

EMERGENCY RECONSTRUCTION FACILITY FOLLOWING  
HURRICANE KEITH IN BELIZE

(BL-0018)

EXECUTIVE SUMMARY

<b>Borrower and Guarantor:</b>	Government of Belize (GOB)			
<b>Executing agency:</b>	Ministry of Works and Transport (MOWT)			
<b>Amount and source:</b>	IDB: (OC)	US\$	20,000,000	
	Local:	US\$	5,000,000	
	Total:	US\$	25,000,000	
<b>Financial terms and conditions:</b>	Amortization Period:	25	Years	
	Grace Period:	5	Years	
	Disbursement Period:	12	Months	
	Commitment period:	9	Months	
	Interest Rate:	variable		
	Supervision and Inspection:	1	%	
	Credit Fee:	0.75	%	
	Currency:	U.S. Dollars from the Single Currency Facility		
<b>Objectives:</b>	The objective of the project is to restore basic services to the population affected by Hurricane Keith.			
<b>Description:</b>	The project will provide resources for urgent activities needed to restore services to the affected population, including: the removal of debris; repair and stabilization of damaged roads, bridges, drainage structures and city streets; environmental restoration; repairs to water supply and sanitation systems; repair and restoration of schools and health facilities; stabilization of damaged residences and temporary housing; project management services and works supervision; and studies needed to guide the physical and economic recovery. It will also support the Project Execution Unit to carry out this operation.			
<b>Bank's country</b>	For natural disasters of major consequence, the Bank supports			

**and sector  
strategy:**

member countries in their response to the unforeseen effects and their socioeconomic and environmental impacts. The project is consistent with the Bank policy on emergencies created by natural disasters (GP-92-13) and the Emergency Reconstruction Facility, which provides rapid support after a disaster (GN-2038-2). The project is also consistent with the approved Country Paper, which prioritizes: i) building the country's technical and operational capacity to prepare, respond, and recover from natural disasters; ii) developing agriculture and agribusiness through private sector led export diversification, improved productivity and proving policy support on trade matters; and iii) stimulating tourism through improved quality of services and access to tourist sites. The disaster struck the tourism and agriculture sectors particularly hard, setting back Belize's efforts to promote these industries.

**Environmental  
Considerations:**

The activities of the present operation will comply with the Borrower's environmental regulations and specifications for mitigating environmental impacts of works and services. Given the nature of the activities financed under the present operation, no environmental impact assessments will be conducted (Para. 4.9-4.10).

**Benefits:**

Rapid restoration of the living conditions of the estimated 190,000 Belizeans affected by Hurricane Keith and help the country to resume its socio-economic development.

**Risks:**

The risks to the timely and effective execution of the operation are two-fold. First, the urgent nature of the operation, especially in the first month after the disaster, may lead to shortcomings in the accounting and reporting of eligible expenditures, which are necessary to justify their reimbursement under the operation. Incorporating early an experienced financial officer within the project execution unit and the independent firm to provide concurrent audit services will mitigate this risk. Second, the program will proceed simultaneously in multiple sectors, which may stress the GOB's capacity to contract rapidly and to effectively supervise execution in all areas. To reduce this risk, a private firm specializing in project management will support the project execution unit, providing broad technical support in the design, as well as contracting and supervision of eligible works and other services.

**Special contractual clauses:**

Contractual condition for first disbursement: The GOB will appoint the Project Manager and a financial specialist for the operation and will establish the Project Execution Unit (see para. 4.5).

Contractual conditions for execution: (a) The executing Agency's initiation of concurrent procurement and disbursement audits by a firm of international auditors acceptable to the Bank (see para. 5.10-5.13); (b) the Executing Agency's contracting of the private firm which will provide project management support to the Project Execution Unit (see para. 4.6-4.7); (c) the Executing Agency's submission of the model memorandum of understanding to be signed with the different public agencies involved in the execution of the Project previously agreed with the Bank; (d) the Executing Agency's submission of the memorandum of understanding with the Ministry of Natural Resources and Environment for the provision of an environmental specialist to supervise the compliance with the environmental technical specifications in the contracting and execution of the works (para. 4.5); (d) the Executing Agency's submission of the model contract acceptable to the Bank to be used for direct contracting.

**Poverty-targeting and social sector classification:**

The geographical areas hardest hit by Hurricane Keith will be targeted for project benefits. Although the eligible activities are not designed to lower poverty levels *per se*, the restoration of basic services is likely to be most critical for safeguarding the living conditions of the poor. As an Emergency Reconstruction Facility (ERF), the proposed operation does not meet the Bank's criteria for operations to reduce poverty.

