. Likewise, HRMIS staff cannot make changes to the draft payroll after it has been prepared by the payroll unit.

The situation at MDA level is not so clear. The principles of segregation of duties and the designation of responsibilities are in place, but may not be fully complied with. Dimension (iii) under PI-20 indicates significant non-compliance with regulations. Changes in personnel records are the responsibility of HRDs in MDAs and require the approval of HRMIS, but, as indicated in dimensions (i) and (ii) above, some changes may be made erroneously. The changes at MDA level may be manual and may not generate an audit trail.

(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

Performance improved to B. The OAG prepared a payroll audit in late 2012, the first ever prepared, and it was finalised in March, 2014. The audit discovered instances of people receiving more than one salary, and retirees still receiving salaries. No other partial or full payroll audits have been conducted and reported during the last three fiscal years or before that.

Ongoing and planned activities

- CITO is determining how to make better use of HRMIS in order to ensure that personnel information is updated more rapidly.
- The HRMIS unit may implement a red flag system, whereby anomalies in the information submitted by MDAs can be detected, for example sudden and significant changes in salary levels. The unit is also reviewing the HRMIS manual, which dates

back to 2001, and is expanding the features of HRMIS to capture a wider range of personnel benefits such as vacation leave.

- The upgraded HRMIS would also reflect a comprehensive personnel database currently being prepared by consultants hired by MPS, the amount of personnel information provided currently being very limited (only date of birth and marital status). Once completed, all data on new employee hire, transfers, appointments, etc. will be input directly into HRMIS.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-18	**D+**	**D+**	**Performance unchanged,** but the payroll audit function has strengthened through the recent completion by OAG of the first ever payroll audit. The ratings for dimensions (i)-(iii) in the 2008 assessment appear to have been too high.
(i)	**A**	**D**	***Performance unchanged.*** Routine reconciliation does not take place between the establishment list, MDA personnel records and IPPMS. The situation has changed little since the 2008 assessment. The 'A' rating in the 2008 PEFA seems to have been too high.
(ii)	**A**	**C**	***Performance unchanged.*** Information on the extent of retro-active adjustments to the payroll is not routinely prepared. The extent of adjustments may be significant, partly due to errors being made by MDAs in recording changes to personnel records each month and in transmitting this information to HRMIS. The situation at the time of the 2008 assessment appears to be little different. The A rating seems to have been too high.
(iii)	**A**	**C**	***Performance unchanged:*** Internal controls over changes to the establishment list and to the information contained in IPPMS appear robust, are not so robust in terms of changes to personnel files at MDA level and in transmitting these changes to HRMIS. The A rating in the 2008 assessment seems to have been too high.
(iv)	**D**	**B**	***Performance improved, due to*** OAG preparing a payroll audit in late 2012, the first ever. This was finalised in March 2014.

3.5.3.2. PI-19: Competition, value for money and controls in procurement

Significant public spending takes place through the public procurement system. A well-functioning procurement system should ensure that money is used effectively for achieving efficiency in acquiring inputs for, and value for money in, delivery of programs and services by the government.

The dimensions for this indicator changed in January 2011 and are not comparable with the 2008 PEFA assessment ratings. However, based on the observations of the previous PEFA assessment and the information in the report of Review of the

System of Public Procurement following OECD MAPS (2010), we have reconstructed the previous scoring of PI-19 according to the revised methodology and added as comparable information in a column in the summary table.

No change in performance, the overall rating stays at D.

Background

There is no legislation specifically governing procurement, although the Contractor General (CG) has been given broad and independent monitoring/supervisory authority over the public procurement process, including the complaints process. The Contractor General's Office is established under the Contractor General's Act, 1993. The office holder is appointed by the Governor General on the advice of the National Assembly (NA) and is independent of the executive branch of government, with the exception of his/her budget, which is received through MFED.

The FARA (2005) requires that Government refers all contracts subject to any of the three tendering processes (open, selective, limited) to the CG for review before the contract is executed. The CG shall then either issue a certificate indicating that the contract is in the national interest, or give a written statement of why it is not, the statement being submitted to the NA for debate. He can agree or disagree on whether limited tendering is justified if this has been proposed. He has the authority of a court, but no penal powers. He can refer cases to the Office of Public Prosecution, though this has never happened. In practice the CG does not have the capacity to fulfil his potentially very useful role, as he is the only professional in the office (three staff in all).

The CG prepares annual reports. The report for FY 2010/11 (December, 2012) notes the lack of cooperation provided by a number of entities (e.g. Accountant General, Belize Bureau of Standards, BEL, BTL, Belize Water Services) in providing information on their procurement operations.

The procurement procedure is decentralized, i.e., it is carried out by relevant MDAs, the Financial Officer is acting as the procurement officer or coordinator.

(i) Transparency, comprehensiveness and competition in the legal and regulatory framework.

Performance unchanged, the rating stays at C. The legal framework meets three of the six listed requirements.

The existing procurement-related legislation in Belize consists of the FARA (2005), as amended in 2010 (Finance and Audit (Reform) (Amendment) (Act) No. 31, 30th December 2010)), the Financial Orders (FO), and Stores Orders (SO), which constitute subsidiary legislation under the amended FARA (2005), and the Contractor-General Act 1993.[19] Part IV of FARA (2005) establishes the government systems for procurement of goods and services. A section on government procurement and sale contracts describes the duties and responsibilities of the CG, as

[19] These Orders constituted subsidiary legislation under the previous Finance and Audit Act and therefore lost their legislative status when the FARA (2005) came into effect.

noted above, and the general rules and procedures under which open competition bids and other procurement methods are to be carried out. The Act does not explicitly designate open competition as the default practice, though it says open tendering is required for contracts of BZ$ 5 million and above.

In relation to procurement, the amended FARA (2010) restored the FO and SO to their original status of subsidiary legislation (Section 23), and enhanced transparency in the tendering process through providing for the establishment of thresholds for open, selective and limited tendering procedures (SI 72). The restored FOs, section 10, contain some regulations on "Contracts (works and services) and tenders committee". Chapter X of the FO calls for the establishment of the Main Tenders Committee in the Ministry of Finance.

Table 14 indicates the extent that the legal and regulatory framework meets minimum requirements as established in the PEFA framework[20].

Table 14-: Legal and regulatory framework for procurement

Minimum Requirements (M2)	Meet requirements? (Yes/No)	Explanation
(i) Be organized hierarchically and precedence is clearly established;	Yes	The legal framework for public procurement is contained in Part 4 of the FARA (2005), as amended in 2010. The FARA establishes three different procurement methods – limited, open, selective - and includes some conditions for their application. The open method is to be used for any contract of BZ$ 5 million and above (Section 19 (5)), with the exception of defence expenditure. The circumstances under which the other two procurement methods may apply are indicated in Sections 20 and 21. Selective tendering is competitive tendering for sufficiently qualified suppliers and is supposed to enhance efficiency in the procurement process. Limited tendering is only allowed if the conditions are not suitable for the other two methods.
(ii) Be freely and easily accessible to the public through appropriate means;	Yes	FARA as well as Financial Orders and Store Orders are available on the Government website.
(iii) Apply to all procurement undertaken using government funds;	No	The FARA does not apply to procurement by local government (town and city councils) since these are regulated by their own rules and proceedings.

[20] This indicator is also contained in OECD DAC's National Procurement Assessment Framework.

Minimum Requirements (M2)	Meet requirements? (Yes/No)	Explanation
(iv) Make open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified;	No	FARA does not explicitly make open competitive tendering the default method of procurement, though it is implied for contracts of BZ$ 5 million and above. FARA is silent on the issue of fractioning of contracts.
(v) Provide for public access to all of the following procurement information: government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints;	No	FARA requires that when open tendering procedures are used, the conditions for participation are published in sufficient time for interested suppliers to prepare their bids. Tenders are usually advertised in at least two newspapers of nationwide circulation. Procurement plans, contract awards and complaints-resolution data are not published.
(vi) Provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature.	Yes	An independent appeals body is not provided for in the legislation. However, one of the duties of the CG is to receive and handle complaints. This function of the Contractor General does not meet all requirements as listed in dimension (iv), but it is nevertheless an independent complaints function.

(ii) Use of competitive procurement methods

This dimension is rated according to the degree to which appropriate justification is provided for awarding contracts using methods other than open competition, above the threshold for open competition.

Performance unchanged at D.

Open tendering is required for all proposed procurements above BZ$ 5 million, as indicated in FARA (2005). The FO allow for limited tendering in cases where only one provider meets or exceeds the price and quality requirements. Use of the procedure by an MDA requires a waiver authorized by the CEO of the MDA for technical reasons, events of extreme urgency or other exceptional reasons. Sole sourcing tends to be practiced by monopolies, such as the water and electricity companies, and by MoWT, particularly in the case of national emergencies. Many projects cost more than BZ$ 5 million, but according to the CG, fractioning of contracts is common, in order to avoid the thresholds above which open competition is required.

The CG has the power to determine if sole sourcing is justified, each case being submitted to him by MFED, which has usually indicated that is has no objection. The CG has questioned such decisions by MFED, but has never gone against them. The decision to sole source is in the end often justified by default due to lack of planning.

The selective tendering process allows MDAs to select a supplier or purchaser from a register of qualified suppliers or contractors that is maintained by the MDAs, provided that the number of companies is sufficiently large to enable a reasonably competitive environment. Such procedures are widely used. In practice, however, the pre-qualification process tends not to be followed (according to the CG), the result being that the efficiency benefits of selective tendering are diminished.

In practice, most large projects are donor-financed, using donor procurement procedures. According to the CG, some MDAs are more transparent in their procurement processes than others, particularly if they have donor projects, the donor agency emphasising the need for transparency and requiring open tendering for projects costing over US$ 100,000, much lower than the BZ$ 5 million (US$ 2.5 million) threshold established in FARA. Nevertheless, even donor agencies resort to sole sourcing under certain circumstances, for example if funds are about to dry up as the financial year draws to a close (the Contractor General cited IDB in this regard).

According to BCCI, the smaller the projects, the lower the transparency, even above the minimum threshold. For instance, the BCCI had never seen contracts for office supplies advertised. The contracts issued by Belize City for the infrastructure works financed by its bond issue were well advertised, however. The BCCI considers that public procurement is much more transparent in Guatemala. For example, the Government there has a pre-qualification service, which is not available in Belize.

No central register holds data on Government procurement in terms of the value and number and type of procurement method used by each ministry. MFED does not collect such data from the procurement units in line ministries, thus making it difficult to assess the extent to which competitive procurement methods are used above the threshold, and if not used, the extent to which justification is provided. No procurement audits are conducted that would assess the extent of compliance of procurement practices with the legislation and regulations.

The CG's Office does collect such data, however, as indicated in his annual reports, but, as noted under 'Background', not all MDAs provide data. As noted above, it has the power to express an opinion on the justification of using the limited competition tendering process but has never said that such use was unjustified.

