SUSTAINABLE TOURISM PROGRAM II (Loan Agreement No. 3566/OC-BL) Ministry of Tourism and Diaspora Relations

Financial Statements

For the year 31 March 2021

BDO

Sustainable Tourism Program II

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Independent auditor's report to the Chief Executive Officer of The Ministry of Tourism and Diaspora Relations

Opinion

We have audited the accompanying financial statements of the Sustainable Tourism Program II (STP II) which comprise of the statement of cash received and disbursements, the statement of cumulative investments, and a summary of significant accounting policies and other explanatory notes for the year ended 31 March 2021.

The activities of the STP II are financed with funds from the Inter-American Development Bank (IDB) and local counterpart funds from the Government of Belize (GOB).

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the STP II as of 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting requirements of the Loan Contract with the Inter-American Development Bank.

As described in Note 2, the accompanying statement of cash received and disbursements, and the statements of cumulative investments were prepared using the cash basis of accounting in accordance with the Cash Basis International Public Sector Accounting Standards: Financial Reporting under the Cash Basis of Accounting. Cash basis accounting recognizes transactions and acts only when the cash (and/or cash equivalent) is received or disbursed by the entity, and not when they give rise to, accrue or originate rights or obligations although there was no cash movement.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the STP II in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professionals Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of project management and those charged with governance for the financial statements

Project management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting requirements of the Loan Contract with the Inter-American Development Bank and with the cash basis of accounting described in Note 2 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, project management is responsible for assessing the project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless project management either intends to liquidate the project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the project's financial reporting process.

BDO Belize LLP, a Belize Limited Liability Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we:

(i) exercise professional judgement and maintain professional skepticism throughout the audit;

(ii) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(iii) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

(iv) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by project management.

(v) conclude on the appropriateness of project management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the project's ability to continue as a going concern. If we should conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause a project to cease to continue as a going concern.

(vi) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(vii) obtain sufficient audit evidence regarding the financial information of the project to express an opinion on the financial statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Belize LLP

BDO Belize LLP

23 June 2021

Sustainable Tourism Program II

Statement of cash received and disbursements
For the year ended 31 March 2021
(In United States dollars)

	Note	Year Ended 31 March 2021			Year Ended 31 March 2020		
		IDB	GOB	TOTAL	IDB	GOB	TOTAL
Cash received							
Cumulative balance as at beginning of period	3	3,635,271	208,579	3,843,850	2,683,196	110,533	2,793,729
Activity during the period:							
Disbursements (Advances Request No. 4, 6, 8, 10, 12, 14, 16, 18 and 20)	*3 (a)*	1,700,000	71,865	1,771,865	952,075	98,046	1,050,121
Total cash received		5,335,271	280,444	5,615,715	3,635,271	208,579	3,843,850
Disbursements made							
Cumulative balance as at beginning of period		3,376,837	208,579	3,585,416	2,210,891	110,533	2,321,424
Activity during the period:							
Payments for goods and services		2,042,083	71,865	2,113,948	1,165,946	98,046	1,263,992
Total cash disbursements made		5,418,920	280,444	5,699,364	3,376,837	208,579	3,585,416
Cash received less disbursements made		(83,649)	-	(83,649)	258,434	-	258,434
Reimbursable from Project to GOB		707,070	-	707,070	409,103	-	409,103
Available cash as of 31 March 2021		623,421	-	623,421	667,537	-	667,537

Nicole Solano
Chief Executive Officer
Ministry of Tourism and Diaspora Relations

The accompanying notes form an integral part of these financial statements.

Sustainable Tourism Program II

Statement of cumulative investments

For the year ended 31 March 2021

(In United States dollars)