**Exceptions to Bank policy:**

The Project Team requests two procurement waivers. The first will permit the direct contracting (without competitive bidding) of up to US\$500,000 for the British firm of WSP International to assist the Project Execution Unit manage the project, particularly the identification of priority works, engineering and technical design for contracting and project supervision (para. 4.6-4.7). The second will permit the direct contracting of up to US\$240,000 for KPMG, an international accounting firm with offices in Belize, to provide the concurrent and regular audit services for the Project (para. 5.13). Both firms are acceptable to the Bank.

**Procurement:**

Using the Procurement Procedures for Projects in Emergency Situations (GS-601):

International public bidding procedures will be required for procurements of consultant services in amounts equal to or above US\$200,000; for works contracts equal to or above US\$1.5

million; and for goods and related services in amounts equal to or above US\$250,000.

The direct contracting modality of procurement may be applied up to US\$10 million of the project cost. Such contracting will be subject to the following conditions:

- a) Procurements reimbursed under retroactive financing included in the US\$10 million limitation on direct contracts;
- b) The maximum cumulative amount of direct contracting per single firm will be US\$600,000;
- c) For works: no single contract may exceed US\$300,000;
- d) For goods and services: no single contract may exceed US\$2,500; this restriction does not apply to those procurements reimbursed under retroactive financing;
- e) For consulting services: no direct contracting is permitted except for those procurements reimbursed under retroactive financing;
- f) A list of direct contracts awarded, and the cumulative total value of such contracts awarded to the same contractor, will be published in the local press on a monthly basis.

Procurement waivers are sought for the selection of two consulting firms: The first waiver is for the selection of the consulting firm to provide project management services to the PEU, where it is recommended that the British consulting firm, WSP, be contracted directly (see para. 4.7). The second waiver is for the selection of the independent auditing firm to provide the concurrent and financial audit services for the project, where it is recommended that KPMG be contracted directly (see para. 5.13).

## **I. DESCRIPTION OF THE EVENT**

- 1.1 Hurricane Keith began being actively tracked as a tropical depression on September 28 some 100 miles east of the Belize coastline. It quickly developed into a Category 4 hurricane located 45 miles northeast of Belize City with hurricane force winds reaching 100 mph on the morning of October 2<sup>nd</sup>. Keith moved slowly south and then west-northwest over the northern coast line of Belize, weakened to a tropical storm as it crossed the country and moved into the Mexican Yucatan on October 3<sup>rd</sup>. Damage resulted from high winds, with gusts peaking at 135 mph, torrential rain reaching 40 inches over a three-day period, and tidal surges 6-8 feet above normal high tide. While to date only a few casualties have been reported, the storm left a path of destruction which severely affected the livelihood and well being of the estimated 190,000 residents in four districts of Belize (Corozal, Orange Walk, Cayo and Belize – including Caye Caulker and San Pedro, Ambergris Caye).

## **II. DECLARATION OF A STATE OF EMERGENCY BY THE GOVERNMENT**

- 2.1 As provided for in Section 18 (2) and (3) of the Belize Constitution, on September 30, 2000, Colville N. Young, the Governor-General of Belize declared and proclaimed that a public emergency existed in Belize. *Inter alia*, this declaration set in motion a series of activities to respond to the emergency and to seek assistance from both domestic and international agencies for aid and assistance. On October 3<sup>rd</sup> the Prime Minister declared an "All Clear" for the country, but the Belize District, including San Pedro and Caye Caulker, and the Orange Walk and Corozal Districts were declared Disaster Areas.

## **III. INITIAL GOB DAMAGE ASSESSMENTS**

- 3.1 While the storm affected virtually all economic and social sectors, the most affected were tourism, infrastructure and agriculture. The Damage Assessment Committee established under the National Emergency Management Organization (NEMO) has preliminarily estimated as of October 12 the damages to these sectors to be US\$262 million, including damage to private buildings and residences. This figure and the estimates below will be refined with damage assessments provided on both a sector and geographic scale. At the request of Government, an international disaster assessment effort is now underway. Initial estimates suggest that sizeable rehabilitation and reconstruction efforts will be required.

### **A. Productive Sectors**

- 3.2 The heart of the Belize tourism industry is located on the offshore areas near the barrier reef particularly the town of San Pedro on Ambergris Caye and Caye Caulker. Tourism facilities include lodgings and restaurants, resorts, docks and

piers, dive shops, and water craft of all types. Keith remained over or very near San Pedro and Caye Caulker for two days, pelting the area with high winds, rain and tidal surges. Government estimates that 90 percent of the structures on both islands were severely damaged; the docks and water craft, including those of resident fishermen, were damaged or destroyed. Based on field reconnaissance and discussions with tourist operators, the GOB estimates that it will take several months for the tourist industry to regain its footing. With the winter high season approaching, this year's foreign exchange earnings from tourism are in jeopardy. The tourism sector represents the nation's largest source of foreign exchange earnings – estimated at 25 percent in 1999. The Government estimates tourism sector losses at US\$60 million including direct losses and foregone income.