(iii) Public access to complete, reliable and timely procurement information

Performance unchanged at D. None of the information requirements are met, as indicated in Table 15.

Table 15: The extent to which the public has timely and reliable access to procurement information.

Key procurement information to be made available to the public through appropriate means:	Status
1. Government procurement plans	*Requirement is not met*. Plans are not regularly available.
2. Bidding opportunities	*Requirement is not met.* Not regularly available. The BCCI indicated that transparency was improving, with tenders increasingly being published. The

	specification criteria tend not to be transparent, however, thereby providing the opportunity for collusion, the lowest bidder winning the contract but quality not being taken into account. MDAs are more likely to publish bidding opportunities and contract awards if they are implementing donor-funded projects, as this is a requirement of donors.
3. Contract awards	*Requirement is not met*.
4. Data on resolution of procurement complaints	*Requirement is not met*. No complaints mechanism exists.

(iv) Existence of an independent administrative procurement complaints system

Performance unchanged at D. Three of the 7 requirements are met, but not requirement (i), the meeting of which is required for a higher rating

The complaints/appeals mechanism is assessed according to the following criteria.

Complaints are reviewed by a body which:	Justification
(i) Is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government.	**No.** The only legally established complaints mechanism existing is the Contractor General's Office, which does not meet the criterion.
(ii) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions;	**Yes.**
(iii) does not charge fees that prohibit access by concerned parties;	**Yes.**
(iv) follows processes for submission and resolution of complaints that are clearly defined and publicly available;	**No.**
(v) exercises the authority to suspend the procurement process;	**No.**
(vi) issues decisions within the timeframe specified in the rules/regulations;	**No.**
(vii) issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).	**Yes. C**G meets the criterion, but such decisions are hardly ever issued.
Number of criteria met out of the 7 specified	**3**

In practice, the number of complaints is few. The CG encourages people to complain, but they tend not to, or else complaints don't go far due to political factors (for example, the Contractor General recommended delaying a contract award in response to a complaint; his recommendation was denied, however). In some cases, his recommendations, which have legal mandate, have been accepted. In practice, however, he doesn't the capacity to investigate complaints. The BCCI indicated that suppliers fear being blacklisted if they complain.

On-going and planned activities

GoB, in collaboration with CARICOM, is working on developing a new Procurement Law with adequate regulations to address the concerns that have been (e.g. making open tender procedure the default method procurement and making the thresholds clearer).

Preparation of a Public Procurement handbook has been on-going for a long time (over a year) and is awaiting Cabinet approval. As the handbook is still a draft, the assessment team was not able to see it, but was informed that the handbook, once implemented, would remedy many of the current weaknesses in the procurement process.

A consultant has been contracted to prepare procurement regulations under FARA, a procurement manual and standardized bidding documents, and a protocol for adding a section on procurement to the MFED website.

The CG indicated that he was going to draft a circular requesting MDAs to prepare procurement plans.

MFED is considering whether to establish a procurement policy unit in line with the amendments to FARA in 2010.

PI (M2)	Score 2008 PEFA	Score 2008 reconstructed	Score 2013 PEFA	Assessment
PI-19 (M-2)	**N/A** *(Method changed Jan. 2011)*	**D**	**D**	**Performance unchanged.**
(i)	**N/A**	C	C	***Performance unchanged.*** The legal framework meets three of the six listed requirements.
(ii)	**N/A**	D	D	***Performance unchanged.*** A system is not in place to monitor or audit procurements under the decentralised procurement system in order to determine whether use of limited competitive procurement methods was justified.
(iii)	**N/A**	D	D	***Performance unchanged.*** None of the information requirements are met.
(iv)	**N/A**	D	D	***Performance unchanged.*** 3 of the 7 requirements are met, but not requirement (i), the meeting of which is required for a higher rating.

3.5.3.3. PI-20: Effectiveness of internal controls for non-salary expenditure

Internal control is an integral process that is implemented by an entity's own management and personnel and is designed to provide reasonable assurance for the management that controls are working and to recommend risk mitigation measures where appropriate. Controls concerning payroll, procurement, debt and revenue management have been discussed under PIs 14-15, and PIs 17-19.

Performance has improved in terms of compliance with commitment controls, but is unchanged in terms of the understanding of, and compliance with, internal control rules. The overall score remains at D+.

<u>(i) Effectiveness of expenditure commitment controls</u>

Performance improved, the rating increasing to C from D.

In principle, expenditure commitment controls exist as institutionalised through SmartStream, which effectively blocks any proposed expenditure for which there is no budget release, this itself being based on the processes indicated under PI-16 in terms of executing the approved budget.

A significant improvement since the last assessment is that the SmartStream commitment control function (Funds Control module) has now come into full use which means that a majority of all expenditure is now controlled by the function. As indicated under PI-4, signed contracts (which are expenditure commitments) now have to be registered in Smartstream, thus providing for budget release (authority to spend) against payments certificates submitted during the year by contractors to the relevant MDAs, which then submit into Smartstream during the year. MFED requests MDAs to provide forecasts of the likely dates of submission of certificates. The new procedure is in line with the Fiscal Transparency and Responsibility Regulations issued in 2010.

Prior to this, signed contracts were not registered in Smartstream, MDAs checking first that proposed contracts were covered by the approved budget. MDAs would then request budget release (authority to spend) from MFED against payments certificates submitted by contractors, the release being provided through advance dereservation warrants, and/or through reallocation of funds between sub-heads within an MDA, or through the overdraft facility at CBB[21] MFED requests MDAs to submit a likely time schedule of submission of payments certificates.

Commitment controls are, according to the Accountant General and Auditor General, circumvented on occasion by MDAs through the use of manual purchase orders (POs) and/or informal agreements with suppliers. Knowledge of such practices only come to light when MDAs try to put their POs and accompanying invoice through Smartstream in the hope of there being sufficient unutilised budget release. Payments arrears arise (PI-4) if there is insufficient budget release remaining or if an offset is not found within the budget release, or if additional resources are not found. Records of such arrears are only kept within MDAs and are not contained in

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[21] As stipulated in the Financial Orders . Such procedures are referred to in the annual Expenditure Warrant issued to all MDAs by the Finance Secretary following Parliamentary approval of the budget; the warrant issued on 15th August, 2012 in connection with the execution of the 2012/13 budget.

Smartstream, so it is not possible to reliably assess the magnitude of the violation of rules (unless MFED makes MDAs declare the amounts of arrears).

The Ministries of Education and Health interviewed by the team indicated that they no longer use manual purchase orders. According to CITO, manual POs are permitted sometimes in the form of advances, particularly in the case of hospitals that may require urgent access to drugs/medicines, the formal purchase methods taking too long. The advances are later cleared against the budget releases.

(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures

Performance unchanged at C. Insufficient understanding of internal control rules is still an issue. Rules and responsibilities for sound financial internal controls and clear accountability are specified in FARA (2005), the FO and the Control of Public Expenditure Handbook, but understanding of these is limited. Even the basic concept of segregation of duties is apparently not completely understood, as indicated by apparent instances of staff requesting purchases of goods and services and also approving these requests. None of the MDAs met had developed any manuals or guidelines to ensure better practice, understanding and compliance. International internal control standards templates have not been introduced.

There is no systematic training, neither induction nor continuing, provided for staff in the understanding and implementation of these rules, and so these rules have not been well established in practice. The Ministry of Health indicated it provided orientation for new staff, but acknowledged it could provide more.

As a result of lack of understanding of internal controls, internal controls rules are not enforced, and violation of rules and noncompliance with internal controls are not penalised. Malpractices therefore tend to recur. The OAG considers, however, that people know the rules, but are deliberately not following them.

A read through of the FO and COPE provides a clue for the reasons for the insufficient understanding of financial management procedures. Originally written in the 1960s the manual processes described have to a large extent been automated through Smartstream and other IT packages. The prose itself also seems outdated relative to modern writing styles and difficult to read.

The Smartstream, SIGTAS, CS-DRMS, CPM and other IT-based systems (e.g. office management procedures) are clearly more relevant in terms of understanding internal control rules, but the control procedures used in these systems are not yet reflected through an updated COPE and FOs. What is needed are workshops on the financial management procedures contained in the various IT systems and the interfaces between them, and between then and still existing manual procedures, combined with illustrated hard copy manuals to be placed in each office. The Finance Secretary mentioned at the 23rd May workshop that some staff think that Smartstream can do everything and supercedes the FO and COPE, but this is not the case.

(iii) Degree of compliance with rules for processing and recording transactions

Performance unchanged at D. Compliance with internal control rules is still an issue, as emphasised in reports of the Auditor General. The extent of non-compliance may be partly due to the difficulties in understanding the rules.

There is no central monitoring of MDAs' compliance with internal control rules. The Accountant General is responsible for providing technical guidance and for enforcing compliance in the implementation of the FARA (2005) and FOs. She can do this as long as transactions are channelled through SmartStream. However, as noted in the annual reports of the Auditor General (the last of which is for 2012), there are many instances of non-compliance with the rules established in the FOs. The last report indicates widespread breaches and lack of control in government budget execution in terms of non-salary expenditure (e.g. contract splitting, writing of cheques for expenses not covered by the approved budget). The FOs provide penalties, but these appear not to be enforced. An issue is insufficient continuity of financial officers in their appointed positions.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-20	**D+**	**D+**	**Performance improved in terms of compliance with commitment controls, but is unchanged in terms of the understanding of, and compliance with, internal control rules.**
(i)	**D**	**B**	***Performance improved.*** The Smartstream Funds Control module has been established since the 2008 assessment. Signed contracts have to be registered in Smartstream, registration providing budget release against future payments certificates. Manual purchase orders are still issued outside Smartstream, but the incidence of these is declining. The justification for the D rating in the 2008 assessment is unclear, as proposed commitments even then had to be consistent with the approved budget. The rating therefore seems to have been too low.
(ii)	**C**	**C**	***Performance unchanged***. Insufficient understanding of internal control rules is still an issue, partly due to the very outdated (pre-dating the IT era) FOs and COPE.
(iii)	**D**	**D**	***Performance unchanged.*** Compliance with internal control rules is still an issue, as emphasised in reports of the Auditor General. The extent of non-compliance may be partly due to the difficulties in understanding the rules.

3.5.3.4. PI-21: Effectiveness of internal audit

Overall performance is unchanged at D. An internal audit function is still not in place. Discussions about instituting internal audit have been going on, but no decisions have been taken so far.

(i) Coverage and quality of the internal audit function

No central unit in the government is responsible for the internal audit function and no legislation exists for such a function. By lacking this function, the independent internal monitoring of legality, integrity, support documents, and compliance with accounting standards and financial rules and procedures remains non-existent.

(ii) Frequency and distribution of reports

There are consequently no rules for reporting internal audit reports.

(iii)Extent of management response to internal audit findings

Since no internal audit function is taking place, there are no recommendations and no response.

