



**PPIAF**  
Enabling Infrastructure Investment



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JULY 2016



## PPIAF Supports the Belize Municipal Development Project and Revenue Enhancement Support Program

In 2012 PPIAF in partnership with the World Bank engaged with the Government of Belize to help them improve and maintain municipal service delivery in selected towns through the Municipal Development Project (MDP). Belize has two levels of government: a state government and a single-tier local government. The system of local government comprises two cities (Belmopan and Belize City), seven towns, and a network of 194 village and community councils. The two city councils plus the seven town councils (“Town and City Councils” - TCCs) together comprise the urban areas in Belize.

In August 2009 the Government of Belize (GOB) approved the National Policy on Local Governance (NPLG), which was followed by the creation of an inter-governmental fiscal transfer formula. The new NPLG responds to some issues and concerns mentioned below, and establishes responsibilities and the types of resources that TCCs will have access to, in order to be able to fulfill their mandated responsibilities.

The municipalities have options to access financing on their own under the NPLG, which sets out a framework to implement the decentralization process in the country. The municipalities have in the past borrowed through commercial bank’s overdraft facility but implicitly guaranteed by the National Government. While the municipalities could borrow without a sovereign guarantee under the current policy framework, the capacity level of the municipal finance is very low, with its very incipient stage of decentralization. The purpose of this grant is to help them to make improvements to their basic financial management system, to better run their municipal finance, ultimately contributing to enhance their creditworthiness and access to financing without a sovereign guarantee down the road.

Municipal infrastructure development and improving municipal management are high priorities for the Government. When the Bank reengaged in Belize in 2008, these were the areas the Government singled out for Bank assistance. The Belize Municipal Development Project’s (MDP) was approved in September, 2010. This is the first lending operation since the Bank’s re-engagement in the country. The

objective of the MDP is to improve access to basic municipal infrastructure and to enhance municipal management in selected town and city councils of Belize.

In 2012, financial conditions in the municipalities in Belize were poor, revenue collection was low, expenses were increasing and there was no recurrent surplus for use on capital improvements or investments. Town and City Councils (TCCs) depended heavily on overdrafts, commercial and government loans and advances.

## PPIAF SUPPORT

PPIAF provided technical assistance support through a US\$75,000 grant along with other technical assistance funds under the MDP. Through these funds, the Revenue Enhancement Support Program (RESP) was initiated in January 2012 to assist the municipalities in enhancing the capacity of municipal finance management and improving creditworthiness. The objectives of the RESP were to:

- a. Improve revenue collections in order to become self-sustainable;
- b. Identify new sources of revenue within municipalities;
- c. Identify and improve weaknesses in financial management; and
- d. Improve reporting to the Ministry of Local Government and other stakeholders.

More specifically, PPIAF resources funded consultants who worked closely with the Social Investment Fund to build financial management capacity within the TCCs through the following activities:

- a. Conducted a diagnostic of fiscal conditions and issued a report with findings to each municipality;
- b. Conducted workshops on municipal financial management and revenue collection;
- c. Trained practitioners in the use of QuickBooks and supported the computer and information technology upgrade;
- d. Designed a new chart of accounts that included, for the first time, a balance sheet;
- e. Issued a Handbook for Mayors to advise them on revenue collection;
- f. Issued a property tax internal control review work program; and
- g. Suggested oversight activities for the Local Government Administration.

## OUTCOMES

The RESP has made significant contributions to the fiscal conditions of Belize's municipalities. Through the Project, the financial management capacity within the TCCs has improved

resulting in increases in revenue collection, operational surplus and capital additions as well as decreases in deficits and overdrafts. Increased revenue has allowed TCCs to engage in much needed infrastructure rehabilitation projects and improve service delivery to the municipalities. Revenue collections are now being enforced in more areas and revenue personnel are on the staff of most of the TCCs. These outcomes have all improved the creditworthiness of the cities and municipalities. Key results include:

- a. Own-Source revenues increased by 30% and RESP revenues increased by 41%. All cities and municipalities experienced an increase in own source revenue<sup>1</sup> in the three years post RESP. On average, the increase was 30% and it ranged from 48% in Orange Walk to 10% in Benque Viejo. The RESP consultancy focused on improving the collection of four main revenue streams: property tax, trade licenses, traffic fees and garbage collections, referred in the Technical Assistance as the RESP revenues<sup>2</sup>. On average, the RESP revenues increased 41% with the large increases in Orange Walk: 59% and Punta Gorda 41%;
- b. Operational surplus rose over 400%. Operational surplus rose over 400% from a pre RESP US\$1.6 million to a post RESP surplus of US\$8.2 million, an increase of US\$6.6 million;
- c. Deficit years dramatically reduced. During the 3 years post RESP, only one municipality reported deficits;
- d. Overdrafts eliminated in all 9 participating municipalities. As of March 2012, three months into the RESP consultancy, all cities and municipalities reported overdrafts during the fiscal year. By March 2014, about two years into the WB and GoB / TCCs engagement, financial improvements enabled all cities and municipalities to operate without any bank overdraft;
- e. Enforced collections increasing. Before the RESP, only Belize City used the courts to enforce collections; now, Belmopan and Corozal also enforce collections and Dangriga, Punta Gorda and Orange Walk are expected to begin soon;
- f. Revenue personnel contracted. Before the RESP, only Belize City and Belmopan operated revenue departments, now, seven out of nine cities and municipalities have a dedicated Revenue Unit with a full-time revenue manager; and
- g. Additional funds leveraged. The Town Council in Orange Walk has mobilized local business owners to provide additional investments into municipal improvement works.

### Footnote

<sup>1</sup> These numbers do not include government transfers.

<sup>2</sup> A profile of revenues for the 2010/2011 fiscal year revealed that property tax, trade licenses, traffic fees and garbage collections accounted for 80% of all own source revenues excluding government transfers. This report refers to these 4 revenues as the RESP revenues.