- 3.3 Damage to the agriculture sector was significant; particularly to export crops in the Orange Walk, Corozal and Belize Districts. The citrus crop suffered wind and water damage and about 25 percent of the sugar cane crop was destroyed. Non-traditional export crops were also impacted: the papaya crop was virtually destroyed and the pepper and pineapple crops were affected as well. Damage to export crops is estimated at US\$24 million. Subsequent sugar industry evaluations indicate that this number might increase significantly. In the Cayo District, particularly in the Belize River valley, flooding destroyed non-export crops including rice, beans and potatoes. These were mostly raised by small landholders, thereby largely jeopardizing the livelihood of many agriculturists. Commercial farms in Orange Walk lost corn, rice, soybean and poultry, although the processing infrastructure appears undamaged. The GOB estimates the crop damage to both domestic and export crops to be US\$42 million, with an additional US\$6 million in livestock losses and 7 million in fisheries losses.

#### **B. Basic Services**

- 3.4 The impact of Keith on the nation's economic and social infrastructure was considerable and widespread, again, with the most extensive damage reported on the Belize District, Orange Walk and the Corozal Districts. Within the Belize District, the City of Belize and islands of San Pedro and Caye Caulker were most affected by electrical power outages, with the distribution system – power lines and generators – suffering extensive damage. Similar conditions were experienced on Orange Walk and Corozal Districts. Preliminary figures estimate energy damages up to US\$6 million; however, Belize Electricity Limited (BEL) is preparing a detailed damage report.
- 3.5 Without electricity, potable water in these areas was not available. The heavy rains and tidal surges throughout the three regions caused considerable damage to water distribution and sewer collection systems. Wells and septic tanks were also damaged significantly in the Orange Walk and Corozal Districts. Preliminary estimates on water and sanitation facilities indicate losses up US\$1.5 million. The Water and Sewerage Authority (WASA) is presently preparing a detailed damage report throughout the affected districts.

- 3.6 Considerable damage to roads, bridges, urban streets and drainage systems has been reported in urban and rural areas of the three districts. The islands and northern districts of the country are presently experiencing extensive damage to the bridges and principal roads, including subsidence, washed away shoulders and damaged culverts. In urban areas, surface drainage systems and streets were damaged. The NEMO preliminary report estimates damage to this infrastructure at around US\$54 million, with an additional US\$13 million in damage to boats.
- 3.7 The high winds and flooding have also caused severe losses to the country's social infrastructure. The Government's preliminary estimates around US\$39 million in damages to residential housing structures (roofs, walls, etc), schools, health clinics and the Karl Heusner Memorial Hospital, as well as other public buildings (such as libraries).

#### **C. Macroeconomic Impact**

- 3.8 As yet, there are no initial estimates of the impact of losses in productive capacity and economic infrastructure on GDP growth or the country's balance of payments position. However, the damage to traditional and non-traditional export crops and tourism is likely to have a serious effect on the country's balance of payments position. Imports, due to reconstruction needs and to the replacement of lost domestic production, will likely increase sharply in the short-run. Similarly, it is unclear what impact increased demands for government expenditures for physical rehabilitation and social expenditures will have on the country's fiscal balance and foreign debt position. The Economic Commission for Latin America and the Caribbean (ECLAC) will be contracted to undertake a thorough assessment of damages, including the macroeconomic impacts. This needs assessment will provide a focal point for a meeting of donors planned for the near future to be coordinated by the Bank (see para. 6.3).

### **IV. GOVERNMENT ACTION**

#### **D. The Government's response to the emergency**

- 4.1 Government response to the emergency was rapid and positive. Building on the lessons of Hurricane Mitch in 1998, the country quickly declared an emergency, mobilized the National Emergency Management Office (NEMO), and requested international assistance. On October 4<sup>th</sup> both British and US military helicopters arrived and began relief and rescue operations, and a plane-load of emergency relief supplies was provided by USAID's Office of Foreign Disaster Assistance (OFDA). On October 5<sup>th</sup> a British ship arrived capable of producing 12,000 gallons of fresh water for the residents of Caye Caulker.
- 4.2 The nature of the Hurricane Keith disaster placed heavy demands on the country's response capacity, but the response has been timely and well executed. NEMO in particular performed well, marshalling its local response groups, distributing

emergency assistance, and communicating local needs. Belize benefited from its earlier efforts to strengthen disaster preparedness and response capabilities (assisted by US\$150,000 IDB grant to strengthen NEMO). The constructive relationship that the authorities have established with the international disaster relief community a priori (including the US and British military, USAID/OFDA and the Caribbean Disaster Relief Agency, CDERA) clearly enhanced the Government's response capacity.

