



Sustainable Tourism Program (2060/OC-BL)

Initial Baseline Report

July 2nd , 2009

**Project Coordinating Unit
106 South Street
Belize City, Belize**



Sustainable Tourism Program (STP)
No. 106 South Street
Belize City, Belize
Tel: 501-227-2687 Fax: 501-227-2914



E-mail: info@sustainabletourismbz.org Website: www.sustainabletourismbz.org

MEMORANDUM OF TRANSMISSION FROM THE PROJECT DIRECTOR

FOR: Director of Tourism, Belize Tourism Board
Chief Executive Officer, Ministry of Tourism, Civil Aviation and Culture
President of the Board of Directors, Belize Tourism Board
Project Team Leader, Inter-American Development Bank
Members of the Project Steering Committee

FROM: Noel D. Jacobs
Project Director

REFERENCE: **Sustainable Tourism Project (STP)**
Project Number: BL-L1003 Loan No.: 2060/OC-BL
Technical and Financial Progress Report # 1 – Initial Baseline Report

DATE: July 2nd, 2009

Please find annexed hereto the 'Technical and Financial Progress Report # 1 – Initial Baseline Report' of the Sustainable Tourism Program. This initial report is in compliance with Pre-Disbursement Conditions as stipulated in Loan Contract 2060/OC-BL for the STP.

It will be my pleasure to answer your questions and / or respond to your comments on the content of this report.

List of Acronyms

AOP	Annual Operative Plan
BTB	Belize Tourism Board
BTIA	Belize Tourism Industry Association
CEO	Chief Executive Officer
IDB	Inter-American Development Bank
GPN	General Procurement Notice
MOU	Memorandum of Understanding
MTCAC	Ministry of Tourism Civil Aviation and Culture
NICH	National Institute for Culture and History
PACT	Protected Areas Conservation Trust
PCU	Project Coordinating Unit
POM	Program Operating Manual
PSC	Project Steering Committee
PPP	Project Procurement Plan
SPN	Specific Procurement Notice
STP	Sustainable Tourism Program
TFPR	Technical and Financial Progress Report
ToRs	Terms of Reference

Contents

- 1.0. Background
- 2.0. Project Description
- 3.0. Institutional Arrangements
- 4.0. Compliance with Pre-Disbursement Conditions
- 5.0. Annual Operative Plan
- 6.0. Project Procurement Activities
- 7.0. Disbursement Projections
- 8.0. Monitoring and Evaluation
- 9.0. Results Framework Matrix

Annexes:

- 1. Annual Operative Plan
- 2. Project Risk Management Matrix
- 3. Procurement Plan
- 4. Cash Flow and Expenditure Projection Table

1.0. Background

Tourism is one of the main engines of growth in the Belizean economy and the principal source of foreign exchange. Belize's tourism product is highly dependent on the country's natural and cultural heritage. In addition to many archaeological sites, Belize encompasses a network of both terrestrial and marine protected areas offering opportunities for diving, wildlife observation and bird-watching, hiking and other recreational activities. With convenient access to the world's second largest barrier reef and tropical forest reserves, Belize displays several competitive advantages in the sector relative to Central American and Caribbean countries. These include a largely English-speaking population and diverse culture, proximity to the United States and a relatively stable political situation.

Belize's tourism sector caters to two distinct market segments: (i) overnight or 'stay-over' visitors; and (ii) cruise ship passengers. There are important differences between cruise and overnight visitors that have to be taken into account in planning for the sector. Despite their relatively small numbers, overnight visitors contributed 88% of total direct tourist expenditures in 2007 compared to 12% by cruise ship visitors. In addition, the overnight segment has proven less volatile, rising steadily since the late 90s, while the cruise segment has grown faster but has been more susceptible to external events such as natural disasters. The overnight segment also accounts for 90% of all employment in the industry, with spending by cruise visitors heavily concentrated in Belize City and overnight tourism spread more widely across the country.

