

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BELIZE

CONTINGENT LOAN FOR NATURAL DISASTER EMERGENCIES

(BL-O0005)

PROJECT PROFILE

This document was prepared by the project team consisting of: Fernando de Olloqui, IFD/CMF, Team Leader; Juan Jose Durante, IFD/CMF, Alternate Team Leader; Guillermo Collich, Annabella Gaggero, Rafael Rosillo and Hongrui Zhang, IFD/CMF; Gines Suarez Vazquez, RND/CES; Gerard Alleng, CSD/CCS; Anne-Marie Urban, SCL/GDI; Ignacio Barragan, LEG/SGO; Brodrick Watson and Patricia Yamilee Payen, VPC/FMP; and Alejandra Mejia and Jane Chow, CID/CBL.

Under the Access to Information Policy, this document is subject to Public Disclosure.

PROJECT PROFILE

BELIZE

I. BASIC DATA

Project Name:	Contingent Loan for Natural Disaster Emergencies		
Project Number:	BL-O0005		
Project Team:	Fernando de Olloqui, IFD/CMF, Team Leader; Juan Jose Durante, Alternate Team Leader, IFD/CMF; Guillermo Collich, Annabella Gaggero, Rafael Rosillo and Hongrui Zhang, IFD/CMF; Gines Suarez Vazquez, RND/CES; Gerard Alleng, CSD/CCS; Anne-Marie Urban, SCL/GDI; Ignacio Barragan, LEG/SGO; Brodrick Watson and Patricia Yamilee Payen, VPC/FMP; and Alejandra Mejia and Jane Chow, CID/CBL.		
Borrower:	Belize		
Executing Agency:	Ministry of Finance		
Financial Plan:	IDB (OC):	USUS\$	10,000,000
	Total:	USUS\$	10,000,000
Safeguards:	Policies triggered:	B.01, B.07, B.13, B.17	
	Classification:	Not required	

II. GENERAL JUSTIFICATION AND OBJECTIVES

A. Background and Justification

- 2.1 **Exposure and vulnerability to natural disasters.** Belize has historically been subject to significant natural disasters, particularly caused by hurricanes and flooding, with the former having the most severe effects due to damages derived from winds and storm surges in the low-lying coastal areas that are particularly exposed and where there is a high concentration of population and economic activity.¹ The frequency of the natural disasters has increased since 2000, with nine named storms making landfall in Belize, causing significant physical and financial damages. In addition, tropical depressions and low-pressure systems, such as the Tropical Depression 16 in 2008, have led to intense rainfalls causing widespread flooding.² The impacts from these disasters have affected the productive sectors that most contribute to economic growth and employment, being tourism and agriculture.
- 2.2 According to the Global Climate Risk Index 2019, Belize is one of the countries most affected by extreme weather events on the basis of losses as a proportion of

¹ Hurricane Hattie, of category 5, in 1961 is of particular relevance as it was responsible for a high number of deaths and whose damages in Belize City led to the change of the administrative capital city.

² Advancing Disaster Risk Finance in Belize, World Bank, 2018.

GDP.³ The economic losses from recent hurricanes include Hurricane Keith (2000) with US\$270 million in damages; Hurricane Iris (2001) with US\$61 million; Hurricane Dean (2007) with US\$85 million; and Hurricane Earl (2016) with US\$184 million.⁴ The aforementioned flood of 2008 led to losses of US\$27 million.⁵ In total, direct and indirect losses between 2000 and 2016 have summed US\$737 million, or an average annual cost of US\$46 million. Probabilistic risk studies estimated the direct losses associated with hurricane winds for a 50 years return event in US\$182 million.⁶ The main natural disasters since 2000 have affected 25,000 people on average.⁷ Some studies specify the vulnerability of women in Belize's natural disasters, including the disruption to the economic activity of women, particularly agricultural related, and the higher burden of care of female heads of households with limited resources.⁸

- 2.3 **Financial vulnerability.** According to a recent report by the IMF,⁹ recovery efforts after extreme weather events have put pressure on the country's fiscal resources and have been one of the factors driving the increase in Belize's debt-to-GDP ratio, currently standing at 92.4%.¹⁰ While the government has made major strides in restoring macroeconomic stability, supported by fiscal consolidation,¹¹ natural disasters will continue to be one of the main risks to economic performance and macroeconomic volatility.¹² Moreover, as the effects of climate change intensify, Belize, as a low-lying Caribbean coastal country, can expect increasing sea surface temperatures, sea level rise and more frequent and intense extreme weather events, resulting in greater impacts on the environment, economy and the population.
- 2.4 While intensifying Belize's ongoing efforts to build resilience to climate change and natural disasters would be beneficial for economic activity over the medium term,¹³ a financial strategy that would cost-effectively manage natural disaster risks would also strengthen the country's fiscal perspective.
- 2.5 **Natural disaster risk management.** Recognizing the importance to address the country's high exposure and vulnerability to natural disaster events and additional risk imposed by climate change, over the last years the government has endorsed