	Cumulative as of end of year March 2020			Movement during the year March 2021			Cumulative as of end of year March 2021		
	IDB	GOB	TOTAL	IDB	GOB	TOTAL	IDB	GOB	TOTAL
1. Enhancement of the Tourism Product									
1.1 Archaeological sites enhanced	569,003	-	569,003	437,896	-	437,896	1,006,899	-	1,006,899
1.2 Cultural attractions restored and enhanced	4,000	-	4,000	659,686	-	659,686	663,686	-	663,686
1.3 Natural attractions improved and developed	-	-	-	10,500	-	10,500	10,500	-	10,500
1.4 Basic infrastructure - docks and waterfronts improved	-	-	-	-	-	-	-	-	-
1.5 Tourist signage developed and installed	255,489	-	255,489	110,345	-	110,345	365,834	-	365,834
1.6 Management plans, designs and feasibility studies	1,457,709	-	1,457,709	199,679	-	199,679	1,657,388	-	1,657,388
2. Promoting Disaster and Climate Resilient Tourist Destinations									
2.1 National guidelines for tourism sector-disaster preparedness and resilience	17,483	-	17,483	90,322	-	90,322	107,805	-	107,805
2.2-2.4 Toledo and Corozal Disaster Risk and Climate Resilience Plans and Crisis Management Plans including training	52,450	-	52,450	270,966	-	270,966	323,416	-	323,416
2.5 Monitoring plans implemented in MPR, Caye Caulker Marine Reserve	23,638	-	23,638	160,385	-	160,385	184,023	-	184,023
3. Institutional Strengthening and Capacity Building									
3.1 Information collection and data analysis	217,333	-	217,333	-	-	-	217,333	-	217,333
3.2 Destination planning and management	-	-	-	-	-	-	-	-	-
3.3 Policy and legislation	75,460	-	75,460	-	-	-	75,460	-	75,460
3.4 National Tourism Act	32,500	-	32,500	-	-	-	32,500	-	32,500
3.5 Local tourism value chains strengthened	39,723	-	39,723	1,540	-	1,540	41,263	-	41,263
3.6 Responsible tourism awareness campaign	81,490	-	81,490	17,529	-	17,529	99,019	-	99,019
3.7 LIP grants to invest in improving tourism product quality	-	-	-	-	-	-	-	-	-
3.8Technical assistance to assess product quality and/or environmental and social aspects of the business	-	-	-	-	-	-	-	-	-
3.9 LIP trained in tourism	-	-	-	-	-	-	-	-	-

Statement of cumulative investments (continued)

For the year ended 31 March 2021

(In United States dollars)

	Cumulative as of end of year March 2020			Movement during the year March 2021			Cumulative as of end of year March 2021		
	IDB	GOB	TOTAL	IDB	GOB	TOTAL	IDB	GOB	TOTAL
4. Management									
4.1 Execution team	419,837	44,168	464,005	77,667	43,125	120,792	497,504	87,293	584,797
4.2 Evaluation	-	-	-	-	-	-	-	-	-
4.3 Operational costs	-	-	-	-	-	-	-	-	-
4.3.1 Stationeries and office supplies	-	6,252	6,252	-	1,713	1,713	-	7,965	7,965
4.3.2 Vehicles and maintenance	62,806	22,739	85,545	-	4,556	4,556	62,806	27,295	90,101
4.3.3 Furniture and equipment	13,626	10,367	23,993	-	1,009	1,009	13,626	11,376	25,002
4.3.4 Travel and per diem	2,551	29,082	31,633	-	1,853	1,853	2,551	30,935	33,486
4.3.5 Fuel	580	18,013	18,593	-	2,433	2,433	580	20,446	21,026
4.3.6 Utilities	-	8,028	8,028	-	1,707	1,707	-	9,735	9,735
4.3.7 Miscellaneous costs	936	17,233	18,169	-	1,684	1,684	936	18,917	19,853
4.3.8 Uniforms	-	3,545	3,545	-	329	329	-	3,874	3,874
4.3.9 Advertisement and PR	-	37,405	37,405	-	8,477	8,477	-	45,882	45,882
4.3.10 Computers and peripherals (including repairs)	14,034	-	14,034	-	-	-	14,034	-	14,034
4.3.11 Bank fees	-	3,781	3,781	-	1,804	1,804	-	5,585	5,585
4.3.12 Social Security (employer)	-	7,966	7,966	-	3,175	3,175	-	11,141	11,141
5. Audits	36,189	-	36,189	5,568	-	5,568	41,757	-	41,757
6. Evaluation	-	-	-	-	-	-	-	-	-
7. Supervision	-	-	-	-	-	-	-	-	-
Total	3,376,837	208,579	3,585,416	2,042,083	71,865	2,113,948	5,418,920	280,444	5,699,364

Nicole Solano
Chief Executive Officer
Ministry of Tourism and Diaspora Relations

The accompanying notes form an integral part of these financial statements.