The institutional framework for the sector consists of the Ministry of Tourism and Civil Aviation (MTCA) responsible for tourism policy, the Belize Tourism Board (BTB) responsible mainly for implementing tourism policy and the Belize National Tourism Advisory Council. The Belize National Tourism Advisory Council is a body created by law in 2000 under the MTCA that brings together all the relevant actors from the public and private sectors. Recently reactivated, the Council includes among its objectives developing, establishing and monitoring plans and policies, procedures and guidelines, legislative measures and educational and training programs necessary for the efficient management and development of tourism in Belize.

The Government recently confirmed the central position of the tourism sector in its economic development strategy and reiterated the core message of its 2005 Policy, promoting a product focusing on the natural and cultural heritage of the country, an equitable distribution of benefits through the promotion of the overnight segment and the delivery of a world class visitor experience. However, sector faces several fundamental challenges that, if not addressed, could affect its continued contribution to the national economy. These challenges are related to: (a) resource degradation affecting the visitor experience at popular overnight destinations; (b) insufficient product diversification; and (c) weaknesses in institutional capacity and coordination.

2.0 Project Description

The Belize Sustainable Tourism Program (IDB-2060/OC-BL) is a response to challenges that must be faced if Belize's tourism sector is to grow in a manner that is economically, environmentally and socially sustainable. The intention is to strengthen the sector's contribution to the national economy by consolidating the overnight tourism market with investments and activities along three inter-related fronts: (i) enhancing the tourism experience and resource sustainability at consolidated destinations subject to pressure; (ii) diversifying tourism products in emerging destinations for the overnight market segment; and (iii) strengthening tourism institutions for policy, destination planning and management. The project is being funded by the Government of Belize and the Inter-American Development Bank (IDB) through a loan of US\$13.322 million.

The Program consists of two components: 1) Investments in overnight tourism destinations; and 2) Institutional strengthening and capacity building for policy, destination planning and management.

Component I: Investments in overnight tourism destinations (\$11,117,000)

This component will finance studies, final designs and investments in civil works and equipment aimed at improving the quality of the tourism natural and cultural products at consolidated destinations in line with Destination Management Plans (DMPs) developed during Program preparation. Each DMP encompasses a coordinated package of initiatives selected on the basis of an integrated analysis of sector-specific, social, economic and environmental factors, including an assessment of vulnerability to natural disasters. Each DMP was also developed in close collaboration with key stakeholders of the destination. The Program's resources will be directed at the following within the framework of the DMPs:

- a. San Ignacio and surroundings: Located inland in Cayo District, this area has gained the reputation as the ecotourism center of Belize. Key natural resources including rivers, waterfalls, caves, natural scenery and diverse fauna and flora provide opportunities for a range of activities such as kayaking, cave tubing, river rafting, mountain biking and hiking. The DMP for the region proposes to reinforce San Ignacio's role as a staging area for these activities, creating a distinctive gateway to the variety of nearby attractions. The activities and investments to be financed: (a) the establishment of a **Regional Welcome Center** to provide information on tourism services, activities and attractions in Cayo District (including Mountain Pine Ridge and Caracol Natural Reserve), enabling both visitors and local residents to form a better understanding of the area's natural, historic and cultural resources; (b) **Improvement of Road Access and Heritage Museum at the Cahal Pech Archaeological Park**; (c) the development of the **San Ignacio Town Center Urban Design Strategy**; (d) improvements in **Visitor Facilities at Actun Tunichil Mukmal**, one of Belize's most spectacular cave systems and archeological site.
- b. Ambergris Caye: This area is located at the northern end of the Meso-American Barrier Reef and encompasses the town of San Pedro, Belize's main tourism destination (accounting for approximately 49% of visits in 2007) with a focus on diving, snorkeling and fishing in nearby marine protected areas. Chaotic infrastructure development is contributing to persistent shoreline erosion, loss of environmental and scenic quality and use conflicts. There are also limited opportunities for promoting visitor and local appreciation for the coastal and marine ecosystems upon which tourism depends. The approach of the DMP for this destination is to strengthen physical planning in high use terrestrial and marine areas in combination with introducing technical solutions to immediate environmental problems and enhancing internationally recognized natural attractions. With this in mind, the Program will finance: (a) the development of a **Physical Tourism Development Plan for Ambergris Caye** (to be formulated as part of the Belize Tourism Master Plan process) resulting in land use zoning for the entire Caye and future investment programs specifically for the environmental restoration and protection of San Pedro Town and Ambergris North; (b) Construction of a **Sunset Boardwalk and Water Taxi Terminal**; and (c) support for Park management activities and **Visitor Facilities (campground, trails etc.) for the Bacalar Chico National Park/Marine Reserve**, a UNESCO World Heritage Site.
- c. Placencia Peninsula and Village: This area is another of Belize's prime coastal destinations providing ready access to marine reserves and with substantial beach frontage. The DMP calls for maintaining the small-scale, family-oriented character of the village, targeting the 'simple luxury'