³ Eckstein, D., Hutfils, M.L., and Winges, M. (2018). Global Climate Risk Index 2019: Who Suffers Most From Extreme Weather Events? Weather-related Loss Events in 2017 and 1998 to 2017 (Briefing Paper).

⁴ World Bank, op cit.

⁵ Macro Socio-Economic Assessment of the Damage and Losses Caused by Tropical Depression 16, ECLAC, 2009. The remnants of TD16 caused widespread rainfall across Belize which resulted in life threatening floods along the Mopan, Macal and upper Belize rivers.

⁶ ERN, 2010. Capra Central America Probabilistic Risk Assessment Belize risk evaluation.

⁷ EMDAT: The Emergency Events Database, Université Catholique de Louvain.

⁸ ECLAC, 2009, op cit, and Macro Socio-Economic Assessment of the Damage and Losses Caused by Hurricane Dean, 2007. In general, studies indicate that due to greater exposure and vulnerability, women are disproportionately affected by natural disasters, especially in developing countries. Evidence suggests that the active inclusion of women in local disaster preparedness contributes to resilience and can prevent loss of life (Making Disaster Risk Reduction Gender-Sensitive, UNDP, et al. 2009).

⁹ Belize Climate Change Policy Assessment, International Monetary Fund (IMF), 2018.

¹⁰ Central Bank of Belize, 2017 data.

¹¹ The Government implemented significant fiscal adjustment in FY2017/2018 which translated into the first primary surplus after three consecutive years of deficit. The FY2018/2019 budget approved by parliament raised the primary fiscal surplus target further.

¹² Belize 2018 Article IV Consultation, IMF.

¹³ Ibid.

policies and legislations to mainstream Climate Change Adaptation (CCA) and Disaster Risk Management (DRM). The Disaster Preparedness and Response Act is the primary legislation governing DRM in Belize, which establishes the National Emergency Management Organization (NEMO) and assigns broad responsibilities to its director (the National Coordinator) for coordinating policy related to the mitigation of, preparedness for, response to and recovery from emergencies and disasters. The NEMO National Coordinator works closely with the National Disaster Preparedness and Response Advisory Committee chaired by the Prime Minister with the participation of some Ministries, Departments of Government and statutory bodies. Additionally, the Act allows the National Coordinator, in consultation with the Advisory Committee, to establish committees and subcommittees at national, district and community level. It is through these committees that NEMO coordinates with a variety of Ministries, such as Works and Transport, Health, Agriculture and Tourism. As other Caribbean countries, Belize is part of the Caribbean Disaster Emergency Management Agency (CDEMA).¹⁴ Despite improvements in the CCA and DRM legal framework, risk identification studies and risk reduction investments, recent studies provide evidence of Belize's low DRM governance, scoring among the lowest in the LAC region.¹⁵

- 2.6 In terms of financial protection, there is no existing natural disaster fund or contingency budget for low-loss events of high frequency or to facilitate immediate recovery and response efforts following floods and hurricanes. The Ministry of Finance's Budget Department oversees the sourcing and distribution of funds used to address natural disasters. Since 2000, the public funds allocated for disaster relief, response and reconstruction up to three years after each disaster, ascend to US\$60 million.¹⁶ Belize has taken steps in the past for the implementation of ex ante risk transfer instruments to face the extraordinary expenses of natural disaster emergencies, specifically through the Caribbean Catastrophic Risk Insurance Facility (CCRIF). The risk retention capacity provided with this contingent loan would be an important step in improving the country's natural disaster risk financial management and would complement risk transfer instruments, such as the CCRIF. Moreover, this strategy, particularly the use of contingent financing, is encouraged and recommended by the IMF in its latest report on Belize's climate change policy assessment.¹⁷
- 2.7 **Strategic alignment of the project.** The project is aligned with the IDB Group Country Strategy with Belize (2013-2017) (GN-2746), particularly with the cross-cutting issues of climate change and disaster risk management, as it will contribute to reducing vulnerability to natural disasters as well as to greater resilience to the effects of climate change through the financial protection provided by this loan, along with the actions contemplated in the Comprehensive Natural Disaster Risk Management Program (CDRMP) (¶3.4). The project is also consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the cross-cutting theme of climate change and environmental sustainability, by increasing the ex ante financial coverage available to the country

¹⁴ CDEMA is the regional inter-governmental agency of the Caribbean Community (CARICOM) that promotes comprehensive disaster management.