Sustainable Tourism Program II

Reconciliation of statement of cash received and disbursements with the statement of cumulative investments
For the year ended 31 March 2021
(In United States dollars)

Disbursements made as per statement of cash received and disbursements	5,418,920
Add: reconciling items	-
Disbursements made as per statement of cumulative investments	5,418,920

Sustainable Tourism Program II

Reconciliation by category of investment of the program's records with the IDB's records

For the year ended 31 March 2021

(In United States dollars)

	Program's Records (Statement of Cumulative Investments) March 2021	IDB's Records (LMS 1 Executive Financial Summary) March 2021	Variance March 2021	Explanation for Variances
	IDB	IDB	IDB	
1. Enhancement of the Tourism Product	**3,704,307**	**3,192,964**	**511,343**	Expenditure not justified as of 31 March 2021, and reclassification of line items from Component 3 to Component 1 not yet reclassed in IDB records.
1.1 Archaeological sites enhanced	1,006,899	-	-	
1.2 Cultural attractions restored and enhanced	663,686	-	-	
1.3 Natural attractions improved and developed	10,500	-	-	
1.4 Basic infrastructure - docks and waterfronts improved	-	-	-	
1.5 Tourist signage developed and installed	365,834	-	-	
1.6 Management plans, designs and feasibility studies	1,657,388	-	-	
2. Promoting Disaster and Climate Resilient Tourist Destinations	**615,244**	**391,109**	**224,135**	Expenditure not justified as of 31 March 2021.
2.1 National guidelines for tourism sector- disaster preparedness and resilience	107,805	-	-	
2.2-2.4 Toledo and Corozal Disaster Risk and Climate Resilience Plans and Crisis Management Plans including training	323,416	-	-	
2.5 Environmental monitoring	184,023	-	-	
3. Institutional Strengthening and Capacity Building	**465,575**	**521,661**	**(56,086)**	Reclassification of line items from Component 3 to Component 1 not yet reclassed in IDB records.
3.1 Information collection and data analysis	217,333	-	-	
3.2 Destination planning and management	-	-	-	
3.3 Policy and legislation	75,460	-	-	
3.4 National Tourism Act	32,500	-	-	
3.5 Local tourism value chains strengthened	41,263	-	-	
3.6 Responsible tourism awareness campaign	99,019	-	-	

Sustainable Tourism Program II

Reconciliation by category of investment of the program's records with the IDB's records (continued)

For the year ended 31 March 2021

(In United States dollars)

	Program's Records (Statement of Cumulative Investments) March 2021	IDB's Records (LMS 1 Executive Financial Summary) March 2021	Variance March 2021	Explanation for Variances
	IDB	IDB	IDB	
4. Management	**592,037**	**565,195**	**26,842**	Expenditure not justified as of 31 March 2021.
4.1 Execution team	497,504	-	-	
4.2 Evaluation	-	-	-	
4.3 Operational costs	-		-	
4.3.1 Stationeries and office supplies	-	-	-	
4.3.2 Vehicles and maintenance	62,806	-	-	
4.3.3 Furniture and equipment	13,626	-	-	
4.3.4 Travel and per diem	2,551	-	-	
4.3.5 Fuel	580	-	-	
4.3.6 Utilities	-	-	-	
4.3.7 Miscellaneous costs	936	-	-	
4.3.8 Uniforms	-	-	-	
4.3.9 Advertisement and PR	-	-	-	
4.3.10 Computers and peripherals (including repairs)	14,034	-	-	
4.3.11 Bank fees	-	-	-	
4.3.12 Social Security (employer)	-	-	-	
5. Audits	**41,757**	**40,921**	**836**	Expenditure not justified as of 31 March 2021.
6. Evaluation	**-**	**-**	**-**	
7. Supervision	**-**	**-**	**-**	
Total	**5,418,920**	**4,711,850**	**707,070**	

1. General Information

The Government of Belize (GOB), with the support of a loan from the Inter-American Development Bank (IDB) has implemented the Sustainable Tourism Program II (STP II) through the Project Execution Unit of the Ministry of Tourism and Diaspora Relations. The five-year project is designed to increase the contribution of Belize's tourism sector to national sustainable and resilient socioeconomic development. Specific objectives are to: (i) increase tourism expenditures, employment and income through tourism product diversification; (ii) promote disaster and climate resilience and environmental sustainability in tourism destinations; and (iii) improve sector governance, creating enabling conditions for private sector investment in overnight tourism.

In order to fulfill the mandate of the project, the Executing Agency has engaged several stakeholders to consult, collaborate and assist in the project's execution. Memoranda have been signed with several stakeholders, including Corozal Town Council, Punta Gorda Town Council, Caye Caulker Village Council and the National Institute of Culture and History.

These financial statements have been approved for issue by the Chief Executive Officer of the Ministry of Tourism and Diaspora Relations on 30 June 2021.