- 4.3 A Central Bank account has been opened and the Ministry of Foreign Affairs issued international appeals for supplies and cash for the relief response. Bilateral, non-governmental, private and UN agencies have responded quickly (donor matrix is in RE2/OD4 project files). The Damage Assessment Committee was established under NEMO to work with domestic and international agencies to define the nature and scope of the impact. Initial information was made available within a week of the disaster, with the Preliminary Assessment of Damages and Needs Analysis submitted on October 12.
- 4.4 To initiate the recovery planning, the Ministry of Budget Planning and Management contacted the multilateral development banks, and requested a loan from the Bank's Emergency Reconstruction Facility.

#### **E. Emergency Reconstruction: Project Execution Arrangements<sup>1</sup>**

- 4.5 In order to execute and coordinate the emergency reconstruction activities financed by the present operation, a dedicated Project Execution Unit (PEU) will be established within the Ministry of Works and Transport (MOWT). The Government has named the Project Manager, and will hire additional staff including a financial/budget specialist, a contracting officer, and an administrative assistant. Through a Memorandum of Understanding (MOU) with the Ministry of Natural Resources and Environment, an environmental specialist will work with the PEU to supervise the compliance with the technical environmental specifications in the contracting and execution of the works. This unit will be responsible for administration of all components of the loan, and will include the supervision of the execution, hiring the concurrent audit services, accounting and disbursements (including the handling/allocation of retroactive financing), as well as all reporting to the Bank.
- 4.6 To meet the volume, speed, and multi-sectoral demands of the program's execution, the PEU will also hire and supervise a private firm to assist the PEU to manage the day-to-day project execution. In addition to the overall project management services, it is expected that the firm will provide particular support to the execution of Budget Items 2.2 and 2.5, which are the largest and most diverse cost items of the program (see Table 1.1). The terms of reference for the project management firm will include: assessments to help identify the priority

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<sup>1</sup> The Disaster Preparedness and Response Act, recently adopted in July 2000, which establishes the role and responsibilities of NEMO, does not specify operational or financing arrangements for the government's recovery programs after declared disasters.

works under the program, any technical designs required for Items 2.2 and 2.5, assistance in the preparation of the contracting of works, as well as the supervision (including environmental supervision) of the eligible works and services. The firm will also assist the Project Manager in the coordination and supervision of the activities to be executed by the designated government agencies, including the Water and Sewer Authority (see matrix below).

- 4.7 The Government has requested a waiver of up to US\$500,000 to permit direct contracting for WSP International, a British project management firm with offices in Belize. WSP International is uniquely qualified to provide rapid, technical project management support to the PEU. The firm was competitively selected to provide planning, engineering and supervisory services for the US\$10 million UK/DFID financed Section 3 of the Southern Highway. The Ministry of Works and Transport has rated their performance under the contract as excellent. The project will be concluded shortly and they are not committed to other projects in Belize. Based on their immediate availability, their familiarity with conditions Belize and their proven ability to work with the Ministry of Works and Transport the Project Team endorses the Government's request for direct contracting of WSP International.

**Table 1.1**  
**EXECUTION ARRANGEMENTS**

<b>DIRECT COST ITEM</b>	<b>RESPONSIBLE</b>
2.1 Debris removal and cleanup	MOWT force account and contracting; MOWT/PEU will contract remaining.
2.2 Restoration of roads, bridges, streets, and related drainage	MOWT/PEU will contract works.
2.3 Repair of potable water and sanitation facilities	Memorandum of Understanding with <b>WASA</b> or successor entity to execute and contract established priority works.
2.4 Environmental restoration	Memorandum of Understanding with the <b>Ministry of Natural Resources and Environment</b> to execute and contract priority works.
2.5 Repairs of schools and health facilities	MOWT/PEU to execute and contract works, in consultation with <b>Ministries of Education and Health</b> to establish priorities.
2.6 Stabilization of housing structures and temporary housing	MOWT/PEU contracts.
2.7 Studies, evaluations and consulting services needed to guide the physical and economic recovery.	MOWT/PEU contracts.
<i>Note: Each direct cost item is likely to incur expenditures eligible for retroactive financing</i>	

- 4.8 While the project management firm is being hired, the PEU will initiate the following elements of the project's execution:
- a) Hire the independent auditing firm (see para. 5.13).

- b) Collect the accounting information for all GOB expenditures for the eligible budget items. Submit information to auditing firm for ex-post audit and to the Bank with request for retroactive financing.
- c) Sign the Memoranda of Understanding with the co-executing government agencies, which establishes the priority works eligible for financing, the requirements for reporting to the IDB, and confirms the government procurement rules agreed with the Bank. On this basis, the co-executing agencies will initiate/continue eligible expenditures for the cost item.
- d) Contract the delivery of the materials and support services to households to stabilize their housing structures, and deliver temporary housing services if needed.
- e) Identify of priority projects in each cost category for project financing. Any assessments needed to support the identification of projects will be eligible for retroactive financing.