¹⁵ Index of Governance and Public Policy in Disaster Risk Management (iGOPP), National Report for Belize, IDB, 2017.

¹⁶ World Bank, op cit.

¹⁷ IMF, 2018, op cit.

in the event of a severe or catastrophic natural disaster. Additionally, the project is aligned with the cross-cutting theme of gender equality and diversity, as it will strengthen the support for women during an emergency and increase their involvement in disaster preparedness and response, as part of the activities contemplated in the CDRMP. As well, the project is aligned to the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6), as it specifically contributes to the auxiliary indicator “Countries that have improved disaster risk management.” Furthermore, the project is consistent with the Bank’s Disaster Risk Management Policy (GN-2354-5) and with the Climate Change Sector Framework (GN-2835-3) by supporting the public sector’s use of financial instruments, through the identification of practices that spread out the risk associated with the management of uncertainty within the public sector.

B. Objectives and Expected Results

- 2.8 The objective of the project is to alleviate the impact that a severe or catastrophic natural disaster could have on the country’s finances, by increasing the availability, stability, and efficiency of contingent financing to address emergencies. Additionally, the project seeks to enhance the comprehensive disaster risk management of the country by fostering improvements in five main areas to be monitored through the CDRMP: (i) disaster risk management governance; (ii) risk identification; (iii) risk reduction; (iv) disaster preparedness and response; and (v) financial protection.¹⁸
- 2.9 In line with the project’s objective, the expected outcomes are: (i) an improved country’s financial risk management of natural disasters by increasing stable and efficient contingent financing to cover extraordinary public expenditures during emergencies caused by severe or catastrophic natural disasters; and (ii) an effective national policy for comprehensive natural disaster risk management that incorporates gender considerations.

III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE

- 3.1 The proposed operation is structured as a Bank investment loan, which will be granted through the Contingent Credit Facility for Natural Disaster Emergencies (CCF) (GN-2502-2 and GN-2667-2), for a total amount of up to US\$10 million.¹⁹ This loan will be available for disbursement for a period of five years, starting from the loan effectiveness date. The disbursement period may be extended for up to five additional years, upon the borrower’s request and at the Bank’s discretion. The Ministry of Finance will be the executing agency, in close coordination with NEMO, which (as mentioned in ¶2.5) through various committees communicates with a variety of relevant Ministries that present their financial requirements and ultimately execute the budget during emergencies. It is anticipated that the Bank will provide

¹⁸ Special attention will be given to addressing gender equality as a cross cutting issue in the CDRMP, particularly in the areas of DRM governance and emergency preparedness and response.

¹⁹ The proposed amount is based on the exposure, vulnerability and historical impact of natural disasters in Belize, including those mentioned in ¶2.2, to determine the country’s financing needs to address emergencies caused by natural disasters. It is important to note that the amount is also determined by the eligible expenditures (¶3.6) and considers estimates of previous disbursements by the government after catastrophic events.

technical support to the Ministry of Finance to improve implementation capacity, particularly with regard to emergency response and reporting of eligible expenditures.²⁰