(a) Project Status – Sustainable Tourism Program II

On 11 January 2016, Loan Number 3566/OC-BL was executed between the GOB and the IDB to cooperate in the execution of the Sustainable Tourism Program II (IDB contribution: US $15,000,000; GOB contribution: US $500,000). Final disbursement of loan funds is 11 July 2022.

The Loan Contract was amended on 8 June 2020 (Amendment No. 1), whereby US $6,200,000 of the undisbursed balance of the STP II loan contract was allocated to the Immediate Public Health Response to Contain and Control the Coronavirus and Mitigate its Impact on Service Delivery in Belize Project which is being executed through the Ministry of Health.

The Loan Contract was further amended on 6 October 2020 (Amendment No. 2) to modify terms noted in Amendment No.1 pertaining to the execution of components and distribution of the resources by the Ministry of Health.

The STP II project is to be executed in several components: enhancement of the tourism product, promoting disaster and climate resilient tourist destinations and environmental sustainability, institutional strengthening and capacity building, management, audit, evaluation and supervision. Project activities will focus on specific tourist destinations in Belize, including Eastern Toledo, Punta Gorda Town, Corozal, Caye Caulker and the Mountain Pine Ridge (MPR)/Caracol/Chiquibul Complex in Cayo.

Component 1: Enhancement of the tourism product

Several Component 1 activities have been completed, including: the Caye Caulker tourist signage consultancy; Mexican market study of prospective Mexican overnight tourists to Belize; works at Santa Rita and Cerros archaeological sites; installation of solar panels at Cerros, Nim Li Punit, Lubaantun and Caracol archaeological sites; product development, marketing and branding through the development of tourist corridors and trails in the emerging destinations of Corozal and Toledo; the consultancy to develop architectural drawings, bidding documents and

1. General Information (continued)

provide supervision for Nim Li Punit archaeological site; production and Installation of tourist signage in Corozal, Toledo and Cayo Districts; feasibility and design of Toledo Welcome Plaza and Corozal Heritage Plaza; initial works at Nim Li Punit and Lubaantun archaeological sites, works at Toledo Welcome Plaza, Rio Frio Caves and Rio On Pools; coastal baseline studies and shoreline management plan consultancy for Caye Caulker and Toledo; installation of water system at Caracol archaeological site; and the feasibility study, environmental management and architectural elements for the Mountain Pine Ridge area. Architectural inspection, designs and supervision services for the Nim Li Punit & Lubaantun archaeological sites is currently underway.

Component 2: Promoting disaster and climate resilient tourist destinations and environmental sustainability

Several Component 2 activities have been completed: climate resilient plans for the emerging destinations of Corozal and Toledo Districts, Caye Caulker Village and Mountain Pine Ridge protected area; and supply of beach rakes for sargassum and other solid waste in Caye Caulker and Placencia. Revision of the Caye Caulker Marine Reserve Management Plan; and development of a Management Plan for the Mountain Pine Ridge Forest Reserve and 1000 ft Falls Natural Monument are currently underway.

Component 3: Institutional strengthening and capacity building

Advertisements to promote tourism awareness were aired on local television stations; the Statistical Institute of Belize and the Ministry of Tourism and Diaspora Relations have completed the execution of the national domestic tourism and sub-national destination level tourism surveys; and a tourism development bill has been drafted. The national tourism outreach and awareness campaign for the implementation of responsible and sustainable tourism and principles through the development and execution of a communication strategy has been completed.

Component 4: Management

As of 31 March 2021, the project management team comprised of 5 members: Program Manager; Financial Specialist; Procurement Specialist; Climate Change, Environment and Social Management Specialist; and Monitoring and Evaluation Project Support Specialist. The Physical Planner and Infrastructure Specialist resigned effective September 2019 and a consultant was hired to provide engineering guidance and to conduct inspections on STP II's infrastructure investments.

Various acquisitions have been made as of 31 March 2021, including two vehicles, computers, projectors, office furniture, computer accessories and printer.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Loan Contract and the Inter-American Development Bank, in US dollars (US$), and under the historical cost convention using the 'cash basis', which is a comprehensive basis of accounting. Under cash basis accounting, funds received are recognized on the value date of the deposits into the Project's special account. Project expenditures are recognized when paid.

The Project Execution Unit's accounting and financial reporting system aims to enable users to assess its accountability for the funds available for its activities. In order to satisfy this objective, the following accounting policies were adopted:

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the economic environment in which the Project operates ('the functional currency'). The financial statements are presented in United States dollars, which is the Project's functional and presentation currency.