#### **F. Environmental considerations**

- 4.9 NEMO's preliminary assessment of the environmental impacts of the Hurricane highlighted as immediate concerns the contamination of surface and ground water in the flooded coastal and inland areas and the need for appropriate disposal of human waste and debris.<sup>2</sup> As the present operation will finance both water decontamination and debris clean up (among others), the activities are expected to help improve the immediate environmental conditions. Some measures such as removal of debris could have an undesirable impact on the environment by creating larger land-fills, but these are temporary and subject to mitigation measures.
- 4.10 Given the nature of the activities financed under the present program, no environmental impact assessments will be conducted. Nevertheless, the activities will comply with the country's environmental regulations and specifications for mitigating environmental impacts of works and services. If these regulations and specifications do not exist, they will be developed for contract under this operation. Through a Memorandum of Understanding with the Ministry of Natural Resources and Environment (MNRE), an environmental specialist will work with the PEU to supervise the compliance with the technical environmental specifications in the contracting and execution of the works.

#### **G. Project monitoring and oversight systems**

- 4.11 Given the short execution period (12 months beginning from October 3, 2000), it is critical that the GOB establish clear priorities and calendar of activities, and

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<sup>2</sup> Water contamination is primarily from overflow of sewage lagoons and the inundation of septic tanks. The preliminary assessment found that chemical contamination was prevented due to measures taken to either secure or evacuate chemicals in areas previously identified as "high risk areas." (The assessment is in the project files.)

that both financial and technical resources be available in a timely manner. The arrangements for monitoring and reporting are intended to provide an account of what is expected, as well as to provide the means for the executors of the Program in consultation with the Bank to make timely adjustments, as needed.

- 4.12 The execution of this program will benefit from monitoring support in three areas. First, in order to help ensure efficient disbursement as well as transparency of eligible expenses, a concurrent audit will be conducted in accordance with the Terms of Reference approved by the Bank. The concurrent audit will review the contracting and disbursement processes as they occur, and by quickly certifying that expenses are eligible, enable the replenishment of the revolving fund in a timely manner. Second, to monitor the technical execution of the direct cost activities, the project management firm will support the PEU and submit quarterly reports on the physical progress. In addition, this firm will meet at least three times with the district NEMO committees to review physical progress of the works, and present a brief report of their findings to the PEU and the Bank. Third, the IDB project team will conduct a progress review during the first quarter of 2001 to determine the progress achieved to date and to identify any bottlenecks or problems. This evaluation will include a review of the program activities, environmental compliance, contracts and disbursements as well as the progress achieved. This review will allow the identification of any modifications to the program to be agreed with the GOB and implemented to facilitate timely execution.

## **V. THE BANK'S INTERVENTION**

- 5.1 The Bank has responded in a timely fashion to the challenge presented by Hurricane Keith and the specific requests of the GOB. The initial response was a US\$50,000 grant to the Belize Red Cross to assist in the immediate provision of food, water and shelter to affected citizens. This was approved by the President of the Bank on October 3<sup>rd</sup> and disbursed the next day. The Bank's second line of response to the disaster is the Emergency Reconstruction Facility (ERF) project, the subject of this Loan Proposal. In addition, the disaster preparedness operation prepared after Hurricane Mitch (BL-0015), which was recently declared eligible for disbursement, will finance longer-term and complementary activities (local and regional shelters, strengthening of NEMO, and Belize City drainage) contributing to the country's disaster preparedness.

### **H. The Emergency Reconstruction Facility for Natural and Unexpected Disasters (ERF)**

#### **1. Budget**

- 5.2 Based on the information on damage provided by the GOB's Damage Assessment and Evaluation Team and the conclusions of the project team after on-site visits and fly-overs of the affected areas, the following budget for the ERF has been

developed. All figures are presented in thousands of dollars of the United States of America.

**Table 1.2**  
**Budget for Emergency Reconstruction Loan**  
**(Thousands of US\$)**

BUDGET CATEGORIES		IDB FINANCING	LOCAL COUNTERPART	TOTAL
<b>1</b>	<b>Administrative Costs</b>	<b>940</b>	<b>57</b>	<b>997</b>
	1.1 Project Execution Unit	200	57	257
	1.2 Auditing	240		240
	1.3 Project support	500		500
<b>2</b>	<b>Direct Costs</b>	<b>18,190</b>	<b>2,849</b>	<b>21,039</b>
	2.1 Debris removal and cleanup	2,500	200	2,700
	2.2 Restoration of roads, streets, bridges and related drainage	10,850	300	11,150
	2.3 Repair of potable water and sanitation facilities	1,500		1,500
	2.4 Environmental restoration	500		500
	2.5 Repairs of school and health facilities	1,140		1,140
	2.6 Stabilization of residential structures and temporary housing	1,200		1,200
	2.7 Assessments, studies and consulting services to guide the physical and economic recovery	500		500
	2.8 External Reconstruction Support Caribbean Development Bank World Bank		500 2,349	500 2,349
<b>SUBTOTAL</b>		<b>19,130</b>	<b>2,906</b>	<b>22,036</b>
<b>3</b>	<b>Financial Charges</b>	<b>870</b>	<b>72</b>	<b>941</b>
	3.1 Interest	670		670
	3.2 Credit Commission		72	72
	3.3 Fund for Inspection and Supervision	200		200
<b>4</b>	<b>Relief Supplies and Assistance (*)</b>		<b>2,022</b>	<b>2,022</b>
<b>TOTAL</b>		<b>20,000</b>	<b>5,000</b>	<b>25,000</b>
		<b>80%</b>	<b>20%</b>	<b>100%</b>