On-going and planned activities

At the workshop held on 23rd May, the Finance Secretary mentioned that MFED was beginning to focus more on establishing the internal audit function. An issue was whether to have one IA unit to cover all MDAs or to have an IA unit in each MDA, capacity constraints being an obvious factor. The risk of having only 1 IA unit would be that MDAs would rely on this for checking transactions rather than doing the job themselves, the IA unit performing a back-stopping role.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-21	D	D	**Performance unchanged. An internal audit function is still not in place.**

3.6 Accounting, recording and reporting

Summary of assessment

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-22: Accounts reconciliation (M2)	C	C	***Performance unchanged.*** Reconciliations for accounts held by Accountant General (AG) are still performed monthly and reconciliations of bank balances held by MDAs are still not sent to AG. A large suspense account balance remains unclear, even after several years.
PI-23: Information on resources received by service delivery	D	C	**Performance unchanged.** Resource allocation and routine monitoring systems are in place but formal resource receipt monitoring reports are not yet prepared. The D rating in the 2008 assessment seems to have been too low.

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
units (M1)			
PI-24: In-year budget reports (M1)	D+	C+	**Performance improved.** The coverage, timeliness and quality of in-year budget execution reports improved under all dimensions.
PI-25: Annual financial statements (M1)	D+	D+▲	**Performance is improving** due to the increase in the amount of financial information being provided in annual financial statements and the on-going implementation of IPSAS cash.

3.6.1. PI-22: Timeliness and regularity of accounts reconciliation

The overall reconciliation and clearance process of central government bank accounts and other accounting information related to suspense accounts and advances (travel advances, construction advances, operational imprests, etc.) are assessed according to the situation at the time of the assessment.

Overall performance unchanged at C*.* Reconciliations for bank accounts held by Accountant General (AG) are still performed monthly. Reconciliations for bank accounts held by MDAs are still not sent to the AG. A large suspense account balance remains unclear, even after several years.

<u>(i) Regularity of bank reconciliations</u>

Performance unchanged at B. The CBB daily electronically sends statements of account to the AG for the bank accounts held in it by the AG. The information on the statements is incorporated into the general ledger embodied within Smartstream, which enables rapid reconciliation, errors being fixed reasonably quickly.[22] The statements for accounts that the AG holds in commercial banks and which are not electronically connected to SmartStream are normally sent to the AG within 3 weeks, enabling reconciliation of all these accounts within 4 weeks. However, AG has online access to these accounts and therefore should be able to conduct reconciliations much more rapidly, using the Smartstream facility.

The MDAs that hold bank accounts (PI-17) are not sending any statements to AG, contrary to the provisions of the FARA (2005) and do not incur any penalties for not complying with these provisions, penalties that are specified in FARA. The frequency and timeliness of their reconciliation is not known to AG. These accounts, known as ‘below-the-line’ accounts, hold revenues earned by MDAs and amounts deposited by donor agencies to finance the expenditures of the projects and programs they are financing. As noted under PI-17, donors are increasing depositing funds into accounts in CBB held by the Accountant General, with expenditures funded by these being reported ‘Above-the-Line’.

[22] The 2008 PEFA assessment mentions that reconciliation is automatic when using Smartstream, but manual processes are usually needed to fix mis-matches.

(ii) Regularity of reconciliation and clearance of suspense accounts and advances

Performance unchanged at D. A large suspense account balance remains unclear, even after several years. Advances to municipalities are not always cleared by year-end.

Reconciliation and clearance of suspense accounts and advances have not been routinely carried out. One suspense account holds more than BZ$ 361 million that has not been cleared after several years, the reasons being the action of one staff person who ‘dumped’ transactions into a suspense account rather than classifying them. Disentangling and classifying the transactions on the account has been a difficult and time-consuming exercise, partly due to the lack of staff to assign to this problem and turnover among the leadership of the AGD.[23] The end-year balance on suspense accounts has changed very little over the last 2 years, indicating that the issue is mainly historical in nature. Imprests (advances) are normally cleared by the end of each fiscal year. Standing imprests automatically retire at the end of the year. Advances to municipalities (i.e. subventions) are not always cleared on a timely basis and may incorrectly be classified as expenditure.

PI (M2)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-22	**C**	**C**	**Performance unchanged.**
(i)	**B**	**B**	***Performance unchanged.*** AG-held bank accounts in CBB are reconciled daily through the bank reconciliation facility in Smartstream. Accounts held by AG in commercial banks are reconciled within 4 weeks. The AG has no knowledge of the accounts held in commercial banks by MDAs, DPs and statutory bodies.
(ii)	**D**	**D**	***Performance unchanged***. A large suspense account balance remains unclear, even after several years. Advances to municipalities are not always cleared by year-end.

3.6.2. PI-23: Availability of information on resources received by service delivery units

Problems can arise in front-line service delivery units (SDUs) in obtaining resources that were intended for their use. This indicator covers primary education and health care service delivery units that are under the responsibility of both central government and LGAs.

Performance is unchanged. The MYES and MoH do not so far prepare formal monitoring reports on resources delivery, but considerable amounts of information is routinely collected on the delivery of resources to primary

[23] There was no AG between July 2008 and 2010. An AG was appointed in 2010, but left in 2012. An Acting AGis currently in place.

education and health service delivery units. The D rating in the 2008 assessment appears to have been too low.

Reports generated by Smartstream are able to give detailed information on expenditures down to hospital and high school level, as these are cost centres in the chart of accounts, their budgets therefore shown in the Budget Estimates. Health clinic and primary schools are not, however, defined as cost centres in the accounting structure and thus their budgets and execution of these budgets are not explicitly shown in the Budget Estimates and Fund Control Reports. Only aggregated figures are shown in the Budget Estimates on primary school expenditures. [24] Primary health care services are provided on a district basis. Budgeted and actual health care expenditures per district are shown in the Budget Estimates, but on an aggregated basis. Actual health care expenditures per district have tended to exceed budgeted expenditures. (i);

The Central Medical Stores purchase drugs and vaccines in bulk, distributes to health clinics according to need, and routinely keeps records of the distributions. Wages and salaries of health clinic staff are paid by district hospitals, the budgets of which are individually indicated in the Budget Estimates, as noted above. The hospitals also pay the maintenance costs of the clinics, based on estimates of needs submitted to the hospitals during the budget preparation process.

Five Primary Care Providers (PCPs) located around Belize (Matron Roberts in Belize City, Dangreda, Independence, San Antonio and Punta Gorda) provide health care services on a larger scale, funded through the Belize Health Insurance System under the oversight of MFED (previously it was under the oversight of the Social Security Board). The funds are deposited in bank accounts held by the PCPs, the bank statements therefore providing information on how much is being spent.

UNICEF (e.g. Water, Sanitation & Hygiene (WaSH) studies: e.g. National Assessment of WaSH in Schools in Belize and Schools Monitoring Survey 2011) and World Bank (Improving Children's Health project, March 2011-March 2015) have been providing assistance for the delivery of resources to health clinics and are therefore are in a good position to exert pressure on these to report to district hospitals on the resources actually received.

The above information suggests that the monitoring of the resources received by health sector SDUs is straightforward and on-going. Information is in fact marshalled through the National Health Information System, which was established in 2008. The information is not yet, however, compiled into annual reports.

The receipt of resources by primary education sector service delivery units (SDUs) is routinely monitored. In the case of text books, this is straightforward, as they are distributed by the Supplies Store in MEYS, the amount distributed each year being based on estimated replacement percentage needs, as also discussed with MFED.

[24] (i) Head 21121 for Ministry of Education, Youth and Sports (MEYS) for FYs 2011/12-2013/14 in relation to GoB-owned primary schools, both budgeted and actual expenditures; (ii) Head 21131 in relation to grant-aided primary schools for 100% payment of salaries, supplementary and office grant of BZ$ 2 each per student paid to the school and the funding for various other expenses. Actual expenditures have been slightly higher than budgeted expenditures.

The textbooks arrive on time. Starting in 2012/13, schools began to receive BZ$ 4,000 per month per student (capitation grant), the receipts being easy to track.

MYES started to set up school Management Boards (MBs) in 2012 with responsibility for approving the budgets of schools and to monitor actual expenditure. Parent Teacher Associations (PTAs) are members. Piloting of a School Inspection programme began 2 years ago, with responsibility to monitor physical performance (e.g. teachers' attendance). UNDP, IDB, CDB and UNICEF have been supporting primary education, thereby providing an additional lever for checking that resources are received as planned for.

Schools are required to send monthly reports to MEYS on the resources they receive and the use of these, but they have not being doing this.

On-going and planned activities

The establishing of Management Boards for primary schools and piloting of the School Inspection Programme continues. The MYES is planning to introduce school audits.

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-23 (i)	**D**	**C**	**Performance unchanged.** Systems are clearly in place in terms of allocating and routinely monitoring resource allocations to primary education and health SDUs. The MYES and MoH do not yet routinely prepare service delivery monitoring reports for their senior management and Cabinet. The monitoring system has not changed significantly since the 2008 assessment, though it is in the process of strengthening. The D rating appears to have been too low in the 2008 PEFA assessment.

3.6.3. PI-24: Quality and timeliness of in year budget reports

The ability to "bring in" the budget requires timely and regular information on actual budget performance to be available both to MFED and Cabinet, in order to monitor performance and if necessary to identify new actions to get the budget back on track, and to line ministries for managing the affairs for which they are accountable.

The coverage, timeliness and quality of in-year budget execution reports have improved under all dimensions, the overall score increasing to C+ from D+.

<u>(i) Scope of reports in terms of coverage and compatibility with budget estimates</u>

Performance has improved, the rating increasing to A from C. Monthly budget execution reports generated by Smartstream show year-to-date and monthly central government revenue and expenditure performance against the original budget. Current expenditures are reported according to broad economic classification and administrative classification. Capital II expenditures are fully reported on, but Capital III expenditure may not be fully reported on. As noted under PI-7 and other parts of this report, Capital III expenditure is increasingly being reported on due to donors increasingly using GoB banking and treasury systems and decreasingly using below-the-line accounts in commercial banks.

Data on expenditure at the commitment stage have been captured by SmartStream through Funds Control reports since 2012, helped by the acquisition of a new reporting facility. The reports show the remaining available budget balance for the rest of the year (i.e. total approved budget (perhaps revised), less actual expenditures to date, less expenditure commitments to date, less payables to date). The new reporting facility enables the generation of up to 75 reports. Prior to 2012, a less user-friendly and less secure reporting facility was being used (‘Query and Analysis’). At first, a license was needed for the Funds Control module, but the license is no longer needed. The MYES provided the team with an example of a Funds Control report on a cost centre by cost centre basis and by broad economic classification under each cost centre.

(ii) Timeliness of the issue of the reports

Performance has improved, the score increasing to A from C. Due to the new (since 2012) reporting facility, the Accountant General is no longer distributing any reports to MDAs as they can now generate reports themselves through Smartstream at any time, as indicated by the MoE example noted above. All MDAs are now connected to Smartstream. CITO has designed a number of standard reports that can be easily extracted by any user, and MDAs can also customise reports according to their special needs.