- 3.2 The contingent loan will be designed to: (i) ensure a fast provision of liquid resources to finance extraordinary public expenditures during emergencies caused by severe or catastrophic natural disasters; and (ii) have an adequate amount of resources, within the limits established by the CCF, that can meet the foreseeable financing needs of Belize when such disasters take place.
- 3.3 Given the contingent nature of the project, loan disbursements will only be made: (i) if an event of specific location, type and magnitude, previously agreed between the country and the Bank, takes place; and (ii) if at the time of disbursement, the Bank has sufficient resources from the sources mentioned in ¶3.5. The eligible events that can trigger potential disbursements will be outlined between the country and the Bank in the Operating Regulations (OR) of the program. The loan will provide coverage for hurricanes and floods. However, during loan implementation, at the borrower's formal request and once the Bank has developed the corresponding parametric triggers for the respective hazard, other relevant hazards for the country could be included under the loan's coverage through modification of the OR.
- 3.4 **Comprehensive Natural Disaster Risk Management Program (CDRMP).** The CCF states that all borrowing member countries of the Bank are eligible to receive financing through the facility, provided that they have a current CDRMP in place to the Bank's satisfaction, with the objective of promoting the effective formulation of a national policy on the comprehensive management of disaster risks, thereby strengthening the general governance framework, improving the identification and reduction of such risks, and enhancing disaster management and disaster preparedness, as well as the financial management of disaster risks. The Bank is currently working with the Government of Belize on the CDRMP with the aim of finalizing it in February 2019.
- 3.5 **Disbursement mechanism.** According to the CCF, when an eligible event occurs, the country can decide if the funds to be disbursed under the loan will come from one of the following alternative sources of Bank resources: (i) funds from the regular lending program; (ii) funds from available undisbursed balances of investment loans in the country's active portfolio with the Bank (Automatic Redirection List); or (iii) a combination of these two options.
- 3.6 **Eligible expenditures.** Resources disbursed from the contingent loan may only be used by the borrower to finance extraordinary public expenditures incurred during emergencies caused by eligible events. The Bank may recognize the eligible expenditures incurred and paid by the borrower for 180 calendar days following the date on which the disaster occurred. The types of eligible expenditures will comply with the requirements established in documents

²⁰ This activity would be part of the technical cooperation BL-T1118 (in preparation) whose overarching objective is to support the country in the implementation of the CDRMP.

GN-2502-2 (paragraph 4.20) and GN-2502-3 (paragraph 1.7.b), including the negative list to be agreed upon between the country and the Bank.

- 3.7 **Sector knowledge.** The Bank has approved nine loans from the CCF throughout the region, with two successful disbursements for a total US\$176 million (3670/OC-EC and 4331/OC-DR). In the last few years, the Bank has supported the Government of Belize in producing the following studies: (i) "Support for the implementation of an Integrated Disaster Risk Management Plan" (ATN/OC-11994-BL); (ii) "Country Risk Evaluation and Indicators of Disaster Risk and Risk Management" (ATN/MD-11335-RG), which financed a probabilistic risk assessment of Belize, as well as the Indicators of Disaster Risk and Risk Management for the country; (iii) "Flood Mitigation Infrastructure Program for Belize City" (2566/OC-BL) and "Implementation of the Emerging and Sustainable Cities Initiative in Belize City" (ATN/OC-15100-BL) financed probabilistic risk studies in Belize City; and (iv) "Caribbean Climate Smart Islands Program" (ATN/OC-14811-RG) which developed climate change adaptation studies in Caye Caulker. Also, in 2015, the Bank approved a loan for the "Sustainable Tourism Program II" (3566/OC-BL), which included, as part of its specific indicators, the promotion of disaster and climate resilience and environmental sustainability in tourism destinations; and in 2017 approved the "Climate Vulnerability Reduction Program" (4426/OC-BL) with the objective to reduce Belize's climate vulnerability and risk through the implementation of climate resilient measures in the tourism sector and by improving the governance of Belize's DRM.

IV. ENVIRONMENTAL SAFEGUARDS AND FIDUCIARY SCREENING

- 4.1. In accordance with directive B.13 of the Environmental and Safeguards Compliance Policy (GN-2208-20), this project does not require classification.
- 4.2. Regarding fiduciary aspects, execution of resources will be adjusted to the specific requirements and procedures for fiduciary control established for the CCF (GN-2502-2 and GN-2502-3). The fiduciary risks identified are related to the lack of institutional arrangements and coordination within the government that risk that resources disbursed are not timely utilized and that prevent certain expenditures meeting the contractually stipulated eligibility criteria. The technical support mentioned in ¶3.1 will help mitigate these risks.

V. RESOURCES AND TIMETABLE

- 5.1 A budget of US\$76,500 will be required for the preparation of this project. The distribution of the Proposal for Operation Development (POD) for the Quality and Risk Review (QRR) is scheduled for February 28, 2019 and the consideration of the Loan Proposal by the Bank's Board of Executive Directors is scheduled for May 29, 2019.

CONFIDENTIAL

¹ The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.