(\*) The GOB has registered \$2.022 million cash received from the international assistance as of October 21, 2000. An additional US\$2.3 million is anticipated from the Red Cross international appeal now underway. With the rapid progress of negotiations with the World Bank, the GOB expects total counterpart resources of US\$3.35 million through reprogramming of two World Bank operations in execution (see para. 6.21)

## 2. Recognition of prior expenditures

- 5.3 It is recommended that Government expenditures of up to US\$5 million (25% of the loan amount) made under the administrative and direct cost headings indicated

in the above Budget Table be recognized for retroactive financing at first disbursement. These costs encompass all those incurred between the date of the loan request letter (October 2, 2000) and the disbursement eligibility of the loan contract. The procedures and contracts followed by the GOB for these expenditures will conform to the procedures required for ERF loans (GS-601 Procurement Procedures for Projects in Emergency Situations) and agreed with the Bank. Due to the urgent needs for cleanup, the emergency stabilization of roads, bridges and structures and the provision of temporary housing, this amount is considered to be reasonable.

- 5.4 The Bank's disbursement for these retroactive costs, based on the Government's request for reimbursement, will be made after the project is declared to be eligible for disbursement. The expenditures incurred prior to the eligibility of the project will be subject to an *ex-post* evaluation of their eligibility as well as compliance with the procurement procedures established for this ERF loan (see draft contract and executive summary). The independent auditing firm contracted for the concurrent audit function will also make this ex-post evaluation. The criteria applied in the evaluation will be the same as that used for the concurrent audit. The costs associated with any transactions found by this evaluation to be ineligible for reimbursement will be deducted from future disbursements to the revolving fund.

### **3. Revolving fund**

- 5.5 Because this emergency program will execute for only 12 months, it is critical that resources are available in a timely manner. Disbursements therefore will be made using a revolving fund in the amount of up to 20% of the loan resources, with concurrent verification by the auditors.

### **4. Procurement and contracting procedures**

- 5.6 The procurement and contracting procedures to be followed under the ERF project are those outlined in GS-601. Under these procedures, the GOB will agree with the Bank on the procurement procedures to be applied, as well as the amounts associated with the different procurement methods to be utilized. The resulting agreement will have the no-objection of the Bank's Procurement Policy and Coordination Office. At the same time, the agreement will serve as the basis to apply the recognition of expenditures and retroactive financing policies for contracts signed prior to the approval of the operation. These simplified procedures are applicable for a period of twelve months, starting from October 3, 2000.
- 5.7 The eligibility requirements established under Bank policies with respect to the nationality of contractors of works, suppliers of goods and providers of consulting services, and the origin of goods and related services, will remain in effect for all Bank financed contracts. The procurement rules under this operation are summarized in the following table.

**Table 1.3**

<b>Guidelines on Procurement</b>	<b>Amount</b>
<b>General Conditions:</b>	
1. Maximum cumulative amount of direct contracting per firm*	US\$600,000
2. Maximum cumulative amount of direct contracting for the entire operation*	US\$10 million
3. Retroactive financing for direct contracting is not subject to limits per contract	
<b>Force Account:</b>	
1. Limit of total force account for the operation	US\$5 million
<b>Public Works:</b>	
1. Threshold for international bidding	US\$1.5 million
2. Maximum amount per direct contract	US\$300,000
<b>Goods and Services:</b>	
1. Threshold for international bidding	US\$250,000
2. Direct contracting maximum over the counter	US\$2,500
<b>Consulting firms:</b>	
1. Threshold for international bidding	US\$200,000
2. No direct contracting	

\* Includes retroactive financing

## **5. Force account**

- 5.8 The Bank will credit to the financing up to US\$5 million in expenditures made or to be made by the government on force account which are in accordance with Bank policy for emergency projects. In financing activities performed under the force account method, recognition of expenditures is limited to costs directly incurred, including staff, equipment and machinery rental fees, and the cost of materials actually employed. In order for the force account activities to be reimbursable by the financing, the independent audit firm and the project management firm will certify that the work has been completed and that all materials and supplies have been incorporated in the works.