(ii) Transactions and balances

The IDB disburses funds in United States dollars which are then credited to the Project's special account in Belize dollars. Disbursements are made by the Project in Belize dollars and justified to the Bank using the same rate of exchange. Transactions in Belize currency and balances have been converted to United States currency at the rate of Bz $1.00 to US $0.50. Project Management recognizes foreign currency amounts received from the IDB at the Belize equivalent credited to them by the Central Bank of Belize without accounting for any foreign exchange gain or loss.

(c) Revenue recognition

The fund receipts (cash received from the Bank/or GOB) are recognized and accounted for when they are effectively deposited (value-date) in the Fund's bank account. The expenses are recognized when they are paid (check's date or value-date of direct payment by the Fund).

The Project's statement of cash flows reflects receipts and disbursements relating to the project. Funds available in the special account are restricted to Project purposes only. Fixed assets procured with Project funds belong to the Ministry of Tourism and Diaspora Relations and are restricted to Project purposes until the Project's completion. Project Management is obliged to maintain adequate records to control and protect all its fixed assets as well as other resources secured from Project funding.

2. Summary of significant accounting policies (continued)

(d) Expenses/costs

All expenses/costs related to Project activities are classified where appropriate, according to the procurement and financial plans for the period. No depreciation is charged on these fixed assets acquired by Project funds.

(e) Reclassification of accounts

Certain prior period amounts have been reclassified to conform with current period presentation.

3. Cash and bank balances

Cash and cash equivalents may include cash in hand and cash held in the special account at the Central Bank of Belize. As of 31 March 2021 the balance in the special account was US $623,421.

Each year GOB allocates a specific amount to the project not to exceed GOB's contribution of US $500,000. Any unused portion is cancelled, and a new allocation is made for the following year. During the fiscal year, GOB allocated US $100,000 to the Project and US $71,865 was applied to project expenditures covered by GOB.

(a) Advances

During the fiscal year, Project Management received three advances of funds totaling: US $1,700,000.

(b) Direct payments

Direct payments are payments made directly to suppliers by IDB based on the application for direct payment by Project Management. These applications for withdrawals are supported by relevant authorization and documentation. No direct payments were made by the IDB during the year ended 31 March 2021.

(c) Repayments/reimbursements

Project Management submitted three requests for reimbursement during the year ended 31 March 2021 amounting to US $1,744,117.

4. Risk management

Credit risk and interest rate factors

Financial instruments which potentially subject the Project to concentrations of credit risk consist principally of deposits in the special account with the Central Bank of Belize. The Central Bank of Belize is the regulatory authority for all financial institutions in Belize. The special account does not accrue interest.

5. Justification of Advance of Funds

As of 31 March 2021, US $707,070 had not yet been justified, which includes line items to be reclassed from Component 3 to Component 1 and recognized in subsequent justification.

6. Taxation

Goods and services supplied to GOB are exempt from the payment of General Sales Tax (GST) under the terms of the General Sales Tax (Amendment of Schedules) (No. 2) Order, 2010 (S.I. No. 38 of 2010) of the Laws of Belize, which came into force on 1 April 2010. The exemption applies to contract payments financed by external donor grant funds or loan funds, except for purchases of any single item costing less than US $2,500. The project has been applying to the Ministry of Finance for GST exemptions on a case by case basis.

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Independent auditor's report to the Chief Executive Officer of the Ministry of Tourism and Diaspora Relations

We have audited the statement of cash received and disbursements, and the statement of cumulative investments for the year ended 31 March 2021 for the Sustainable Tourism Program II (STP II), entered into by the Government of Belize (GOB) and the Inter-American Development Bank (IDB) and executed by the Ministry of Tourism and Diaspora Relations, and have issued our report thereon dated 23 June 2021.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

We conducted our audits for the purpose of expressing an opinion on the statement of cash flows and the statement of cumulative investments of the STP II taken as a whole. The accompanying supplementary financial information is presented for the purpose of additional analysis and should not be considered necessary to the presentation of the basic financial statements. We have read this information and verified that it is consistent with the information provided in the financial statements and is part of the audit mentioned in the first paragraph and, in our opinion, except for the limitations mentioned in our report on the basic financial statements, is fairly presented, in all material respects, when taken as a whole with the basic financial statements.