accommodation market while reducing risks associated with the highly vulnerable coastal location of the peninsula. The investments to be financed by the Program cover development of a small pier and plaza to expand safe mooring services, reduce anchoring on nearby reefs and consolidate public maritime services in a single location. This will be complemented by investments for the improvement of pedestrian access, street lighting, and landscaping adjacent to the village beach. The proposal also includes technical assistance for: (a) a pilot program for gaining an internationally recognized **Eco-labeling status** in water quality, environmental education and information and for the adherence to international safety standards; and (b) development of a **Disaster Risk Management Plan** for the peninsula with a view to avoiding damages associated with flooding and breaching of access routes, and (c) the construction of a **Placencia Pier & Plaza**.

- d. Belize City: Belize City's center serves as the gateway for most overnight visitors and all cruise ship passengers. Comprised of four inter-related quarters or neighborhoods, the center offers generally poor pedestrian access and an unattractive streetscape, thereby resulting in a negative first impression. The DMP calls for the creation of a vibrant core downtown area that reflects the essence of Belize's history and forges strong physical and visual links between neighborhoods. With this in mind, the Program will finance: (a) a **Waterfront Development Strategy**; (b) the physical improvement of the **Fort Street Pedestrian Link** between the Tourism Village and the town center as a catalyst for tourism-related urban regeneration.

Component II: Institutional strengthening and capacity building for policy, destination planning and management (\$2,403,000)

This component will finance technical assistance, specialized studies, training and other capacity building activities. The Program's resources will be used for:

- a. The preparation of a **National Tourism Master Plan** built on a Policy of Responsible Tourism;
- b. Technical assistance on the economic aspects of tourism, with particular emphasis on a **review of the existing tourism related tax regime and development of policy options for a more equitable distribution of the tax burden** among tourism stakeholders, improving fee schedules where services and attractions are not appropriately valued, and the design of contextually appropriate revenue sharing mechanisms among the government agencies responsible;
- c. **Improvements in BTB technical capacities and systems for economic and market research and product development**;
- d. **Training and the development of tools** (manuals, monitoring procedures, information systems) for physical planning, environmental management and monitoring of visitor use and other performance indicators for tourism destinations (both consolidated and emerging). The training will be cross-departmental and involve both centrally-based and local government officials and organizations;
- e. **Establishment of a Tourism Satellite Account** in collaboration with the Statistics Institute of Belize;

- f. **Capacity building in two emerging destinations (Punta Gorda and Hopkins)** with a view to diversifying the tourism product with a focus on the Maya and Garifuna cultures, reinforcing incipient tourism circuits and attracting private sector investment; and
- g. Development of a “**responsible tourism/green certification and awards program**” and a **matching grant facility for micro- and small businesses** aimed at helping the private sector strengthen value chains for tourism, and offsetting the costs of certification and compliance with industry standards.