## **6. Direct contracting**

- 5.9 The direct contracting modality of procurement may be applied up to US\$10 million of the project cost. Such contracting will be subject to the following conditions:
- Procurements reimbursed under retroactive financing are considered to be included in the US\$10 million limitation on direct contracts;
  - The maximum cumulative amount of direct contracting per single firm will be US\$600,000;
  - For works: no single contract may exceed US\$300,000;
  - For goods and services: no single contract may exceed US\$2,500; this restriction does not apply to those procurements reimbursed under retroactive financing;
  - For consulting services: no direct contracting is permitted except for those procurements reimbursed under retroactive financing;

- f) A list of direct contracts awarded, and the cumulative total value of such contracts awarded to the same contractor, will be published in the local press on a monthly basis.

## **7. Accounting and Auditing: Concurrent Audit**

- 5.10 The PEU in the Ministry of Works and Transport and all intervening executing agencies will be required to establish and maintain adequate accounting controls and records, in accordance with generally accepted accounting practices. Due to the emergency nature of this operation and its rapid disbursement cycle, all contracting and expenditures will be subject to a concurrent audit that will be conducted by an independent auditing firm acceptable to the Bank. The audit firm will immediately communicate critical weaknesses and irregularities as observed, and issue progress reports on a quarterly basis that include the status of any recommendations pending. Upon completion of the project, the independent auditing firm will be responsible for issuing an audit opinion of the financial statements of the project, which will be submitted to the Bank by the Executing Agency within 120 days after the date of the last disbursement.
- 5.11 In conducting the concurrent audit the independent auditing firm, in coordination with the project management firm, will review a sample of contracts proposed by the Executing Agency prior to their signature to verify their compliance with the Bank's special procurement procedures for ERF loans (GS-601). This review will determine that the activity to be contracted is reimbursable under this ERF loan.
- 5.12 Before presentation of disbursement requests to the Bank, the independent auditing firm will examine the related supporting documents. This examination will be based upon a sample review of the supporting documents and inspection visits to works on a sample basis, with emphasis on those that have a material impact on the disbursement amount. On the basis of this review and the findings of the concurrent audit, the independent auditing firm will certify that the transactions included in the disbursement request are in compliance with the conditions and procedures of this ERF loan.
- 5.13 To select a firm to provide concurrent and regular audit services for the Project, the Government has requested a waiver of up to US\$240,000 to permit direct contracting of KPMG – an international accounting firm with offices in Belize. Through a previous competitive bidding process, KPMG was selected to provide auditing services to the IDB-funded Hurricane Preparedness Project (BL-0015). The firm is fully conversant with auditing of public sector projects and is familiar with the IDB's accounting and auditing procedures. As a result, it is ideally suited to provide the services required under the proposed project. Based on the firm's experience, qualifications and immediate availability, the Project Team endorses the Government's request for direct contracting of KPMG.

## **8. Counterpart contribution**

- 5.14 The Bank Policy for the Emergency Reconstruction Facility (PR-806) recognizes as counterpart the resources contributed to the emergency effort by national private and public entities as well as the contribution of other bilateral and multilateral agencies. The GOB will thus have US\$5 million available for counterpart from the following sources: multilateral resources for reconstruction (US\$2.83 million), emergency relief assistance (US\$2.02 million), and GOB budgetary support (US\$130,000). The GOB has confirmed that it will be responsible for the commitments to meet all counterpart obligations with budgetary resources in the unlikely event that World Bank resources are not forthcoming. The GOB will provide a letter to the Bank confirming the entire counterpart, and the Bank will review the progress of the GOB provision of counterpart funds at the mid-term evaluation.

### **I. Other possible actions of the Bank for reconstruction**

- 5.15 In addition to the present program, the disaster preparedness operation approved after Hurricane Mitch (BL-0015), which was recently declared eligible for disbursement, will finance activities (retrofitting and upgrading local and regional shelters, institutional strengthening of NEMO, and repair of Belize City drainage) contributing to the country's longer-term disaster preparedness. The schools to be retrofitted to serve as shelters with resources from BL-0015 include schools throughout the entire country, and the resources for doing so have been dimensioned to allow the establishment of this national shelter network. Overlap is not expected as, the present operation, will only repair and re-equip school facilities affected by Hurricane Keith in order to restore educational services. The present operation will coordinate with BL-0015 in order not to duplicate in the financing of repair of schools, and the clean-up of the specific drainage systems in Belize City. Similarly, the operation will coordinate with BL-0014, the recently approved health sector loan, regarding any repairs to health facilities.
- 5.16 One of the challenges the Government faces is the rapid rehabilitation of the private sector. To this end, the Government is also exploring with the Inter-American Investment Corporation (IIC) financing of approximately US\$10 million to support the longer term reconstruction needs of the private sector.