(iii) Quality of information

Performance improved, the rating increasing to C from D, but quality issues remain. The reports generated through SmartStream do not comprise all the information required for reconciling any inaccuracies in budget execution reports. Transactions funded through an unknown number of commercial bank accounts held by MDAs (‘below-the- line’ accounts) are not captured by SmartStream. Such accounts may contain foreign grant funds, though, as noted above, this is increasingly less the case. [25]

Other reasons for data inaccuracies have been the continual changing of budget classification codes, delays in posting payroll transactions, and the submission of budgets in Excel. Program and activity codes are continually changing. Delays in posting payroll transactions are due to journal errors. The manual copying of Excel-based data into Smartstream has led to inaccuracies. The use of CPM for preparing budgets, starting with the 2014/15 budget on a full basis (on a pilot basis beforehand), should lead to reduced errors (PI-11).

[25] CITO informed the team that the PIU for IDB projects was resistant at first to report in Smartstream. Eventually it did use Smartstream, but made several errors by not correctly coding project components according to budget classification codes (PI-5). Upon IDB’s instructions, the PIU corrected the errors and can now report accurately according to BoB’s budget classification codes.

Ongoing and planned activities

The growing use of CPM for budget preparation should contribute to increased data quality.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-24	**D+**	**C+**	**Performance improved under all dimensions.**
(i)	**C**	**A**	***Performance improved.*** With the advent of a new report generation facility in 2012, expenditure commitments have been captured in reports. Capital III expenditure is being increasingly captured.
(ii)	**C**	**A**	***Performance improved***. The Accountant General no longer disseminates budget performance reports as the information is fully accessible on-line at any time and can be customised by users.
(iii)	**D**	**C**	***Performance improved, but quality issues remain due to*** Smartstream not capturing transactions based on funds held in accounts not under AGD's control and to various data inaccuracies.

3.6.4. PI-25: Quality and timeliness of annual financial statements

Performance is improving due to the increase in the amount of financial information being provided in annual financial statements under dim. (i) and the on-going adoption of IPSAS cash under dim. (iii) but the overall score is unchanged at D+.

<u>(i) Completeness of the financial statements</u>

Performance improved, the rating increasing to C from D. The amount of information provided in the AFS has increased and continues to do so.

The annual financial statements (AFS) are focusing on the budgetary central government entities only. They include the financial operations of MDAs processed through the AGD. They exclude the transactions of extra-budgetary units (PI-7), the grants to which comprise 6% of primary expenditure; the Social Security Board; and the transactions of some donor-funded projects. The AGD is not able to obtain accurate information for these units as their funds are channeled through bank accounts that are not under the control of AGD. Coverage is improving due to the continued implementation of Smartstream and the increasing proportion of donor assistance being channeled through AGD-held bank accounts.

The financial statements include revenues, grants, expenditures and transfers, financial assets (e.g. receivables) and financial liabilities, but exclude expenditure arrears. As noted under PI-4, expenditure arrears don't arise, as invoices approved through Smartstream are paid. Invoices rejected by Smartstream reflect commitments that should not have been entered into and so any arrears arising from rejection are not AGD's problem.

(ii) Timeliness of the submission of the AFS to the Office of Auditor General

Performance is unchanged, the score remaining at D.

Table 16: Required and actual dates of submission of the AFS to OAG.

FY2009/10, to be submitted 1st July, 2010	FY2010/11, to be submitted 1st July, 2011	FY2011/12, to be submitted 1st July, 2012	FY 2012/13, to be submitted 1st July, 2013
1st October 2010	1st February 2012	Not yet submitted	Not yet submitted

The FARA (2005) requires the government to submit the annual statements of sources and uses of public funds (revenue and expenditure out-turns) and the changes in financial assets and liabilities to the Auditor General within three months following the end of the fiscal year, i.e. by the end of June. This requirement has not been fulfilled for each of the last three fiscal years, as indicated in Table 16. As of the end of November, 2013, submission of the AFS to the Auditor General were late by 3 and 7 months respectively for 2009/10 and 2010/11, and were overdue by 17 months and 5 months respectively for FYs 2011/12 and 2012/13.

(iii) Accounting standards used

Performance is unchanged at C. IPSAS cash is in the process of being implemented.

Financial statements are presented in a consistent format, but have not been in accordance with the definitions and nomenclature set forth in the International Public Sector Accounting Standards (IPSAS).

Ongoing and planned activities

The AGD has now started to implement IPSAS and the intention is to present the AFS for 2011/12 and 2012/13 in IPSAS format. Progress was made in 2013 towards determining how to write-off old uncollectable loans, updating the Debt Statement (Balance Sheet), and reporting donations in kind. Financial information will be sought from Statutory Bodies and Municipalities in order to determine the actions needed for them to reach IPSAS standards (also referred to under PIs 8-9).

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-25	**D+**	**D+▲**	**Performance is improving** due to the increase in the amount of financial information being provided in annual financial statements and the on-going adoption of IPSAS cash.
(i)	**D**	**C**	***Performance improved.*** The amount of information provided in the AFS has improved and continues to do so, due to the continued implementation of Smartstream and the increasing proportion of donor-funded assistance being channeled through AGD-held bank accounts.

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
(ii)	D	D	***Performance unchanged.*** The submission to the Auditor General of the AFS for 2011/12 was 17 months overdue at the end of November 2013. Submission of the AFS for 2012/13 was 7 months overdue.
(iii)	C	C▲	***Performance unchanged,*** but IPSAS cash is in the process of being implemented.

3.7. External oversight and legislative scrutiny

This set of indicators looks at the quality and timeliness of external scrutiny of the government's budget estimates as well as the public accounts.

Summary of assessment

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-26: External audit (M1)	D	D+	***Performance improved, due to expanded audit coverage.***
PI-27: Legislative scrutiny of budget (M1)	D+	D+	***Performance unchanged under all dimensions.***
PI-28: Legislative scrutiny of audit reports (M1)	D	D	***Performance unchanged*****.** Strengthening is underway, however, through PAC resuming its scrutiny activities, but the non-participation of the Opposition detracts from its legitimacy.

3.7.1. PI-26: The scope, nature and follow up of external audit

A high quality external audit is an essential requirement for creating transparency in the use of public funds. Public sector auditing is a crucial element of an effective accountability framework, which is a cornerstone of all democratic governments.

Overall performance improved, the rating increasing to D+ from D, due to expanded audit coverage under dimension (i).

Background

The Office of the Auditor General (OAG) is established under Section 109 of the Belize Constitution Act (revised edition 2000), which provides independence to the Auditor General. The Auditor General is appointed by the Governor General, acting on the recommendation of the National Assembly. A recent (2010) amendment to

Section 120 of the Act states that the Auditor General can be removed for any failure or undue delay to submit a report as required by section 120.

The OAG currently has 51 staff of which 47 are auditors and 4 are support staff.

(i) Scope and nature of audit

Performance improved from D to C due to OAG resuming the conduct of audits, the proportion of coverage of the central government's budget being 50%.

The FARA (2005) mandates that the Auditor General audit the accounts of all entities that transact in any way with public monies. These entities include all budgetary central government units and autonomous government agencies and municipalities. However, autonomous agencies can only be audited by the Auditor General when their related legislation or act mandates it so. Public utilities and government owned companies are not within the mandate of the OAG even if the government owns a majority of the shares, and neither are these bodies mandated to send their financial statements or audit reports to the OAG for information.

Until 2007, the OAG function had been dormant. The OAG started auditing BoG's financial statements in 2007, starting with the statements for FY 2002/03. The OAG covers 50% of the central government's budget and 40% of the budgets of Cities/Municipalities. Types of audits covered during 2012/13 were compliance auditing (60%), financial auditing (35%) and performance audits (5%), the last mentioned on the basis of capacity building support by the Canadian OAG. The General Accepted Auditing Standards have been applied to some extent, with INTOSAI auditing standards being used mainly used as guidelines rather than being fully applied. The new INTOSAI auditing standards (ISSAIs) are now being implemented although it will be some time before staff are fully trained. Table 17 summarises the extent of adherence to INTOSAI standards.

Table 17: Extent of adherence by OAG to INTOSAI standards.

Table Adherence to INTOSAI Standards	Adherence of external audit practices to INTOSAI standards Yes/No/Partial
OAG, AG Independence i.e. appointment, termination, salary	Yes, partially. AG is proposed by the Parliament and appointed by the Governor General; his/her termination can also be effected by the same procedure. The AG's salary is determined by the government, however.
Financial Independence of OAG and independence in terms of staffing.	No. AG has neither financial independence nor any independence of staffing the office.
Access to Public Records	Yes
Independence in Preparation of Annual Audit Work Plan	Yes

(ii) Timeliness of submission of audit reports to legislature

Performance unchanged at D. At the time of the previous assessment, there was a huge backlog, which is only just now been cleared. Audit reports from 2002/03 and onwards to 2010/11 have been submitted to the Parliament. The last annual report from the OAG, 2010/11, was submitted on May 31, 2012. For 2011/12 and 2012/13 the OAG had not yet received the Financial Statements from the MFED.

The FARA (2005) mandates that the Accountant General should submit the financial statements of the central government to the Auditor General within *three months* after the end of the fiscal year and that the Auditor General submit the audited financial statements to the Minister of Finance within *three months* of receiving the accounts. The Minister would then cause the statements to be laid before the next meeting of each House of the National Assembly. This has not been taking place in practice. Positive signs though are that both Accountant General and Auditor General have made strong efforts to clear backlogs and lay the ground for more timely submissions of reports. Annual audits are published and are available on the homepage of the Auditor General´s Office.

Table 18 summarises the dates that the AFS were received from MFED and the audited AFS were submitted to Parliament.

Table 18: Dates of receipt of financial statements and submission of audit reports to Parliament.

Financial statements received/Audit reports submitted	FY 2010/11	FY 2011/12	FY 2012/13
Financial statements received, date, year	15th Oct 2011	Not received as yet	Not received as yet
Audit report submitted to Prime Minister, date, year	31st May 2012		

(iii) Evidence of follow up on audit recommendations

Performance unchanged at D. There is no evidence of follow up by MDAs on audit recommendations The report of the Auditor General of May 31, 2012 contained recommendations but the management of the audited entities provided little response.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
PI-26	D	D+	**Performance improved, due to expanded audit coverage.**
(i)	D	C	***Performance improved***. The OAG is now covering 50% of the central government's budget. The OAG still does not have financial or staffing independence
(ii)	D	D	***Performance unchanged.*** As of the end of November, 2013, the OAG still had not received the AFS for 2011/12, 17 months

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
			after the end of the FY and for 2012/13, 5 months after the end of the FY.
(iii)	D	D	***Performance unchanged***: No evidence of follow up by MDAs on audit recommendations.

3.7.2. PI-27: Legislative scrutiny of the annual budget law

Performance is unchanged under all dimensions, the overall score remaining at D+.