3.0. Institutional Arrangements

The BTB and the MTCAC are the Co-Executing Agencies for the project and have assigned responsibility for project execution to the Program Coordinating Unit or PCU, headed by a Project Director (PD). For daily project execution purposes the PCU reports to the BTB, and is responsible for all aspects of program management. The PD will receive technical support from a **Tourism/Environmental Specialist**, a **Physical Planning Specialist**, and a **Finance/Procurement Specialist**. The PCU is located within the offices of the BTB. For contractual purposes, the PD reports to the Director of the BTB.

The Program Steering Committee (PSC), convened under the auspices of the Belize National Tourism Council, provides a formal, high-level venue to promote inter-sectoral coordination and implementation. The PCU will report to a Project Steering Committee for project delivery purposes. The PSC will be responsible for approving the Program Operations Manual (POM), vetting and disseminating the Annual Operating Plan (AOP) and results of the Program, recommending adjustments in targets and monitoring overall performance. The sub-committee will be co-chaired by the Director of Tourism and the CEO MTCAC, and comprised of the following members: the Department of the Environment, NICH-Institute of Archaeology, the President of the BTIA, the Ministry of Works, PACT, and the Project Director as an Ex-Officio Member. The PSC is scheduled to meet at least quarterly.

4.0. Compliance with Pre-Disbursement Conditions

Steps to comply with Special Conditions (Sections 3.02a-d of Loan Contract) and General Conditions (Sections 4.01a-g of Loan Contract) initiated prior to the signing of the Loan Contract on April 27th, 2009.

The first condition (3.02a) was complied with in February 2009 with the signing of Agreement between the MTCAC and the BTB. The Project Director was hired in May (3.02b), with the Project Steering Committee being established in June 2009 and the Program Operations Manual being finalized, submitted and accepted by the Bank in June 2009 also. The designation of officials to represent the borrower, and the confirmation letter regarding the interest rate were complied with on May 27th 2009. These four latter conditions fulfilled conditions 3.02c, 3.02d, 4.01b, and 4.01g, respectively. Letter of confirmation of first-year resources (4.01c) was confirmed on June 24th, 2009, while compliance with Legal Opinion, the establishment of the Project Chart of Accounts, and Agreement with the Bank regarding the hiring of independent accounting firm to conduct audit of project funds were all complied with on June 29th, 2009. These refer to conditions 4.01a, 4.01e, and 4.01f, respectively.

At July 2nd, the Initial Baseline Report in compliance with condition 4.01d, was submitted to the Bank for its review. Acceptance of the said report is pending. Once this has been received, the Project would have complied with all pre-disbursement conditions.

5.0. Annual Operative Plan

The Annual Operative Plan (AOP) for the first eighteen months was prepared in Microsoft Project and was reviewed by an IDB Consultant, the Operations Analyst in the Belize Office and the IDB Project Team Leader (See attached File). This document will be reviewed and updated during the Project Launch Workshop currently planned for August 2009. The AOP consists of the following four sections: Activities, timelines and estimated costs for Component 1: Investments in overnight tourism destinations; Component II: Institutional strengthening and capacity building for policy, destination planning and management and Project Administration. The AOP also includes a section on Project Risk Management. In the case of the latter, this was developed as a separate matrix (See attached file).

At the time of the preparation of this report, no planned activities under components I & II were implemented. In terms of Project Administration, the Project Director was hired in May 2009 and the Project Coordinating Unit (PCU) was physically established in Belize City immediately after. All efforts of the Project Director have been focused at compliance with the Special Conditions and the General Conditions for disbursement, as agreed in Loan Contract 2060/OC-BL, and as referred to above in Section 4.0.

6.0. Project Procurement Activities

A Project Procurement Plan for the period May 2009 to October 2010 was prepared by the PCU and submitted to the Bank for review. Comments received have been incorporated and the revised plan is attached to this report. The General Procurement Notice was also produced and sent to the Bank for placement on the Bank's website and on the website of the United Nations Development Business. The same will also be placed on the Project's website.

