



June 27, 2024

## CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

The Millennium Challenge Corporation ("MCC") notifies Congress of its intent to sign a Millennium Challenge Compact (the "Compact") with Belize, through which MCC will grant an amount not to exceed \$125 million under a Millennium Challenge Compact with Belize.

An attached summary outlines Belize's key constraints to growth and where MCC intends to partner with the Government of Belize to invest. If you or your staff would like to arrange a meeting to discuss the proposed Compact, please contact Brian Forni at (202) 521-2631 or [ForniBJ@mcc.gov](mailto:ForniBJ@mcc.gov).

Sincerely,

/s/

Aysha House  
Vice President  
Congressional and Public Affairs

Enclosure as stated

**MILLENNIUM CHALLENGE CORPORATION  
CONGRESSIONAL NOTIFICATION**

June 27, 2024

**PROGRAM:** Eligible Countries

**APPROPRIATIONS CATEGORY:** Fiscal Years 2023 and 2024 Program Funds

**OBLIGATION AMOUNT:** \$125,000,000

The Millennium Challenge Corporation ("MCC") notifies Congress of its intent to sign a Millennium Challenge Compact (the "Compact") with Belize, through which MCC will invest grant funds in an amount not to exceed \$125,000,000 for a Compact with the Government of Belize under the Millennium Challenge Act of 2003, as amended (the "Act"). To accelerate implementation of the Compact, MCC intends to obligate up to \$10,662,000 ("Compact Facilitation Funding") of the overall grant under section 609(g) of the Act, using fiscal year 2024 funds, when the Compact is signed by the parties. Under section 605 of the Act, MCC intends to obligate up to \$114,338,000 when the Compact enters into force.

<b>Statutory Reference Requiring Congressional Notification</b>	<b>Program Funding under Section 605 of the Act (up to)</b>	<b>Compact Facilitation Funding under Section 609(g) of the Act (up to)</b>
Division K, Title III under the heading "Millennium Challenge Corporation" of the Consolidated Appropriations Act, 2023 (P.L. 117-328)	\$15,000,000	
Division F, Title III under the heading "Millennium Challenge Corporation" of the Further Consolidated Appropriations Act, 2024 (P.L. 118-47)	\$99,338,000	\$10,662,000
<b>Total</b>	<b>\$114,338,000</b>	<b>\$10,662,000</b>

The proposed Compact will support economic growth in Belize through investments in the education and energy sectors, as detailed below.

**Economic Justification**

The Belize Compact aims to reduce poverty through economic growth in Belize by addressing the binding constraints of *low-quality education* and *high electricity costs*. The proposed Compact is designed to achieve its objectives through two projects - the Education Project and the Energy Project. Each project is designed to catalyze private sector investments for long-term sustainable growth in the education and energy sectors. The Compact is projected to benefit a total of 517,943 people over a 20-year period with a robust economic rate of return of 16.1%. The number of beneficiaries and economic rate of return per project is detailed below.

<b>Projects</b>	<b>Beneficiaries</b>	<b>ERR</b>
Education Project	140,243	16.3%
Energy Project	517,943	13.8%
Compact	517,943	16.1%

**The Education Project** primarily invests in Belize’s secondary education and technical and vocational education training ("TVET") sector, with a clear emphasis on equity. The objective of the Project is to equitably increase the number of post-primary graduates with competencies relevant to labor market demand by (i) transforming teaching and learning, (ii) promoting access to and progression through secondary education, and (iii) strengthening the capacity, legal and institutional framework of the TVET sector. The project design seeks to ensure opportunities across all activities are available to members of groups that have been traditionally excluded in the Belizean educational context, particularly students living with trauma, those with special education needs, immigrant students, and indigenous students. The Project will also support the establishment of sectoral skills councils that link TVET providers and the private sector to identify occupations with unmet labor market needs, the competencies required for those occupations, the standards for assessing the trainee’s proficiency in those competencies and provision of work-based training opportunities (ranging from on-the-job skills development to formal apprenticeships).

The estimated number of people who will benefit under the Education Project is 140,243. The Project has a projected economic rate of return of 16.3% based on increased incomes for graduates of project schools relative to incomes they would have earned in the absence of the compact-funded intervention. The cost benefit analysis model examines 20 cohorts of students and recognizes benefits may be delayed but are expected to accrue throughout the students’ working lifetime.

The **Energy Project** aims to invest in Belize’s energy management capabilities and expansion of energy sources in line with the Government of Belize’s National Energy Policy (2023 – 2040). The objective of the Project is to decrease the wholesale cost of electricity in real terms. The Project will support Belize to bring one or more transactions for renewable independent power producers to successful financial close that will mobilize an estimated \$50 million of private investment. Moreover, in the Compact, Belize commits to creating a level playing field for investors in the energy sector while protecting consumer interests by establishing a clear regulatory environment, using transparent and competitive processes to select new independent power producers, and only amending or modifying power purchase agreements in exceptional cases and through a transparent process.