Background

The National Assembly is made up of the House of Representatives and the Senate. The members in the House are elected and those in the Senate are appointed. The Senate has no voting powers on the annual budget. The total members of the House are 31, each representing one of the constituencies in Belize. Currently 14 of them belong to the opposition party and 17 to the government party. The government in power always has the majority. The total members of the Senate are 13, 6 from the governing party, 3 opposition senators, and 4 social partners (representatives of the private sector, labour and NGOs).

(i) Scope of the Legislature's scrutiny

Performance unchanged at C. The Parliament sees the draft budget for the first time when it is already in near finalised form. The draft annual budget document is distributed to the members of the House, only when the Prime Minister, who currently is also Minister of Finance, delivers his budget speech to at the House around end-February, The document includes: (i) the budget speech which addresses the budget results for the previous fiscal year, underlying priorities for the draft budget, and budget proposals for the upcoming fiscal year; (ii) a summary of proposed revenues and expenditure; and (iii) detailed accounts for revenue, recurrent expenditure, capital II and III expenditure, and public debt service.

The National Assembly's scope to effectively critique the draft budget is very limited, as the draft budget submitted to it is already in near final form, the House does not propose any major changes to the budget other than corrections of errors or other minor changes (e.g. to rectify an incorrect figure concerning a proposed increase in the income tax threshold). Ministers have already discussed and agreed their budgets with the Minister of Finance. The difference between the draft and the final budget document is therefore virtually non-existent. The government in power always has the majority in Parliament and thus is unlikely to provide objective critiques of the draft budget. As indicated above, the Senate has no power to amend the budget.

(ii) Extent to which the legislature's procedures are well-established and respected

Performance is unchanged at B. According to article 115 of the Constitution (revised version 2000), the Minister of Finance is required to present to the National

Assembly the draft budget for the next financial year. By tradition, the members of the House receive the draft budget at the same time. *The Control of Public Expenditure (COPE)* Handbook (1966) describes the steps that should be followed for the National Assembly's budget review and approval (Article 115):

- the draft budget is presented to the House by the Prime Minister/ Minister of Finance and tabled for the first session;
- The House debates the economic developments and policies that underpin the draft budget and sends it for review to the Committee of Supply, which is part of the House;
- The Committee of Supply reviews the annual budget and the Appropriation Bill, makes amendments after discussing them with the relevant Ministers, and passes the Appropriation Bill;
- The Minister of Finance presents the amended annual budget and Appropriation Bill to the House and recommends that the bill be approved; and
- The House approves the annual budget and the Appropriation Bill.

In practice, the steps described above are followed. The total process takes two and a half weeks, mainly because two weeks elapse between the budget speech and the time when the House meets to debate the budget, typically for only 2-3 days. The House approves the draft annual budget with no real objections since all ministers are members of the House and the government party has the majority. After the budget is approved by the House, the annual budget and the Appropriation Bill are discussed for about one day at the Senate and approved without delays. Subsequently, the Governor General signs the Appropriation Bill at which point the bill becomes an act.

According to the Clerk of the National Assembly, a defect in this process is the absence of time limits provided to members of Parliament to speak on the draft budget. Some members tend to speak for an unnecessarily long time, thereby reducing the time available for other members, given the overall time limit.

If legal issues concerning the draft budget arise during the debate, NA members can go to the Attorney General or the Financial Secretary.

(iii) Adequacy of time for the legislature to provide a response to budget proposals

Performance unchanged at D. As noted under (ii) the National Assembly is given about three weeks to review the draft budget, though only 2-3 days for actual debate. According to the Clerk of the National Assembly (met by the assessment team), the time is sufficient, though the absence of time limits on speaking is an issue. Members of the NA on the government side are unlikely to be highly critical of the draft budget. Out of the members of the opposition party, only two speak on the budget.

The D rating is misleading, however, due to the way the scoring criterion is specified. The amount of time needed to review the draft budget is likely to vary from country to country, depending on the institutional framework for PFM and the political, historical, demographic, geographical and cultural context. Arguably, the rating should be A if the time provided for reviewing the budget is deemed to be sufficient, even if it is less than one month.

(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature

Performance unchanged at D. In-year adjustments to the Budget (other than virements) are approved by Parliament *ex post*, when, according to FARA (2005) they should be approved *ex ante.* Some rules for in-year amendments to the budget are included in FARA (2005), which prescribes that if a new or additional urgent expenditure is needed and it is not possible to wait until the next session of the House, the MFED may approve expenditure to be financed from the CRF by special warrant but should report it at the next meeting of the House. Section 5 of the FARA provides a limit on this practice of 10% of the approved vote for a Budget Head (or a limit of BZ$ 500,000 for 'new' spending), but this rule is not adhered to. The term 'urgent' appears to be loosely interpreted.

In practice, therefore, MFED approves new and additional expenditure through supplementary allocations without the required approval from the National Assembly (the Clerk to the Assembly mentioned that members on the government side might not be too bothered about whether approval is *ex ante* or *ex post*). These supplementary allocations were not approved for several years until recently, when, on September 27, 2013, the Parliament regularized outstanding supplementary allocations and associated borrowing, some of which some dated back to the sixties.

PI (M1)	Score 2080 PEFA	Score 2013 PEFA	Assessment
PI-27	**D+**	**D+**	**Performance unchanged under all dimensions.**
(i)	**C**	**C**	***Performance unchanged.*** The Parliament sees the draft budget for the first time when it is already in near finalised form.
(ii)	**B**	**B**	***Performance unchanged.*** Simple procedures exist for the National Assembly to debate the budget, and are generally respected.
(iii)	**D**	**D**	***Performance unchanged.*** The Parliament has about 3 weeks to discuss the draft budget. A higher rating requires at least one month. The Clerk to the Assembly considers that the time is sufficient, though some members may disagree.
(iv)	**D**	**D**	***Performance unchanged.*** In-year adjustments to the Budget are approved by Parliament *ex post,* when, according to FARA (2005) they should be approved *ex ante.* Even the 10% limit of additional spending under a Vote in the case of emergency spending is not adhered to.

3.7.3. PI-28: Legislative scrutiny of external audit reports

The legislature has a key role in exercising scrutiny over the execution of the budget that is approved. This indicator refers only to audit reports covering central government agencies.

No change in performance, the overall rating remaining at D. Strengthening is underway under (ii) through the Public Accounts Committee (PAC) resuming its scrutiny activities following several years of inactivity, but the non-participation of the Opposition detracts from its legitimacy.

(i) Timeliness of examination of audit reports by the legislature

Performance unchanged at D due to PAC's inactivity. . Between 1998/89 and 2002/03, no audit reports were submitted to the Parliament. Audit reports were produced and submitted to Parliament for 2003/04 up to 2010/11, although the Government did not permit the reports for 2003-2008 to be tabled. The reports for 2011/12 and 2012/13 are still outstanding. Table 19 summarises. The audit reports only cover financial statements and do not assess the internal control systems of ministries.

The main reason for the long period of inactivity of the PAC is that the law on the Office of Auditor General did not provide for the tabling of reports to Parliament. The FARA (2005) changed this situation, however, (PI-26), resulting in politicians wanting an active PAC. Government members wanted to be in charge of PAC, leading to the Opposition chairman of PAC objecting to this situation and leaving PAC.[26] He prepared a bill for activating PAC, but this was rejected by the Government, the Prime Minister claiming that the electorate can elect the Government out of office if it wants to, so there was no need to have an Opposition member as head of PAC. The Government therefore appointed a *pro-tem* chairman. This was still the case at the time of this PEFA assessment, resulting in the Opposition members refusing to attend the debates on the audit reports referred to above.

The PAC is now working to clear the backlog.[27] It debated the audit reports for 2003/04 - 2004/05 on September 23, 2013, the audit report for 2008/09 on September 24, 2013, the audit report for 2008/09 on September 25, 2013, and the audit report for 2009/10 on November 25 and 27, 2013 (the debates were supposed to take place in October, but flooding precluded this). The audit reports for 2006/07 – 2007/08 will be debated later. The minutes of the debates had not been completed at the time of the assessment team's field visit.

Table 19: Status of review of Audit Reports 1/	Date of Receipt by Parliament	Date Parliament approved Committee report
FY2010/11		
Audited Annual Financial Statement on central government.	May 31, 2012. However OAG is withholding her opinion as the AFS are not complete	Not yet approved
Audit Report/Annual Report	May 31, 2012	Not yet approved

[26] The PAC is supposed to have 10 members, four on the Government side, and chaired by an Opposition member.

[27] The PAC is a member of the Commonwealth Parliamentary Associates, which is a global association of Anglophone PACs. It also has close links with the PAC in the Canadian Parliament.

Table 19: Status of review of Audit Reports 1/	**Date of Receipt by Parliament**	**Date Parliament approved Committee report**
prepared by OAG		
FY2011/12		
Audited Annual Financial Statement on central government.	Not received	Not approved
Audit Report/Annual Report prepared by OAG	Not received	Not approved
FY2012/13		
Audited Annual Financial Statement on central government.	Not received	Not approved
Audit Report/Annual Report prepared by OAG	Not received	Not approved

(ii) Extent of hearings on key findings undertaken by the legislature

Performance unchanged at D. At the time of the visit of the assessment team the PAC was conducting hearings with the Auditor General and the Accountant General, but no responsible Accounting Officers had as yet been summoned to the hearings. The hearings are public. Each meeting is 4 hours. For the various political reasons referred to above the Opposition is currently not participating in the work of the PAC, which makes its work less legitimate and less effective.

(iii) Issuance of recommended actions by the legislature and implementation by the executive

Performance unchanged at D. Since the National Assembly did not examine the report of the Auditor General in the past, it did not recommend any actions or sanctions to be implemented by the executive. This assessment is not aware of any documented recommendations from the recent hearings.

PI (M1)	**Score 2008 PEFA**	**Score 2013 PEFA**	**Assessment**
PI-28	**D**	**D**	**Performance unchanged.** Strengthening is underway under (ii) through PAC resuming its scrutiny activities following several years of inactivity, but the non-participation of the Opposition detracts from its legitimacy.
(i)	**D**	**D**	***Performance unchanged.*** PAC's scrutiny of audit reports has been a few years' late due to its inactivity.
(ii)	**D**	**D**	***Performance unchanged*** due to PAC's inactivity, but the PAC resumed its scrutiny activities in September 2013.
(iii)	**D**	**D**	***Performance unchanged***. The PAC has not issued any recommendations as it did not examine any Auditor General reports until very recently.

3.8. Donor practices

This section assesses donor practices, which impact upon the performance of a country PFM system. These practices are the exclusive responsibility of the donors and are primarily outside the authority of the Government of Belize.

