



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

In accordance with section 610(b)(2) of the Millennium Challenge Act of 2003, as amended, the Millennium Challenge Corporation (“MCC”) entered into a Millennium Challenge Compact with the Government of Belize on September 4, 2024 (the “Compact”). We have included a detailed summary of the Compact and a copy of the text of the Compact.

Additionally, we will provide a link to the Compact and a summary of it in the Federal Register and on MCC’s website. An attached summary outlining Belize's key constraints to growth and where MCC will partner with the Government of Belize is included. If you or your staff would like to arrange a meeting to discuss the proposed Compact, please contact Brian Forni at ForniBJ@mcc.gov.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure as stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

September 13, 2024

In accordance with section 610(b)(2) of the Millennium Challenge Act of 2003, as amended (22 U.S.C. 7701 et seq.) (the “Act”), this notification is to advise that the Millennium Challenge Corporation (“MCC”) entered into a Millennium Challenge Compact with the Government of Belize under section 605 of the Act on September 4, 2024 (the “Compact”).

A detailed summary of the Compact follows.

SUMMARY OF BELIZE COMPACT

Overview of MCC Belize Compact

MCC signed 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.

Country Selection and Ongoing 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. The Government of Belize and MCC signed the Compact on September 4, 2024 in Belize City, Belize.

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 Technical and Vocational Education and Training (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 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.

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 for all primary graduates by offering free education at all government schools and, 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.

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 of MCC Funding and \$40,650,000 of contribution from Belize.

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

MCC Funding by Compact Components	Amount
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
Total MCC Compact Funding	\$125,000,000
Total Program Funding	Amount
Total MCC Compact Funding	\$125,000,000
Government of Belize Contribution	\$40,650,000
Total Program	\$165,650,000

Belize CN History

CN Type	Date Submitted to Congress	Date Cleared by Congress
Post-Signing	September 13, 2024	N/A
Intent to Sign	June 27, 2024	July 11, 2024
Intent to Negotiate	March 22, 2024	April 5, 2024
Compact Development Funds	October 27, 2022	November 10, 2022
Initial Engagement 609(g)	February 3, 2022	February 17, 2022