The estimated number of people who will benefit from the Energy Project is 517,943. The Project is expected to lower electricity tariff costs in real terms for all households and businesses connected to the grid. Over a 20-year period, it is expected that the entire population will be impacted either through business or household savings; therefore, the population that will benefit from this investment is the overall population of Belize in 2044, the end of the cost benefit analysis period. The Project has a projected economic rate of return of 13.8% based on the benefits of lowered energy costs beginning between 2027 and 2030 and will last for 20 years.

## SUPPLEMENTAL INFORMATION

### **Overview of MCC Belize Compact**

MCC's Board of Directors has approved a five-year, \$125 million Compact with Belize aimed at reducing poverty through economic growth. The Compact seeks to assist Belize in addressing two binding constraints to economic growth – low quality of education and high cost of electricity. The Compact will address these constraints through two primary projects – the *Education Project* and the *Energy Project*.

### **Background and Context**

Belize is a small, diverse, coastal nation with a population of 397,483 (2022). As a stable democracy located at the crossroads of the Caribbean and Central America, Belize maintains strong commercial and educational ties to the Caribbean and has increasingly strengthened ties with Central America.

While Belize's economy has historically relied on the export of forest products, sugar, and fruit, tourism began to expand rapidly in the 1990s, contributing to robust real per capita income ("PCI") growth averaging 4.3% for the next decade. 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. The economy has since rebounded. 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.

### *Selection and Eligibility*

MCC's Board of Directors selected Belize as eligible to develop a compact in December 2021. In selecting Belize for a compact, 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 the year following its selection, Belize was reclassified by the World Bank as an upper middle-income country and exited MCC's candidate country pool. The Board has since repeatedly affirmed its support for Belize continuing to develop a compact with MCC, and the country has continued to demonstrate its commitment to the principles of democratic governance that underpin MCC's eligibility criteria and scorecard.

### *Constraints Analysis*

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: *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: *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 their commitment of counterpart funding for the implementation and long-term sustainability of the compact objectives. MCC successfully concluded compact negotiations with the Government of Belize in mid-April and secured approval for the \$125 million investment from the MCC Board of Directors on June 26, 2024.

### Compact Overview and Budget

Below is a summary describing the components of the Compact with Belize. The anticipated budget for the overall program is \$165,650,000, with up to \$125,000,000 under the Compact and \$40,650,000 of contribution from Belize.

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

MCC Funding by Compact Components	Amount
<b>1. Education Project</b>	
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
<b>Subtotal</b>	<b>\$ 73,801,000</b>
<b>2. Energy Project</b>	
2.1 Facilitating New Lower-Cost Renewable Generation	\$21,684,000
<b>Subtotal</b>	<b>\$21,684,000</b>
<b>3. Monitoring and Evaluation</b>	\$1,820,000
<b>4. Program Administration and Oversight</b>	\$27,695,000
<b>Total MCC Compact Funding</b>	<b>\$125,000,000</b>
<b>Total Program Funding</b>	<b>Amount</b>
Total MCC Compact Funding	\$125,000,000
Government of Belize Contribution	\$40,650,000
<b>Total Program</b>	<b>\$165,650,000</b>

## Project Summaries

The projects and activities to be completed are:

**The Education Project (\$73.8 million)** 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:

- *Transforming Teaching and Learning in Secondary Education Activity* aims to improve the numeracy, literacy, and 21st century skills of secondary graduates by improving the capability and accountability of the Ministry of Education, Culture, Science, and Technology, managing authorities, educators, and other actors in the Belizean educational system for providing inclusive, quality education.
- *Access to and Progression through Secondary Education Activity* aims to increase the percentage of primary graduates that enroll in and complete secondary school.
- *Training and Transitioning to Work Activity* aims to improve the capability of TVET providers to deliver high quality training demanded by the labor market as well as to provide inclusive access to these training opportunities.

The project focuses on inclusion and equity by intentionally creating opportunities across all three activities for members of groups that have been traditionally excluded in the Belizean educational context, particularly students living with trauma, those with special education needs, immigrant students, and indigenous students. Additionally, special emphasis will be placed on closing gender gaps facing male students (in transition, retention and graduation) and female students (in participation in workforce preparation).

**The Energy Project (\$21.7 million)** aims to reduce the wholesale cost of electricity in real terms through supporting the competitive procurement of lower cost power purchase agreements using energy alternatives that would displace higher cost imports by pursuing the following activity and outcomes:

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

## Policy Reform and the Compact

MCC and Belize jointly identified the following key policy reform areas to support the sustainability of the proposed compact, the timing and content of which was negotiated with Belize and is 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, and a more rigorous evaluation process for teacher licensing and certification. Additional reforms include increasing the compulsory school age to 16 from 14, ensuring access to free secondary education to all primary graduates by offering free education at all government schools and, in order to ensure adequate geographical coverage, select grant-aided schools, 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, limits on amendments and extensions of power purchase agreements to improve transparency and protect consumers and revising the grid code to clarify the interconnection requirements for variable alternative forms of energy.