Summary of assessment

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
D-1: Budget support	C+	D	Budget support has fallen short or exceeded budgeted amounts by large margins. This mainly reflects the nature of the agreements with RoC and Venezuela and does not necessarily imply unpredictability in funding. **Change in performance cannot be assessed,** as the 2008 assessment was based on data that included project/programme support.
D-2: Financial information provided by donors (M1)	D	C	**Performance improved,** due to most program and project aid, including aid-in-kind, being reflected in the 2012/13 budget. The aid is not reported on according to GoB's budget classification.
D-3: Use of country systems	D	C	**Performance improved.** The proportion calculated is 56%.

3.8.1. D-1: Predictability of Direct Budget Support

(i) Deviation of actual budget support from the forecasts

Only Republic of China (RoC) and Venezuela provide direct budget support to GoB. The planned and actual amounts are shown in the annual budget estimates under the Capital Revenue, Loans and Grants table in section on Capital 2 expenditure. Support from RoC has been provided in both grant and loan form. The only conditionality is the requirement to show the use of the funds. The money is disbursed at the request of GoB.

The support from Venezuela is through Petro Caribe: GoB pays for 40% of the petroleum products supplied through Petro Caribe and uses the proceeds from the sales of the other 60% as budget support. This financing is on concessional loan terms, 1% interest and amortisation over 25 years. The funds are disbursed after the shipments arrive.

Table 20: Budgeted and actual direct budget support, FY 2010/11-2012/13

BZ$ 000s.	Budget 2010/11	Actual 2010/11	Budget 2011/12	Actual 2011/12	Budget 2012/13	Actual 2012/13
Grants (RoC)	5,000	77.5	9,578	0	10,000	0
Loans	35,000	20,000	35,000	36,485	20,000	55,994
Total	40,000	20,775	43,578	36,485	30,000	55,994
% surplus/shortfall		-48.1%		-16.3%		86.7%

Sources: Annual Budget Estimates and Budget Department, MFED

Table 20 indicates a high degree of unpredictability, but this does not necessarily imply unpredictability on the part of the donors. The RoC disburses on request and the funding under the Petro Caribe agreement depends on the timing and the amount of the shipments. For example, the large surplus in 2012/13 was mainly because the budget did not contain any budget support through Petro Caribe.

The 2008 assessment included support from IDB and CDB in its definition of budget support. Support from these institutions was in the form of project/programme aid, not budget support, as pointed out by staff from the Budget Department.

(ii) In-year timeliness of donor disbursements (relative to commitments)

This dimension is not applicable as the budget support from RoC is provided on request while the timing of the delivery of budget support from Venezuela is dependent on the timing of the shipments of petroleum products.

On-going and planned activities

With effect from FY 2013/14, the ROC has imposed conditionalities on GoB's use of its budget support. The funding will be provided on a reimbursement basis against evidence of implementation of capital projects identified by GoB as being beneficial to economic development.

MI	Score 2008 PEFA	Score 2013 PEFA	Assessment
D-1	**C+**	**D**	The amounts of direct budget support have fallen short or exceeded budgeted support by large amounts. This performance mainly reflects the nature of the agreements with RoC and Venezuela and does not necessarily imply unpredictability on their part. **Change in performance cannot be assessed,** as, according to the Budget Department, the 2008 assessment was based on data that included loans and grants that were not direct budget support.
(i)	**C**	**D**	
(ii)	**A**	**NA**	

3.8.2: D-2: Financial information provided by donors for budgeting and reporting on project and programme aid

Performance improved the rating increasing to C from D. Practically all development partner support is included in the budget estimates, both planned and actual, as indicated in the table on Capital III expenditure near the back of the Budget Estimates. The extent that actual expenditure is captured in the budget documentation has increased in recent years due to DPs increasingly channeling their funds into Treasury-held accounts for the purposes of financing projects and programs.

Aid-in-kind is also now being captured in the Estimates under the Ministry of Defence and National Security in the form of equipment for the Coastguard and vehicles for the Belize Defence Forces, funded by the US Government (BZ$ 4 million in 2012/13).

Capital III expenditure is shown in the budget estimates according to project name, not by economic classification. Domestically-financed Capital 2 expenditure is also not shown by economic classification.

PI (M1)	Score 2008 PEFA	Score 2013 PEFA	Assessment
D-2	D	C	**Performance improved,** due to most program and project aid (Capital III expenditure), including aid-in-kind, being reflected in the 2012/13 budget and budget performance reports**.** The projects/programmes are not yet using GoB's budget classification codes**.**

3.8.3. D-3: Proportion of aid that is managed by use of national procedures

The dimension to be assessed is the overall proportion of aid funds to the national government that are managed through national procedures (banking, authorization, procurement, accounting, audit, disbursement and reporting).

Performance improved, the rating increasing to C from D.

Development Partners continue to use their own procurement, auditing and financial reporting/accounting procedures. The DPs are increasingly using GoB's budget execution systems through their funds being increasingly channeled through Treasury-controlled bank accounts.

Direct Budget Support (DBS) by definition uses country systems. Actual DBS was BZ$ 66 million in 2012/13, far above the budgeted amount of BZ$ 30 million.

The extent of use of country systems in 2012/13 is calculated in Table 21, assuming that use of country systems by DP-funded projects/programmes is zero for procurement, financial reporting and auditing and is 80 percent for budget execution (precise figures are not available). The table shows that 56 percent of country systems were used in 2012/13. If only the budgeted amount of DBS had been provided, the use of country systems would have been about 45 percent, which is almost the same as the estimate provided in the 2011 Paris Declaration Survey. A C rating applies if 50 percent or more of country systems are used.

Table 21: Use of Country Systems, FY 2012/13 (Actual)

	Total aid	Use of country systems				
		Procurement	Budget execution	Financial reporting	Audit	Average
BZ$ million	148	66	132	66	66	83
Percent		45	89	45	45	56

Source: FY 2013/14 Budget estimates

PI	Score 2008 PEFA	Score 2013 PEFA	Assessment
D3 (i)	D	C	**Performance improved,** as calculated in Table 33. The proportion calculated is 56%.

4. Government reform process

4.1 Recent and on-going reform

<u>Government reform process</u>

The previous PEFA assessment stated that the GoB did not have a comprehensive and integrated PFM reform plan. This is still the case although there are a number of reform projects going on, supported by different DPs. Only some of these projects have been completed, as the time between project preparation and commencement of project implementation tends to be long.

<u>Description of recent and on-going reforms</u>

Some progress has been made in recent years to reform the PFM system, the reforms being informed in part by the findings of the 2008 PEFA assessment.

Completed activities

CDB-financed

- A study (May 2009) indicated the need to: (i) revise the outdated Financial and Stores Orders and the Control of Public Expenditure Handbook; and (ii) to improve the legislative and operational framework for improved macroeconomic management.
- The introduction and implementation of an improved version of the UNCTAD Automated System for Customs Data (ASYCUDA) – ASYCUDA World (implemented with assistance from UNCTAD (August 2007 to June 2013).

*IDB financed**:***

- Preparation of an Action Plan for PFM reform, October 2009;
- A study on Fiscal Transparency and Responsibility, September 2009 and February 2010, leading to the approval of SI 65, as widely noted in Chapter 3 above.
- Assistance with the Preparation of the Medium Term Fiscal Framework (MTFF) and Fiscal Strategy, November 2009 and November 2010, resulting in articulation of a MTFF and Strategy for FY 2011 to 2015;
- Formulating an Effective Public Sector Investment Program.
- Review of the System of Public Procurement using the OECD/DAC's Methodology for Assessing Procurement Systems, April 2010. The study recommended the need to strengthen Belize's public procurement system.
- Development and implementation of: (i) Procurement Procedures Handbook, (ii) Standard Bidding Documents, (iii) a Training Program for the use of the Procurement Procedures Handbook, and (iv) a Government Information Procurement Portal 2013. The activities have been completed but the handbook has not yet been approved.
- *CTAD financed (August 2007 to June 2013)**:*** The introduction and implementation of an improved version of ASYCUDA – ASYCUDA World (implemented with assistance from UNCTAD.

Activities being implemented:

IDB financed:

- Pension reform (commenced November 2009): a study assessed the current Pension System in Belize in order to identify and evaluate possible pension reform alternatives. The expected outcome is identification of the information necessary to make decisions regarding a pension reform strategy.
- Program to Support the Implementation of the Medium Term Action Plan to Enhance Expenditure Management (PRODEV B): (commenced January 2012 to be completed by January 2014):
- Program to Strengthen the Public Investment Management System.
- Enhancing the PFM System (PFMS), that is, the Smartstream System (GoB Automated Accounting System).

IMF/CARTAC financed (commenced January 2011)

- Creating the environment for increased compliance with the GST, Income Tax and Customs Acts.
- Preparation of a report on how to strengthen cash management; commenced November 2013, finalized March 2014.
- Report on ways to strengthen tax policy (2011);
- *World Bank and IMF financed.*
- Developing a medium term debt management strategy (MTDS) – a Guidance note for country authorities (February 2009). The outcome will be the description of a framework for developing a comprehensive MTDS including a template for a public debt management strategy document (World Bank).
- A study on Tax Reform for Growth, Fairness, and Sustainable Revenues (April 2013). This will result in a diagnostic review of the tax system, with special attention to business and income tax, GST and excise taxes. The study includes a review of the legislation on tax incentives.

CIDA financed, and implemented by World Bank and IMF: (December 2011 to 2013)

- SEMCAR (Supporting Economic Management in the Caribbean) project. Objective 1 is to provide guidance on improving the budget formulation process and further strengthen the five pilot ministries, including introducing a methodology for a medium-term baseline and a programmatic budget structure.
- Objective 2 is to strengthen budget execution and accounting. The new Fiscal Transparency and Responsibility Regulations (FTRR) require that by 2015 the MOF presents financial information to the National Assembly following IPSAS cash-based reporting standards. The Accountant General and MFED staff are continuing to improve the comprehensiveness and content of the financial statements to make them IPSAS compliant.

- Objective 3 is to strengthen the existing PFM legal and regulatory framework in order to make it more comprehensive so as to provide a firm foundation to the recent reform initiatives and to pave the way for further reforms. The legislation is currently under review.
- Objective 4 is to implement the 'Comprehensive underlying systems integration for SEMCAR countries (COUSINS)'. The purpose is (i) to improve the reconciliation between the financial information system and other subsystems; and (ii) to bridge the gaps that are preventing systems from integrating seamlessly.

As can be seen, a number of activities have been initiated, resulting in studies and proposals during recent years, but only a few have been brought to full implementation or have even started to be implemented. The overall perception of the reform measures are that they all are desirable and worthwhile while at the same time urgent and important pieces are missing; internal control is not effective and internal audit non-existent. Also, the important accountability functions of the Auditor General and PAC have only partially been addressed.

4.2. Institutional factors supporting reform planning and implementation

The government's ability to meet its objectives for PFM reform are critically dependent on its ability to manage the following institutional factors: (i) to engage and show strong government ownership and leadership; (ii) by addressing the obviously low capacity to implement the reforms; and (iii) to successfully co-ordinate those reforms that have a crosscutting impact on MDAs.