Consultant Services:

During the past two months, the PCU has moved ahead to initiate the necessary processes to procure the services of an Administrative Assistant. A person has been selected and the PCU is currently negotiating the corresponding contract. The Administrative Assistant is expected to initiate duties on the 13th of July, 2009. This position will be paid from counterpart contributions. The procurement processes to contract the services of a Tourism/Environmental Specialist, a Physical Planning Specialist and a Financial/Procurement Specialist were initiated in early June 2009. Terms of References, Public Announcement, Evaluation Criteria, Evaluation Panel, and Contract Template were all submitted to the Bank and the corresponding No Objections received. The Evaluation Panel concluded their short-listing deliberations, and the corresponding report and No Objection Request are being prepared for immediate submission to the Bank, for the PCU to proceed with the necessary interviews. These three positions will be funded jointly by loan proceeds and counterpart contributions.

Web-hosting and design services for the Project were secured from Naturalight Productions of Belize. This provider was sole-sourced due to its historic service relationship with the Executing Agency. The said services will be paid totally from counterpart funds.

Non-Consulting Service:

Telecommunication services have been procured for the PCU from Belize Telemedia Limited. These services were sole-sourced, after having followed the necessary procurement procedures and the appropriate No Objections received from the Bank.

Goods:

The Executing Agency, using counterpart funds, has procured all necessary furniture for the PCU, plus computer equipment for the Project Director. Other computer and office equipment for the PCU will be procured shortly using the 'Shopping' method, and to be paid from loan proceeds.

Works:

The Executing Agency has procured minor works for the construction of cubicles to accommodate PCU staff and a small Conference Room. These costs will be absorbed totally by the Executing Agency.

7.0. Disbursement Projections

A Cash Flow and Expenditure Projection for the current planning period was also produced (See attached File). This document will also be reviewed and updated during the Project Launch Workshop currently planned for August 2009. Expenses to date to establish the PCU have all been absorbed by the Executing Agency, with the exception of the procurement of a communication system and service, which is expected to be reimbursed by loan funds.

8.0 Monitoring and Evaluation

In order to provide the information necessary that will allow proper monitoring and evaluation of project progress and impact as agreed in the Results Framework Matrix, the following methodology will be employed.

Component 1 - Investments in Overnight Tourism Destinations

Planned Outcome Indicator 1.1 - Annual Total Number of Visitors

This indicator will be sourced annually via a specific survey to be conducted at the four areas of intervention of the Project. Current baseline data available are aggregated at a national level, and do not discriminate between specific destinations. The specifics of the methodology to be employed in the required survey will be determined in due course. In terms of aggregated data, the total *bona fide* overnight tourist visitors in 2008 was 245,026 or down 2.5% from 251,422. This was almost 100% attributable to the 2.5% decrease from our Belize's market, the United States. Funds to conduct the necessary surveys mentioned above will be sourced from Component II of the Project.

Planned Outcome Indicator 1.2 - Overnight visitors Relative to all Visits

This indicator will be sourced annually from administrative records using visitor Embarkation/Disembarkation Forms. The Immigration and Nationality Department provides the Belize Tourism Board with monthly figures from the ports of entry. These are compiled and screened for persons that are bona fide tourist visitors as opposed to those that fit other criteria. Overnight tourist visitors represented 53.1% of all non-cruise visitors since cruise visitors spend less than one full day in Belize. (23.1% of all visitors including cruise visitors). See baseline in Results Framework Matrix below.

Planned Outcome Indicator 1.3.- Percent Return Visitors

This indicator will be sourced annually from administrative records using Visitor Expenditure and Motivation Surveys. The 2008 VEMS indicated that 25.3% of all respondents noted that they are return visitors to Belize. This is based on a question asking whether this was the respondent's first visit to Belize. See baseline in attached Results Framework Matrix. See baseline in Results Framework Matrix below.

Planned Outcome Indicator 1.4 - Average Visitor Expenditure per day

This indicator will be sourced annually from administrative records using Visitor Expenditure and Motivation Surveys, with adjustment made to specifically target the four areas of intervention of the Project.. The Belize Tourism Board in conjunction with the Central Bank of Belize and the Statistical Institute of Belize estimates this based on the VEMS. The VEMS is conducted at the three main entry points using self administered questionnaires.

