



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

This Congressional Notification outlines the Millennium Challenge Corporation's intent to negotiate a Millennium Challenge Compact with the Government of Belize.

The Belize Compact aims to address the binding constraints to economic growth in two key areas, education and energy. Specifically, MCC plans to partner with the Government of Belize to tackle challenges related to low-quality education and high electricity costs by equitably increasing the number of post-primary graduates with the competencies relevant to labor market demands and lowering the wholesale cost of electricity. If you or your staff would like to arrange a meeting to discuss the proposed negotiations with the Government of Belize, please contact Brian Forni at (202) 521-2631 or ForniBJ@mcc.gov. The attached notification is being transmitted to the Congress on March 22, 2024, and negotiations with Belize may be started on or after 15 calendar days from the date of this notification.

In addition to the enclosed notification, we have attached supplemental information regarding the planned compact.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure as stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

March 22, 2024

Pursuant to Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2023 (P.L. 117-328), as amended by the Further Additional Continuing Appropriations and Other Extensions Act, 2024 (P.L. 118-35), as further amended by the Extension of Continuing Appropriations and Other Matters Act, 2024 (P.L. 118-40), and section 610(a) of the Millennium Challenge Act of 2003, as amended, this notification is (1) to advise you that the Millennium Challenge Corporation (MCC) intends to start negotiations with the Government of Belize for a Millennium Challenge Compact (Compact) and (2) to initiate Congressional consultation before the start of negotiations.

The following identifies the objectives and mechanisms to be used for the negotiations of the Belize Compact.

Economic Justification

The Belize Compact aims to address the binding constraints of low-quality education and high electricity costs by equitably increasing the number of post-primary graduates with the competencies relevant to labor market demands and lowering the wholesale cost of electricity. The proposed compact is designed to achieve its objectives through two projects: the Education Project and the Energy Project. A summary of the estimated economic rate of return (ERR), cost-benefit analysis, and impact on beneficiary populations is described below for each project and the compact.

Projects	ERR
Education Project	16.3%
Energy Project	14%
Compact	16.1%

Education Project – The proposed Education Project primarily invests in Belize’s secondary education and technical and vocational education training (TVET) sector. Specifically, the project will finance: (a) establishing an educational quality assurance system to assess and improve the quality of management and teaching as well as the achievement of learning outcomes, (b) building capacity of educational leadership and teachers, (c) providing teaching and learning resources, (d) supporting the increase in the percentage of primary graduates that enroll in and complete secondary school, and (e) supporting the establishment of a National Training Agency and building the capacity of the TVET sector to implement inclusive TVET programs that are aligned to labor market needs.

The education project has a projected ERR of 16.3% that was calculated at the activity-level based on increased incomes for graduates of with-project schools relative to incomes they would have earned in the absence of an MCC intervention. The cost benefit analysis model examines

20 cohorts of students and recognizes benefits may be delayed but are expected to accrue throughout the beneficiary students' working lifetime.

Energy Project – The proposed energy project has a projected ERR of 14% based on the benefits of lowered energy costs beginning between 2027 and 2030 and will last for 20 years. The project aims to invest in Belize's energy management capabilities and expansion of renewable energy sources in line with the Government of Belize's National Energy Policy (2023 – 2040). Specifically, the project will finance (a) technical and supervisory support for utility scale solar power projects, (b) funding to facilitate new solar power purchase agreements with independent power producers, and (c) modernization of the grid, including battery energy storage systems, to accommodate variable renewable energy.

Compact - The overall proposed compact ERR is 16.1%. The compact level ERR is calculated based on the net benefits per project.

SUPPLEMENTAL INFORMATION

Overview

The proposed Belize Compact seeks to assist the Government of Belize in addressing two major constraints to economic growth: low quality education and high electricity costs through two projects: the *Education Project* and the *Energy Project*.

Background and Context

Belize is a small, diverse, coastal nation with a population of 405,272 (2022) at the crossroads of the Caribbean and Central America. As a former British colony and member of the Caribbean Community and Common Market, Belize maintains strong commercial and educational ties to the Caribbean. It has been a stable democracy since gaining independence in 1981 and in recent years has strengthened ties with Central America.

For most of Belize's history its economy relied on the export of forest products, sugar, and fruit. In the 1990s, tourism began to expand, making up more than 40% of Belize's GDP in 2019. For the next decade, Belize experienced robust real per capita income (PCI) growth averaging 4.3%. However, from 2004 to 2019 real PCI growth was near zero. In 2020, Belize experienced a sharp fall in tourism revenue and real PCI fell by 16%, which caused Belize to be classified as a lower middle-income country. As of 2018, 52% of the population had income below the Belizean General Poverty Line, with four socioeconomic groups disproportionately affected: Maya populations, rural households, women, and youth.