4.2.1. *Government ownership and leadership of reform programme*.

Government leadership of a PFM reform programme can be taken to be evidence of government commitment to reform. But government leadership is more than involving the leading ministers, the institutional leadership throughout government must be involved and motivated for the reforms to succeed. Such a commitment and leadership for reform can only be created if the ministers themselves stand in the front and push for reforms and ask for results.

4.2.2. *Overcoming low capacity to implement the reforms.*

It is obvious that the administration has had low implementation capacity. For the financial management functions it has been a challenge to be able to run the daily operations and at the same time to have capacity to implement reforms. While consultancy resources seem to have been available to produce studies and proposals, not much support has been available for real implementation and on the job training which often is critical for successful implementation. The lack of resources for implementation has to be addressed if the government's ability to meet its PFM reform objectives should increase.

Successfully addressing capacity constraints requires clear understanding of the reasons for the constraints. Reasons may be due to insufficient manpower numbers in the first place, taking into account employment opportunities outside government, insufficient remuneration and benefits (related to the first point), insufficient facilitation (e.g. adequate office space, IT support) and management and institutional constraints. Training is helpful, but the benefits may only be temporary if recruits take advantage of the training and then leave for greener pastures (as happens in many countries where the authors of this report have worked).

4.2.3. *Co-ordination and appropriate sequencing of reforms.*

The government needs a comprehensive and integrated government reform plan as an instrument to be able to prioritise its scarce resources for reform implementation. A road map for reforms is necessary to specify a sequenced work programme with realistic timelines. There is a need for the MFED to set priorities and expected results, identify timelines for the medium-term, monitor implementation, and delegate responsibilities with clear accountability demands paired with a structure of monitoring and follow-up.

A pre-requisite for implementing PFM reform is the existence of skilled, dedicated managers and staff operating within a robust institutional framework. A well-sequenced and implementable PFM reform programme implies that meeting this pre-requisite should be high priority.

Annex A: Budget performance tables

2010/2011						
MDA	**Bud.**	**Act.**	Adj. Bud.	Dev.	abs dev.	%
00:OTHER	5.2	3.8	5	-1	1	24.1%
11:OFFICE OF THE GOVERNOR GENERAL	0.4	0.3	0	0	0	4.3%
12:JUDICIARY	7.2	7.1	7	0	0	0.3%
13:LEGISLATURE	2.2	2.0	2	0	0	7.4%
14:MINISTRY OF PUBLIC SERVICE & ELECTIONS & BOUNDARIES	9.2	9.8	9	1	1	7.4%
15:DIRECTOR OF PUBLIC PROSECUTIONS	1.4	0.9	1	0	0	34.6%
16:AUDITOR GENERAL	1.7	1.7	2	0	0	0.5%
17:OFFICE OF THE PRIME MINISTER	4.3	4.0	4	0	5	104.2%
18:MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT	137.2	134.3	135	-1	1	0.4%
19:MINISTRY OF HEALTH	95.2	90.4	94	-3	3	3.3%
20:ATTORNEY GENERALS MINISTRY & MINISTRY OF FOREIGN AFFAIRS	15.4	14.5	15	-1	1	4.4%
21:MINISTRY OF EDUCATION, YOUTH & SPORTS	200.1	189.6	197	-7	7	3.5%
23:MINISTRY OF NATURAL RESOURCES & AGRICULTURE	21.8	22.5	21	1	1	5.2%
24:MINISTRY OF TRADE, INVESTMENT PROMOTION, PRIVATE SECTOR DEVELOPMENT & CONSUMER PROTECTION	1.1	1.1	1	0	0	2.9%
25:MINISTRY OF TOURISM & CULTURE	4.7	3.6	5	-1	1	22.3%
27:MINISTRY OF HUMAN DEVELOPMENT, SOCIAL TRANSFORMATION & POVERTY ALLEVIATION	15.9	10.5	16	-5	5	32.6%
28:MINISTRY OF FORESTRY, FISHERIES & SUSTAINABLE DEVELOPMENT	5.0	4.7	5	0	0	4.4%
29:MINISTRY OF WORKS AND TRANSPORT	26.2	38.4	26	13	13	48.2%
30:MINISTRY OF NATIONAL SECURITY	85.4	85.8	84	2	2	2.1%
33:MINISTRY OF HOUSING AND URBAN DEVELOPMENT	5.7	10.6	6	5	5	88.1%
35:MINISTRY OF LABOUR, LOCAL GOVERNMENT & RURAL DEVELOPMENT & NATIONAL EMERGENCY MANAGEMENT	21.2	23.7	21	3	3	13.6%
36:MINISTRY OF ENERGY, SCIENCE AND TECHNOLOGY & PUBLIC UTILITIES	2.3	2.2	2	0	0	3.6%
All Other Votes (Residual)	13.3	9.0	13	-4	4	31.0%
Approved total budget expenditure	682.2	670.4	670	0	53	
Contingency	0.0	0.0				
total expenditure	682.2	670.4				

2010/2011						
MDA	**Bud.**	**Act.**	Adj. Bud.	Dev.	abs dev.	%
overall (PI-1) variance						**1.7%**
composition (PI-2) variance						**7.9%**
contingency share of budget						**0.0%**

MDA 2011/12	Bud.	Act.	Adj.	Dev.	Abs. Dev.	%
00:OTHER	0.0	0.0	0	0	0	#DIV/0!
11:OFFICE OF THE GOVERNOR GENERAL	0.4	0.4	0	0	0	6.8%
12:JUDICIARY	8.0	7.2	8	-1	1	13.3%
13:LEGISLATURE	2.1	1.9	2	0	0	13.9%
14:MINISTRY OF PUBLIC SERVICE AND ELECTIONS & BOUNDARIES	11.5	12.9	12	1	1	8.1%
15:DIRECTOR OF PUBLIC PROSECUTIONS	1.5	1.2	2	0	0	21.8%
16:AUDITOR GENERAL	1.9	1.9	2	0	0	2.6%
17:OFFICE OF THE PRIME MINISTER	4.4	4.4	5	0	0	4.4%
18:MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT	130.8	139.5	136	3	3	2.5%
19:MINISTRY OF HEALTH	94.4	93.1	98	-5	5	5.2%
20:ATTORNEY GENERALS MINISTRY & MINISTRY OF FOREIGN AFFAIRS	16.8	16.6	17	-1	1	5.1%
21:MINISTRY OF EDUCATION, YOUTH AND SPORTS	195.9	198.2	204	-6	6	2.8%
23:MINISTRY OF NATURAL RESOURCES AND AGRICULTURE	22.1	24.8	23	2	2	8.1%
24:MINISTRY OF TRADE, INVESTMENT PROMOTION, PRIVATE SECTOR DEVELOPMENT	1.2	1.0	1	0	0	13.8%
25:MINISTRY OF TOURISM AND CULTURE	4.9	3.8	5	-1	1	26.0%
27:MINISTRY OF HUMAN DEVELOPMENT, SOCIAL TRANSFORMATION & POVERTY ALLEVIATION	14.8	13.5	15	-2	2	12.3%
28:MINISTRY OF FORESTRY, FISHERIES & SUSTAINABLE DEVELOPMENT	5.1	5.1	5	0	0	3.0%
29:MINISTRY OF WORKS AND TRANSPORT	24.2	42.1	25	17	17	67.3%
30:MINISTRY OF NATIONAL SECURITY	98.8	92.6	103	-10	10	9.9%
33:MINISTRY OF HOUSING AND URBAN DEVELOPMENT	2.4	7.3	3	5	5	188.7 %
35:MINISTRY OF LABOUR, LOCAL GOVERNMENT & RURAL DEVELOPMENT	22.0	26.0	23	3	3	13.6%
36:MINISTRY OF ENERGY, SCIENCE &TECHNOLOGY & PUBLIC UTILITIES	2.4	2.4	2	0	0	4.0%
All Other Votes (Residual)	11.4	8.3	12	-3	3	29.5%
approved total budget expenditure	**676.8**	**704.4**	**704**	0	62	
Contingency	**0.0**	**0.0**				
total expenditure	**676.8**	**704.4**				
overall (PI-1) variance						**4.1%**
composition (PI-2) variance						**8.8%**
contingency share of budget						**0.0%**

MDA 2012/13	Bud.	Act.	Adj. Bud.	Dev.	Abs. dev.	%
00:OTHER	0.0	0.0	0	0	0	#DIV/0!
11:OFFICE OF THE GOVERNOR GENERAL	0.4	0.3	0	0	0	4.5%
12:JUDICIARY	8.3	7.4	8	-1	1	8.7%
13:LEGISLATURE	2.1	2.2	2	0	0	6.9%
14:MINISTRY OF PUBLIC SERVICE & ELECTIONS & BOUNDARIES	10.7	11.1	10	1	1	7.3%
15:DIRECTOR OF PUBLIC PROSECUTIONS	1.3	1.4	1	0	0	8.6%
16:AUDITOR GENERAL	2.0	1.9	2	0	0	2.2%
17:OFFICE OF THE PRIME MINISTER	4.5	4.3	4	0	0	0.4%
18:MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT	132.5	144.2	128	16	16	12.4%
19:MINISTRY OF HEALTH	101.3	97.2	98	-1	1	0.9%
20:ATTORNEY GENERALS MINISTRY & MINISTRY OF FOREIGN AFFAIRS	18.0	17.2	17	0	0	1.5%
21:MINISTRY OF EDUCATION, YOUTH AND SPORTS	203.2	203.7	197	7	7	3.5%
23:MINISTRY OF NATURAL RESOURCES & AGRICULTURE	29.8	24.1	29	-5	5	16.5%
24:MINISTRY OF TRADE, INVESTMENT PROMOTION, & PRIVATE SECTOR DEVELOPMENT	3.6	3.4	4	0	0	2.9%
25:MINISTRY OF TOURISM AND CULTURE	4.8	3.8	5	-1	1	17.9%
27:MINISTRY OF HUMAN DEVELOPMENT, SOCIAL TRANSFORMATION & POVERTY ALLEVIATION	21.3	24.2	21	4	4	17.5%
28:MINISTRY OF FORESTRY, FISHERIES & SUSTAINABLE DEVELOPMENT	7.5	6.6	7	-1	1	8.4%
29:MINISTRY OF WORKS AND TRANSPORT	38.7	37.2	37	0	0	0.9%
30:MINISTRY OF NATIONAL SECURITY	102.1	93.2	99	-6	6	5.8%
33:MINISTRY OF HOUSING AND URBAN DEVELOPMENT	2.5	2.5	2	0	0	1.9%
35:MINISTRY OF LABOUR, LOCAL GOVERNMENT & RURAL DEVELOPMENT	23.9	22.5	23	-1	1	2.9%
36:MINISTRY OF ENERGY, SCIENCE & TECHNOLOGY & PUBLIC UTILITIES	2.5	2.1	2	0	0	14.4%
All Other Votes (Residual)	24.6	11.8	24	-12	12	50.7%
approved total budget expenditure	**745.6**	**722.3**	722	0	55	
Contingency	**0.0**	**0.0**				
total expenditure	**745.6**	**722.3**				
overall (PI-1) variance						**3.1%**
composition (PI-2) variance						**7.6%**
contingency share of budget						**0.0%**