BDO Belize LLP

23 June 2021

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Sustainable Tourism Program II

Project expenditures by funding source
(In United States dollars)

	Expenditures:	Cumulative March 2020 IDB	Cumulative March 2020 GOB	Cumulative March 2020 TOTAL	March 2021 IDB	March 2021 GOB	March 2021 TOTAL	Cumulative March 2021 IDB	Cumulative March 2021 GOB	Cumulative March 2021 TOTAL
Component 1	Enhancement of the Tourism Product	2,286,201	-	2,286,201	1,418,106		1,418,106	3,704,307	-	3,704,307
Component 2	Promoting Disaster and Climate Resilient Tourist Destinations	93,571	-	93,571	521,673		521,673	615,244	-	615,244
Component 3	Institutional Strengthening and Capacity Building	446,506	-	446,506	19,069		19,069	465,575	-	465,575
Component 4	Management	514,370	208,579	722,949	77,667	71,865	149,532	592,037	280,444	872,481
Component 5	Audits	36,189	-	36,189	5,568		5,568	41,757	-	41,757
Component 6	Evaluation	-	-	-	-	-	-	-	-	-
Component 7	Supervision	-	-	-	-	-	-	-	-	-
	TOTAL	3,376,837	208,579	3,585,416	2,042,083	71,865	2,113,948	5,418,920	280,444	5,699,364

Sustainable Tourism Program II

Project expenditures by funding source (detailed)
(In United States dollars)

Expenditures:	Cumulative March 2020	IDB March 2021	GOB March 2021	Cumulative March 2021
1. Enhancement of the Tourism Product				
1.1 Archaeological sites enhanced	569,003	437,896	-	1,006,899
1.2 Cultural attractions restored and enhanced	4,000	659,686	-	663,686
1.3 Natural attractions improved and developed	-	10,500	-	10,500
1.4 Basic infrastructure – docks and waterfronts improved	-	-	-	-
1.5 Tourist signage developed and installed	255,489	110,345	-	365,834
1.6 Management plans, designs and feasibility studies	1,457,709	199,679	-	1,657,388
2. Promoting Disaster and Climate Resilient Tourist Destinations			-	
2.1 National guidelines for tourism sector - disaster preparedness and resilience	17,483	90,322	-	107,805
2.2-2.4 Toledo and Corozal Disaster Risk and Climate Resilience Plans and Crisis Mgnt	52,450	270,966	-	323,416
2.5 Monitoring plans implemented in MPR, Caye Caulker Marine Reserves, 1000 Ft Falls	23,638	160,385	-	184,023
3. Institutional Strengthening and Capacity Building				
3.1 Information collection and data analysis	217,333	-	-	217,333
3.2 Destination planning and management	-	-	-	-
3.3 Policy and legislation	75,460	-	-	75,460
3.4 National Tourism Act	32,500	-	-	32,500
3.5 Local tourism value chains strengthened	39,723	1,540	-	41,263
3.6 Responsible tourism awareness campaign	81,490	17,529	-	99,019
4. Management				
4.1 Execution team	464,005	77,667	43,125	584,797
4.2 Evaluation	-	-	-	-
4.3 ***Operational costs***				
4.3.1 Stationeries and office supplies	6,252	-	1,713	7,965
4.3.2 Vehicles and maintenance	85,545	-	4,556	90,101
4.3.3 Furniture and equipment	23,993	-	1,009	25,002
4.3.4 Travel and per diem	31,633	-	1,853	33,486
4.3.5 Fuel	18,593	-	2,433	21,026
4.3.6 Utilities	8,028	-	1,707	9,735
4.3.7 Miscellaneous costs	18,169	-	1,684	19,853
4.3.8 Uniforms	3,545	-	329	3,874
4.3.9 Advertisement and PR	37,405	-	8,477	45,882
4.3.10 Computers and peripherals (including repairs)	14,034	-	-	14,034
4.3.11 Bank fees	3,781	-	1,804	5,585
4.3.12 Social Security (employer)	7,966	-	3,175	11,141
5. Audits	36,189	5,568	-	41,757
6. Evaluation	-	-	-	-
7. Supervision	-	-	-	-
TOTAL	3,585,416	2,042,083	71,865	5,699,364

Sustainable Tourism Program II

IDB project expenditures report (detailed)
(In United States dollars)