Planned Outcome Indicator 1.5 - Room Revenue

This indicator will be sourced annually via a specific survey to be conducted at the four areas of intervention of the Project. Current baseline data available are aggregated at a national level, and do not discriminate between specific destinations. The specifics of the methodology to be employed in the required survey will be determined in due course. Data for this indicator will be captured from Monthly Tax Form submitted by hoteliers as required by law. The hotel tax collections in 2008 revealed that the accommodation sector generated some Bze \$130.3 million in revenues. This increase of Bze \$2.1 million over 2007 reflected a 1.7% growth. Funds to conduct the necessary surveys mentioned above will be sourced form Component II of the Project.

Component II: Institutional Strengthening and Capacity Building for Policy, Destination Planning and Management

Planned Outcome Indicator 2.1 – National Tourism Master Plan

The delivery of this output will be monitored by the PCU, the Project Steering Committee and the Executing Agency as per the Results Framework Matrix Below.

Planned Outcome Indicator 2.2 – Branding Strategy

The delivery of this output will be monitored by the PCU, the Project Steering Committee and the Executing Agency as per the Results Framework Matrix Below.

Planned Outcome Indicator 2.3 – Training in Tourism, Physical Planning and Environmental Management

The delivery of this output will be monitored by the PCU, the Project Steering Committee and the Executing Agency as per the Results Framework Matrix Below.

Planned Outcome Indicator 2.4 – Tourism Satellite Account Established

The delivery of this output will be monitored by the PCU, the Project Steering Committee and the Executing Agency as per the Results Framework Matrix Below.

SUSTAINABLE TOURISM PROGRAM RESULTS FRAMEWORK MATRIX

KEY PLANNED OUTCOME INDICATORS				OUTCOMES ACHIEVED
	Baseline	Annual/Intermediate	End of Project	
1.1 Annual total number of visitors in areas of intervention increases	Does not exist		To be determined against baseline at the end of Year 1	Baseline to be determined at the end of Year 1.
1.2 % of overnight visitors relative to all visits	29% (25 Nov 2008)		35%	29% (25 Nov 2008)
1.3 % return tourists in ecotourism, adventure and culture tourism	25% (25 Nov 2008)		30%	25% (25 Nov 2008)
1.4 Average visitor expenditure per day increases in areas of intervention	Does not exist		To be determined against baseline at the end of Year 1	Baseline to be determined at the end of Year 1.
1.5 Room revenues increase as translated into hotel taxes at four areas of intervention	Does not exist		To be determined against baseline at the end of Year 1	Baseline to be determined at the end of Year 1.
IMPLEMENTATION PROGRESS (IP)				
KEY INDICATORS FOR PLANNED OUTPUTS				ACTUAL OUTPUTS
	Baseline	Annual/Intermediate	End of Project	
Component I: Investments in Overnight Tourism Destinations				
1.1 % of works implemented	0% (25 Nov 2008)	50%(Sept 2011)	90%(June 2013)	0% (25 Nov 2008)
Component II: Institutional Strengthening and Capacity Building for Policy, Destination Planning and Management				
2.1 National Tourism Master Plan completed (% completion)	0% (25 Nov 2008)	50% (Jan 2011)	100%(June 2013)	0% (25 Nov 2008)
2.2 Branding strategy completed (% completed)	0% (25 Nov 2008)	50% (Dec 2010)	100%(June 2013)	0% (25 Nov 2008)
2.3 Training in tourism, physical planning and environmental management completed (% completion)	0% (25 Nov 2008)	50% (Mar 2011)	100%(June 2013)	0% (25 Nov 2008)
2.4 Tourism Satellite Account established (% completion)	0% (25 Nov 2008)	50% (Mar 2012)	100%(June 2013)	0% (25 Nov 2008)