Annex B: Documents list

Legislation, regulations

- Belize Constitution, as in force March 2012
- Standing orders of the House of Representatives, Belize, October 1966
- Finance and Audit Reform Act, 2005, (FARA), amended 2010
- Financial Orders, 1965
- Stores Orders. 1965
- Belize, Fiscal Transparency and Responsibility Regulations, 2010. Statutory Instrument no. 95 of 2010, Arrangements of Regulations
- The control of Public Expenditure, The Ministry of Finance and Economic Development Belize, 1966

Accounting, Budget and Budget Execution Documents

- Estimates Versus Actual Budget Usage Percentage for 2013
- Budget Speeches 2010/11-2013/2014
- Revenue Appropriation Bill 2013/2014
- Budget Call Circulars 2011/11 – 2014/15
- Estimates of Revenue and Expenditure for FYs 2010/11- 2012/2013
- Central Government's fiscal operations: Performance - April to September, 2012, Projections - FY 2012/13 and budget ceilings – FY 2013/14
- Diverse Ministry of Finance Circulars
- Budget Execution Reports, 2010/11-2012/13
- Estimates Versus Actual Budget Usage Percentage for 2013
- Actual grants and subventions to Extra-Budgetary Activities, FYs 2010/11-FY 2012/13
- Actual accounts balances by month for Governance & Democracy Program
- Funds Control Reports 2013
- Cash Flow reports 2013
- Supplementary Appropriations schedule 2010/2011, 2011/12, 2012/13
- Note from Finance Secretary to Mayor, San Pedro , 11th September, 2013, concerning request from Town Board for support in extending time on an overdraft facility that the Board has with a bank.)
- CPM Training Manual for End-User and Controller
- PAHO-Belize Consultancy, Final Report on Analysis of the Existing Health Accounts of the Ministry of Health of Belize. 2013
- Belize, Semcar PFM Technical Assistance; Strengthening Budget Formulation, Report I and II, 2012

Audit Documents

- Reports of the Auditor General for the years 2010/ 2011, 2009/2010, 2008/2009, 2007/2008
- Audit Newsletters, publications of the Office of the Auditor General of Belize, volume 1, issue 2, June 2013; volume 1, issue 1, October 2012
- Supreme Audit Institution of Belize, strategic Plan 2013 – 2018

Tax Departments

- Income Tax Department, 2012 Annual Report.
- Note on ITD Appeals Board, provided by ITD and annotated list of appeals cases.- Government Gazette, 3 November, 2009, Notification of new composition of Income Tax Appeals Board.
- Amendments to Business and Income Tax Act, 29th August, 2008, 30th December, 2008, 30th July, 2009. 31st March 2010, 30th December 2010, 24 July 2012.
- 'Income Tax Department Audit Objectives' and Income Tax Internal Procedures Audit Manual
- National Audit Plan, GSTD, and Programme for FY 2010/11
- Note from GSTD to PEFA assessment team on 'Effectiveness of Measures for Taxpayer Registration and Tax Assessment'
- Note from Collection and Enforcement Department of GSTD to assessment team on actual and planned TA from CARTAC, non-filing rates for GST, information on tax arrears collection

Other Reports

- The Contractor-General annual reports; 2010/2011
- Belize, Tax Reform for Growth, Fairness, and Sustainable Revenues, IMF 2013
- PFM reform Report, Ministry of Finance, Government of Belize, 2013
- Developing a Medium-Term Debt Management Strategy (MTDS) - Guidance Note for Country Authorities, World Bank and IMF, 2009
- Review of the System of Public Procurement using (OECD/DAC) Methodology, Assessment Report for Belize, 2010
- Draft Report on Review of Central Government Annual Subvention to Municipal Councils and Proposals for a Standard Formula. Draft for discussion and consultation. Ministry of Labour, Local Government and Rural Development 2009
- Belize PEFA, final report 2009
- IMF, Article IV report, 2013

Key Websites

- Belize National Assembly: http://www.nationalassembly.gov.bz/
- Belize Government: http://www.belize.gov.bz/
- Belize Ministry of Finance: http://www.belize.gov.bz/index.php/ministry-of-finance-and-economic-development
- Auditor General of Belize: http://www.audit.gov.bz/

Annex C: List of officials met

Name of Official	Organization/Institution	Position Held
Artemio Osorio	Ministry of Finance	Budget Director
Zita Magana Perez	Ministry of Finance	Senior Budget Analyst
Jose Franco	Ministry of Finance	Economist
Emily Guy	Treasury Department	Finance Officer
Veronica Smith	Treasury Department	Ag. Accountant General
Evan Brown	General Sales Tax	Assistant Commissioner
Betty-Ann Jones	General Sales Tax	Commissioner
Reynaldo Verde	General Sales Tax	
Denise Staine	Income Tax	Supervisor
Valerie Phillips	Income Tax	Supervisor
Elsie Sylester	Income Tax	Assistant Commissioner
Lizbeth Castillo	Income Tax	Assistant Commissioner
Carol Baird	Income Tax	Supervisor
Delanni Romero	Income Tax	Finance Officer
Sherlett Augustus	Income Tax	Supervisor
Ann Castillo	Income Tax	Supervisor
Colin Griffith	Customs Department	Department Comptroller
Thomas Young	Customs Department	Supervisor
Godfrey Arzu	Customs Department	Department Comptroller
Gregory Gibson	Customs Department	Comptroller
Estelle Leslie	Customs Department	Supervisor
Eddie Webster	National Assembly	Clerk
Dorothy Bradley	Office of the Auditor General	Auditor General
David Leacock	Ministry of Education	CEO
Dylan Reneau	Ministry of Education	Finance Officer
Yadira Kantun	Ministry of Health	Administrative Officer
Augustina Elijio	Ministry of Health	Director of Health Services
Jorge Polanco	Ministry of Health	Director of Health Services
Ramon Figueroa	Ministry of Health	Director of Planning
Peter Allen	Ministry of Health	CEO
Manuel Matus	Ministry of Health	Finance Officer
George Loriff	Ministry of Works and Transport	Administrative Officer
Elston Wade	Ministry of Works and Transport	Postmaster General
Carolyn Baptist	Ministry of Works and Transport	Finance Officer
Terry Smith	Ministry of Works and Transport	Administrative Officer
Lennox Bradley	Ministry of Works and Transport	Chief Engineer
Errol Gentle	Ministry of Works and Transport	CEO
Desiree Flores	Ministry of Works and Transport	Finance Officer II
Errol Leslie	Ministry of Works and Transport	Finance Officer II
Thomazine Stephenson	Department of Civil Aviation	Finance Officer
Nigel Carter	Department of Civil Aviation	Operations Officer
Sheryl Solis	Ministry of Natural Resources and Agriculture	Finance Officer
Simeon Lopez	Belmopan City Council	Mayor
John August	San Ignacio and Santa Elena Town Council	Mayor

Karen Fernandez	San Ignacio and Santa Elena Town Council	Town Administrator
Marilyn Ordonez	Belize City Council	City Administrator
Godwin Arzu	Contractor General	Contractor General
Joyce Ujah	Elections and Boundaries Department	Ag. Finance Officer III
Marcelino Choco	Ministry of Public Service	Ag. Director of Human Resources
Marian McNab	Ministry of Public Service	CEO
Rutilia Gabriel	Ministry of Public Service	Finance Officer
Minerva Brown	Ministry of Public Service	Finance Officer III
Christine Vellos	Central Bank of Belize	Deputy Governor Researcher
Glenford Ysaguirre	Central Bank of Belize	Governor
Marilyn Gardiner	Central Bank of Belize	Deputy Governor
Emory Ford	Central Bank of Belize	Deputy Director, Exchange Control
Israel Marin	Belize Diesel Company	
Nikita Usher	CPBL	Group Marketing Manager
Marilyn Pinelo-Lee	Belize Chamber of Commerce and Industry	Chief Policy Analyst
Kim Aikman	Belize Chamber of Commerce and Industry	CEO
Rishi Alain Mungal	Belize Chamber of Commerce and Industry	Vice President (Services)
Claudette Elters	Belize Chamber of Commerce and Industry	Treasurer
Yvonne Hyde	Ministry of Economic Development	CEO
Audrey Bennett	Ministry of Economic Development	Finance Officer
Candelaria Saldivar Morter	Ministry of Local Government	CEO
Pablo Cawich	Central Information Technology Office	Database Administrator I
Gabriel Bo	Central Information Technology Office	Database Administrator
Denmark Weatherburne	Central Information Technology Office	Database Administrator

Annex D: Quality Assurance Mechanism (PEFA Check)

PEFA Assessment Management Organization

The following quality assurance arrangements have been established in the planning and preparation of the PEFA assessment report for Belize for the final report dated June 2014.

1. Review of Concept Note and/or Terms of Reference

Draft concept note and/or terms of reference dated January 10, 201 was submitted for review on January 10, 2013 to the following reviewers:

1. Mr Alberto Menghini, EU
2. Mr. Brandon Lundberg, PEFA Secretariat
3. Ms. Hege Hope Wade, World Bank
4. Mr. Joseph Waight, Ministry of Finance

2. Review of draft report(s)

1st draft report dated March 2, 2014 was submitted for a review on March 2, 2014 to the following reviewers:

1) Ms. Mariella Ciuffreda, EU
2) Mr. Joseph Waight, Ministry of Finance
3) Mrs. Yvette Alvarez, Ministry of Finance
4) Ms. Anneke Jessen, Country Representative, InterAmerican Development Bank

2nd draft report (post May 23 workshop) was submitted for a review on June 12, 2014 to the EU and to Zita Magana Perez who forwarded the document to the Financial Secretary, Mr. Joseph Waight and Senior Advisor, Mrs. Yvette Alvarez.

It was then submitted to the PEFA secretariat (Mr. Phil Sinnett) on June 26, 2014 and the comments were received on July 9, 2014.

3. Review of final draft report

The comments of the PEFA Secretariat were addressed on August 2, 2014, and incorporated into the report. A response grid to the comments was also compiled. Comments were responded to and follow-up comments were received on August 28, 2014.

4. Additional information

Chairperson and Members of the Oversight Team	***Members:*** *1) Financial Secretary, Mr. Joseph Waight* *2) Deputy Financial Secretary, Mr. Marion Palacio* *3) Senior Advisor in the Ministry of Finance, Mrs. Yvette Alvarez* *4) Budget Director in the Ministry of Finance, Mr. Artemio Osorio* *5) Chief Executive Officer in the Ministry of Economic Development, Mrs. Yvonne Hyde*
Name of the Assessment Manager	***Mrs. Yvette Alvarez***