Expenditures:	Cumulative March 2020	IDB March 2021	Cumulative March 2021
1. Enhancement of the Tourism Product			
1.1 Archaeological sites enhanced	569,003	437,896	1,006,899
1.2 Cultural attractions restored and enhanced	4,000	659,686	663,686
1.3 Natural attractions improved and developed	-	10,500	10,500
1.4 Basic infrastructure – docks and waterfronts improved	-	-	-
1.5 Tourist signage developed and installed	255,489	110,345	365,834
1.6 Management plans, designs and feasibility studies	1,457,709	199,679	1,657,388
2. Promoting Disaster and Climate Resilient Tourist Destinations			
2.1 National guidelines for tourism sector - disaster preparedness and resilience	17,483	90,322	107,805
2.2-2.4 Toledo and Corozal Disaster Risk and Climate Resilience Plans and Crisis Mgnt	52,450	270,966	323,416
2.5 Monitoring plans implemented in MPR, Caye Caulker Marine Reserves, 1000 Ft Falls	23,638	160,385	184,023
3. Institutional Strengthening and Capacity Building			
3.1 Information collection and data analysis	217,333	-	217,333
3.2 Destination planning and management	-	-	-
3.3 Policy and legislation	75,460	-	75,460
3.4 National Tourism Act	32,500	-	32,500
3.5 Local tourism value chains strengthened	39,723	1,540	41,263
3.6 Responsible tourism awareness campaign	81,490	17,529	99,019
4. Management			
4.1 Execution team	419,837	77,667	497,504
4.2 Evaluation			
4.3 ***Operational costs***			
4.3.1 Stationeries and office supplies	-	-	-
4.3.2 Vehicles and maintenance	62,806	-	62,806
4.3.3 Furniture and equipment	13,626	-	13,626
4.3.4 Travel and per diem	2,551	-	2,551
4.3.5 Fuel	580	-	580
4.3.6 Utilities	-	-	-
4.3.7 Miscellaneous costs	936	-	936
4.3.8 Uniforms	-	-	-
4.3.9 Advertisement and PR	-	-	-
4.3.10 Computers and peripherals (including repairs)	14,034	-	14,034
4.3.11 Bank fees	-	-	-
4.3.12 Social Security (employer)	-	-	-
5. Audits	36,189	5,568	41,757
6. Evaluation	-	-	-
7. Supervision	-	-	-
TOTAL	3,376,837	2,042,083	5,418,920

Sustainable Tourism Program II

Counterpart project expenditures report (detailed)

(In United States dollars)

Expenditures:	Cumulative March 2020	GOB March 2021	Cumulative March 2021
1. Enhancement of the Tourism Product			
1.1 Archaeological sites enhanced	-	-	-
1.2 Cultural attractions restored and enhanced	-	-	-
1.3 Natural attractions improved and developed	-	-	-
1.4 Basic infrastructure – docks and waterfronts improved	-	-	-
1.5 Tourist signage developed and installed	-	-	-
1.6 Management plans, designs and feasibility studies	-	-	-
2. Promoting Disaster and Climate Resilient Tourist Destinations	-	-	-
2.1 National guidelines for tourism sector - disaster preparedness and resilience	-	-	-
2.2-2.4 Toledo and Corozal Disaster Risk and Climate Resilience Plans and Crisis Mgnt	-	-	-
2.5 Monitoring plans implemented in MPR, Caye Caulker Marine Reserves, 1000 Ft Falls	-	-	-
3. Institutional Strengthening and Capacity Building			
3.1 Information collection and data analysis	-	-	-
3.2 Destination planning and management	-	-	-
3.3 Policy and legislation	-	-	-
3.4 National Tourism Act	-	-	-
3.5 Local tourism value chains strengthened	-	-	-
3.6 Responsible tourism awareness campaign	-	-	-
4. Management			
4.1 Execution team	44,168	43,125	87,293
4.2 Evaluation	-	-	-
4.3 ***Operational costs***			
4.3.1 Stationeries and office supplies	6,252	1,713	7,965
4.3.2 Vehicles and maintenance	22,739	4,556	27,295
4.3.3 Furniture and equipment	10,367	1,009	11,376
4.3.4 Travel and per diem	29,082	1,853	30,935
4.3.5 Fuel	18,013	2,433	20,446
4.3.6 Utilities	8,028	1,707	9,735
4.3.7 Miscellaneous costs	17,233	1,684	18,917
4.3.8 Uniforms	3,545	329	3,874
4.3.9 Advertisement and PR	37,405	8,477	45,882
4.3.10 Computers and peripherals (including repairs)	-	-	-
4.3.11 Bank fees	3,781	1,804	5,585
4.3.12 Social Security (employer)	7,966	3,175	11,141
5. Audits	-	-	-
6. Evaluation	-	-	-
7. Supervision	-	-	-
TOTAL	208,579	71,865	280,444

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23 June 2021

The Chief Executive Officer
Ministry of Tourism and Diaspora Relations
Belmopan, Belize

Dear Sir,

We have conducted an audit on procedures and financial management of the Sustainable Tourism Program II (STP II), for the year 31 March 2021. In planning and performing our audit of the procedures and financial management of the STP II, we considered internal control in order to determine our review procedures. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit, we noted several matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of project management, are intended to improve internal control or result in other operating efficiencies, and are summarized as follows:

1. Contracts should be extended in cases where deliverables are outstanding and can be submitted within a timely fashion.