### **J. Initial Justification and Assessment of the ERF Resources**

- 5.17 In view of the magnitude of the Hurricane Keith disaster,<sup>3</sup> it is anticipated that the resources to adequately restore basic services to the affected populations will far exceed the US\$20 million that may become available under the ERF. The project will provide resources for urgent activities needed to restore services to the affected population, including: the removal of debris; repair and stabilization of damaged roads, bridges, drainage structures and city streets; environmental

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<sup>3</sup> See Annex I for "Hurricane Keith Assessment of Damages and Needs Analysis: Preliminary Report," NEMO, October 20<sup>th</sup>, 2000.

restoration; repairs to water supply and sanitation systems; repair and restoration of schools and health facilities; stabilization of damaged residences and temporary housing; project management services and works supervision; and studies needed to guide the physical and economic recovery.

## **VI. COORDINATION WITH OTHER AGENCIES**

- 6.1 Other agencies are actively involved in the damage assessment, relief and emergency rehabilitation effort. In coordination with the NEMO Damage Assessment Committee, the USAID's Office of Foreign Disaster Assistance (OFDA) with support of the US Military (SOUTHCOM) and the British Military staff and aircraft, have begun damage assessments. As of October 20<sup>th</sup>, the GOB had registered US\$2.02 million plus in-kind donations received from international cooperation community, with an international appeal by the Red Cross underway to seek an additional US\$2.3 million. The Pan-American Health Organization (PAHO) representative is providing a disaster specialist, the CDERA representative has arrived, and the World Food Program (WFP) is sending representatives.
- 6.2 The World Bank will reprogram two loans – the Municipal Road and Drainage Project and the Social Investment Fund – for a total of approximately US\$3 million to support Belize's reconstruction. The Caribbean Development Bank will provide a loan of US\$500,000 to support debris removal and restoration of roads.
- 6.3 The Government has requested a meeting of donors in the near future, under Bank coordination, to review longer-term reconstruction planning. To aid this meeting, the Government has requested the Economic Commission for Latin America and the Caribbean (ECLAC) to prepare a definitive damage assessment report.

**Table A**  
**PRELIMINARY DAMAGE ASSESSMENT REPORT - NATIONAL**

(BZ \$mn)

<b>Sector</b>	<b>Estimated Value of Damage</b>	<b>Estimated Acreage Lost (for crops only)</b>
<b>I. Economic Infrastructure</b>		-
Energy	\$8.7	
Water & Sanitation	\$4.1	
Telecommunications	\$3.5	
P. G. International Airport	\$0.2	
Airstrips	\$0.6	
Ports & Piers	\$0.8	
Commercial Buildings	\$8.0	
Farms:	\$5.0	
<b>Subtotal</b>	<b>\$30.9</b>	
<b>II. Economic Services</b>		
Agricultural crops	\$84.2	111,700
Citrus	\$6.7	9,000
Sugar	\$33.0	42,000
Non-traditional crops (eg Papaya)	\$7.5	300
Corn	\$17.3	30,000
Rice	\$9.7	12,500
Soya Beans	\$1.0	900
Other Crops	\$9.0	17,000
Livestock	\$11.9	223,400
Fisheries:	\$14.0	
Capture	\$12.0	
Aquaculture	\$2.0	
Environment	\$50.0	
Tourism	\$120.2	
Hotels	\$95.0	
Tourist Businesses/Restaurants	\$25.0	
Cultural Assets/Sites	\$0.2	
<b>Subtotal</b>	<b>\$280.3</b>	
<b>III. Transportation Network</b>		-
<b>Infrastructure</b>	<b>\$107.4</b>	
Roads	\$70.0	
Bridges	\$1.3	
Streets	\$26.6	
Culverts	\$4.4	
Soil Erosion	\$5.1	
<b>Vessels</b>	<b>\$25.3</b>	
Aircrafts	\$0.3	
Boats	\$25.0	
<b>Subtotal</b>	<b>\$132.7</b>	
<b>IV. Social Infrastructure</b>		-
Residences (Houses)	\$75.0	
Educational Facilities & Equip.	\$3.0	
<b>Subtotal</b>	<b>\$78.0</b>	
<b>GRAND TOTAL</b>	<b>\$521.9</b>	

Source: Damage Assessment and Evaluation Committee Report Assessment of Damages and Needs Analysis

### Illustrative Allocation of Resources by Procurement Modality

Procurement Modality	Estimated IDB Financing (US\$ million)			Estimated local financing (US\$ million)		
	Total	Retro-active	To be spent	Total	Retro-active	To be spent
Total Financing	19	4	15	5	2	3
Force Account	5	2	3			
Direct contracting	5	2	8			
Local and International bidding	4		4			
International relief assistance				2	2	
Caribbean Development Bank and World Bank resources (estimated)				3		3

The total amounts allowable for each procurement modality are fixed maximum limits within the loan contract. With the exception of the "international relief assistance" which are actual figures, the amounts to be spent retroactively represent the best estimate of the project team.