MCC's Board of Directors selected Belize as eligible to develop a compact in December 2021. In selecting Belize for a compact, the MCC's Board made the decision to partner with a country that has demonstrated a clear commitment to democratic governance and tackling development challenges.

In April 2022, the Government of Belize selected two binding constraints to economic growth for further program development in the education and energy sectors.

The **education sector** has a severe shortage of post-primary graduates as well as skilled workers in key industries. The Belize education system does not produce a sufficient number of individuals with the types of competencies needed by the labor market. Shifts in Belize's economic and employment landscape have increased the demand for workers with higher levels of qualifications and 21st century skills. However, over half of Belize's labor force currently does not have any form of post-primary education resulting in the first binding constraint for the compact as the *low quality of education that leads to a shortage of trained professionals in all industries*.

In the **energy sector** the cost of wholesale electricity is higher than it should be compared to a well-functioning competitive electricity market. The primary driver of high electricity rates is the elevated cost of purchasing wholesale power, which results in the second binding constraint for the compact as the *high cost of electricity that drives up input costs for all industries*.

The Government of Belize has shown strong country ownership and commitment to the compact through their engagement on the technical design of the projects, their repeated commitment and preliminary progress on policy reforms, and commitment of counterpart funding for the implementation and long-term sustainability of the compact objectives.

Compact Overview and Budget

Below is a summary describing the budget and components of the proposed five-year compact with Belize. The anticipated budget for the compact is up to \$134,375,000, with MCC funding up to \$125,000,000 and the Government of Belize contributing at least \$9,375,000 (required minimum of 7.5%). Table 1 presents an approximate budget for the proposed compact based on initial due diligence and appraisal.

Table 1: Belize Compact Budget (million in US\$)

MCC Funding by Compact Components	Total MCC Funding
1. Education Project	
1.1 Transforming Teaching and Learning in Secondary Education	\$41,045,000
1.2 Access to and Progression through Secondary Education	\$16,256,000
1.3 Training and Transitioning to Work	\$16,500,000
Subtotal	\$ 73,801,000
2. Energy Project	
2.1 Facilitating New Lower-Cost Renewable Generation	\$21,684,000
Subtotal	\$21,684,000
3. Monitoring and Evaluation	\$1,820,000
4. Program Administration and Oversight	\$27,695,000
MCC Funding	\$125,000,000
Total Compact Funding	Amount
Total MCC Funding	\$125,000,000
Government of Belize Contribution	\$9,375,000
Total Compact	\$ 134,375,000

Proposed Projects

The two projects and their respective activities to be negotiated are:

The ***Education Project*** aims to *equitably* increase the number of post-primary graduates with the competencies relevant to labor market demands by pursuing the following activities and outcomes:

- *Activity 1: Transforming Teaching and Learning in Secondary Education* is designed to significantly improve general knowledge, skills, and competencies of post-primary graduates.
- *Activity 2: Access to and Progression through Secondary Education* aims to significantly increase the proportion of post-primary graduates in the labor force.
- *Activity 3: Training and Transitioning to Work* aims to increase the number of post-primary graduates with the technical skills and attributes required to contribute to priority industries.

The project emphasis on equity attempts to ensure that opportunities across all three activities are available to members of groups that have been traditionally excluded in the Belizean educational context, particularly students suffering from psycho-social trauma, those with special education needs, students of migrants to Belize, and indigenous Mayan students. Additional emphasis is placed on closing important gender gaps facing male students (in transition, retention and graduation) and female students (in participation in workforce preparation).

The ***Energy Project*** aims to reduce the wholesale cost of electricity through supporting the competitive procurement of lower cost power purchase agreements using renewable energy that would displace higher cost imports by pursuing the following activity and outcomes:

- *Activity 1: Facilitating New Lower-Cost Renewable Generation* is designed to support the Government of Belize in implementing its utility scale renewable energy expansion plans and maintaining the stability of the grid.

Policy Reform and the Compact

MCC and the Government of Belize jointly identified the following key policy reform areas to support the sustainability of the proposed compact, the timing and content of which will be negotiated with the Government of Belize and will be included in the compact.

Key policy reforms of the ***Education Project*** include reforming the Education Act to require national student assessments to meet minimum testing requirements, school-level results to be published publicly, and a more rigorous evaluation process for teacher licensing and certification. Additional reforms include increasing the compulsory school age to 16, providing access to free education in at least one secondary school per administrative district, and requiring each secondary school have a dedicated school counselor.

Key policy reforms of the *Energy Project* include the approval of regulations governing the process for competitive procurement for electricity generation capacity to support the signing of power purchasing agreements, as well as issuing and revising the grid code to clarify the interconnection requirements for variable renewable energy.