Condition	During our audit, we noted that extensions were not completed before contracts lapsed in a few instances.
Criteria	Contracts should be extended in cases where deliverables are outstanding and can be submitted within a timely fashion.
Cause and effect	This increases the risk of operating and making payments on expired contracts.
Recommendation	We recommend that extensions be completed before contracts lapse.
STP II Response	*Contract Expiration date was flagged and reported to management by the respective STP II Team member responsible for the ongoing project.*

2. Supports should be complete and maintained in the respective project files.

Condition	During our audit, we noted that in a few instances some supports were not included in the respective project files. (i) Amendment had wrong date (one instance) (ii) Gratuity payments have been made but not yet recorded in the General Ledger.

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Criteria	Supporting documentation should be complete and should be maintained in the respective project files.
Cause and effect	The lack of proper filing may lead to lost information going undetected for an extended period of time and impact upon an effective compliance process.
Recommendation	Given the importance of supporting documentation in providing evidence and accountability, we recommend that supporting documentation should be complete and should be maintained in the respective project files.
STP II Response	*We have received the different gratuity amounts paid out from Treasury Department. We are currently liaising with them to transfer the transaction to Project's Smart Stream Account, in order to record in General Ledger and include in the justification.*

3. <u>The PEU should comply with Section 3.01 of the Special Conditions of the Loan Contract.</u>

Condition	During our audit, we noted that the contract for the Program Manager expires on 30 June 2021 and will not be renewed.
Criteria	Section 3.01 of the Special Conditions of the Loan Contract requires that the Project engages a Program Manager.
Cause and effect	This will result in non-compliance with Section 3.01 of the Special Conditions of the Loan Contract.
Recommendation	We recommend that the PEU comply with Section 3.01 of the Special Conditions of the Loan Contract.
STP II Response	*Duly noted.*

4. <u>Lightning arresters should be installed at the Mountain Pine Ridge sites to avoid further damage.</u>

Condition	During our site visit to Mountain Pine Ridge and Caracol archaeological site, we noted the following: (i) Caracol – water pump was not functional. (ii) Rio On Pools – bollards were not firm; wooden beams and plywood inside siding had been struck by lightning and were damaged.
Criteria	Lightning arresters should be installed to avoid damage to newly constructed facilities.
Cause and effect	Lightning caused damage to newly constructed facilities at the Rio On Pools.

Recommendation	We recommend that lightning arresters be installed at the Mountain Pine Ridge sites to avoid further damage.
STP II Response	*Caracol:* *The investment was handed over to the Institute of Archeology-NICH on 10 July 2021. This matter is being addressed by supplier as the water pump is still covered under warranty.* *Rio on Pools:* *The minor defects to the bollards will be addressed during the defects liability period.* *The recommendation regarding lightning arresters was also noted by the M & E Specialist in his Health and Safety Report STP 02-2021 dated 26 May 2021. Although, damage caused by lightning strike is not covered under the defects liability period, the contractor may be able to assist with repairs.*

Repeat

5. <u>PSC, LTC and TAC meetings should be held on a quarterly basis.</u>

Condition	During our audit, we noted that the Project Steering Committee, Local Tourism Committee and Technical Advisory Committee did not meet quarterly as indicated in their respective TORs.
Criteria	The PSC, LTC and TAC meetings should be held quarterly as required in their respective TORs.
Cause and effect	The lack of quarterly meetings could indicate that the PSC, LTC and TAC are not keeping up to date with project activities.
Recommendation	We recommend that all Committee meetings be held quarterly as required in their respective TORs.
STP II Response	*Noted.*

Our audit procedures were designed primarily to enable us to form an opinion on the procedures and financial management of the STP II and therefore may not bring to light all weaknesses in policies and procedures that may exist. We aim, however, to use our knowledge of the STP II gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations further with you at any time. This report is intended solely for the information and use of project management and others within the STP II Project Executing Unit, and is not intended to be, and should not be used by anyone other than these specified parties.

Yours faithfully,

BDO Belize LLP

23 June 2021