Safeguard Policy Filter Report

Operation Information

Operation		
BL-O0005 Contingent Loan for Natural Disaster Emergencies		
Environmental and Social Impact Category	High Risk Rating	
B13		
Country	Executing Agency	
BELIZE	BL-MOF - MINISTRY OF FINANCE PERMANENT SECRETARY	
Organizational Unit	IDB Sector/Subsector	
Connectivity Markets and Finance Division	RISK FINANCING	
Team Leader	ESG Primary Team Member	
FERNANDO DE OLLOQUI		
Type of Operation	Original IDB Amount	% Disbursed
Container	\$10,000,000	0.000 %
Assessment Date	Author	
11 Jan 2019	annabellag Operational Analyst	
Operation Cycle Stage	Completion Date	
ERM (Estimated)	21 Dec 2018	
QRR (Estimated)	31 Jan 2019	
Board Approval (Estimated)	10 Apr 2019	
Safeguard Performance Rating		
Rationale		



Safeguard Policy Filter Report

Potential Safeguard Policy Items

[No potential issues identified]

Safeguard Policy Items Identified

[B.1 Bank Policies \(Access to Information Policy– OP-102\)](#)

The Bank will make the relevant project documents available to the public.

[B.1 Bank Policies \(Gender Equality Policy– OP-761\)](#)

The operation will offer opportunities to promote [gender equality](#) or [women's empowerment](#).

[B.7 Supervision and Compliance](#)

The Bank is expected to monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.

[B.13. Noninvestment Lending and Flexible Lending Instruments](#)

Ex-ante impact classification may not be feasible for this type of operation. This includes: policy-based loans, Financial Intermediaries (FIs) or loans that are based on performance criteria, sector-based approaches, and conditional credit lines for investment operations.

[B.17. Procurement](#)

Suitable safeguard provisions for the procurement of goods and services in Bank financed operations may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.

Recommended Actions

Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR.

Additional Comments

In accordance with directive B.13 of the Environmental and Safeguards Compliance Policy (GN-2208-20), this operation does not require classification.

ENVIRONMENTAL AND SOCIAL SAFEGUARD STRATEGY

- 1.1 The objective of the Contingent Loan for Natural Disaster Emergencies BL-O0005 is to alleviate the impact that a severe or catastrophic natural disaster could have on the country's finances, by increasing the availability, stability, and efficiency of contingent financing to address emergencies. Additionally, the operation seeks to enhance the comprehensive disaster risk management of Belize by fostering improvements in five main areas to be monitored through the Comprehensive Natural Disaster Risk Management Program (CDRMP) required to access this loan¹: (i) disaster risk management governance; (ii) risk identification; (iii) risk reduction; (iv) disaster preparedness and response; and (v) financial protection.²
- 1.2 It should be noted that the granting and availability of the contingent loan is conditioned upon the execution, to the Bank's satisfaction, of the CDRMP agreed upon between the country and the Bank during project preparation. The CDRMP includes actions to prevent and mitigate risks associated with natural disasters.
- 1.3 Consequently, based on the foregoing, this operation is subject to the provisions established in Directive B.13 of the Environmental and Safeguards Compliance Policy (GN-2208-20) and, therefore, does not require classification or the preparation of an Environmental and Social Management Report.

¹ See Project Profile, paragraph 3.4.

² Special attention will be given to addressing gender equality as a cross cutting issue in the CDRMP, particularly in the areas of DRM governance and emergency preparedness and response.

SECTORAL WORK INDEX

Studies	Description	Date	References and Links
IDB and other sources	Index of Governance and Public Policy in Disaster Risk Management (iGOPP): National Report for Belize	2017	Inter-American Development Bank
	Making Disaster Risk Reduction Gender-Sensitive ¹	2009	United Nations Development Programme
	EM-DAT. The International Disaster Database	2018	https://www.emdat.be/
	Belize CAPRA Documents Probabilistic Risk Assessment Documents		https://ecapra.org/documentos/belize-capra-documents
	Belize: Macro socio-economic assessment of the damage and losses caused by tropical depression 16	September 2009	https://www.cepal.org/en/publications/38692-belize-macro-socio-economic-assessment-damage-and-losses-caused-tropical
	Global Climate Risk Index 2019: Who Suffers Most From Extreme Weather Events? Weather-related Loss Events in 2017 and 1998 to 2017 (Briefing Paper)	2018	https://www.germanwatch.org/sites/germanwatch.org/files/Global%20Climate%20Risk%20Index%202019_2.pdf
	Belize 2017 Article IV Consultation		International Monetary Fund
	Advancing Disaster Risk Finance in Belize	2018	World Bank
Execution mechanism and fiduciary and control issues	Operating Regulations of the Contingent Loan (designed by the Project Team)	In preparation	
	Contingent Credit Facility for Emergencies caused by Natural Disasters. Operational Guidelines	September 2014	Document GN-2502-3
Risk analysis	Application of the Bank's methodology for risk analysis carried out by the Project Team	December 2018	

CONFIDENTIAL

¹ The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.