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IFAD
Investing in rural people

President's report

Proposed loan to Belize for the Resilient Rural Belize Programme

Note to Executive Board representatives

Focal points:

Technical questions:

Luisa Migliaccio
Country Programme Manager
Latin America and the Caribbean Division
Tel.: +39 06 5459 2391
e-mail: l.migliaccio@ifad.org

Oliver Page
Senior Climate and Environment Specialist
Environment and Climate Division
Tel.: +39 06 5459 2661
e-mail: o.page@ifad.org

Dispatch of documentation:

Alessandra Zusi Bergés
Senior Governing Bodies Officer
Governing Bodies
Tel.: +39 06 5459 2092
e-mail: gb@ifad.org

For: Approval

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Abbreviations and acronyms

AWP/B	annual workplan and budget
CDB	Caribbean Development Bank
CRRIA	climate-resilient rural infrastructure
CRVC	climate-resilient value chain development
FAO	Food and Agriculture Organization of the United Nations
GCF	Green Climate Fund
IP	implementing partner
M&E	monitoring and evaluation
MED	Ministry of Economic Development
MoA	Ministry of Agriculture, Fisheries, Forestry, Environment and Sustainable Development
MoF	Ministry of Finance
MNR	Ministry of Natural Resources
MRD	Ministry of Rural Development
PBAS	performance-based allocation system
PMU	programme management unit
POC	programme oversight committee
PO	producers' organization
RB-COSOP	results-based country strategic opportunities programme
SIDS	small island developing state
SSID	small-scale irrigation and drainage

Map of the programme area

Belize

Resilient Rural Belize Programme

Financing summary

Initiating institution:	IFAD
Borrower:	Belize
Executing agency:	Ministry of Economic Development, Petroleum, Investment, Trade and Commerce
Total programme cost:	US$20.0 million
Amount of IFAD loan:	US$8 million
Terms of IFAD loan:	Ordinary: Maturity period of 18 years, including a grace period of 3 years, with an interest rate per annum equal to 100 per cent of the IFAD reference interest rate.
Cofinancier:	Green Climate Fund
Amount of cofinancing:	US$8.0 million
Terms of cofinancing:	Grant
Contribution of borrower:	US$3.2 million
Contribution of beneficiaries:	US$0.8 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to Belize for the Resilient Rural Belize Programme, as contained in paragraph 66.

Proposed loan to Belize for the Resilient Rural Belize Programme

I. Strategic context and rationale

A. Country and rural development and poverty context

1. Although part of the North American continent, Belize is designated as a small island developing state (SIDS) as it suffers from vulnerabilities and challenges typical of the SIDS group of countries. With a gross national income (GNI) of US$4,490 per capita (2010), Belize is also considered an upper middle-income country. The economy is characterized by significant inequality, however, with only a small proportion of the population active in the high-performance segments of the tourism, agriculture and services sectors. Poverty in rural areas grips 55 per cent of the population, a rate twice that of urban areas, with a further 14 per cent considered vulnerable to poverty.

2. Agriculture is a notable, if uneven, contributor to the US$1.76 billion (2016) national economy, with a GDP contribution fluctuating between 10 per cent and 15 per cent over the last seven years. With plentiful land and water resources, Belize is a successful food exporter, primarily of raw sugar, bananas and citrus products, and serves growing markets in North America, the Caribbean and Europe. Despite abundant farming resources and growing national markets, Belize continues to import 50 per cent of its food needs. Large plantation holdings dominate production. Smallholder farmers are underproductive. Many have as much as 25 acres, yet use much less for production. Water is relatively abundant, and national demand in excess of what smallholders can produce is left to import markets.

3. Demand for agricultural produce is not a constraint to rural and smallholder development in Belize, nor is access to water and land. While not densely clustered, rural smallholders are numerous and have traditionally supplied many currently imported foods. Despite these advantages, production volume, quality and diversity remain low, primarily due to inefficient production methods and technologies, poor market access and relatively weak public infrastructure such as roads, drainage and irrigation.

4. These constraints are exacerbated by the country’s high degree of vulnerability to climate change. The most visible effects of climate change include the increased frequency and intensity of tropical storms and hurricanes. Belize is among the world’s most vulnerable countries to climate change, with rural areas bearing the brunt of impact. Since 1930 a major hurricane or tropical storm has hit the coast of Belize once every two and a half years. Risks also result from shifting climate trends resulting in irregular droughts, floods and rainfall patterns. Smallholder farmers suffer periodic and often substantial losses to both types of impact, which erode their natural and financial assets, and therefore undermine their ability to invest in preventative resilience measures.

5. Despite these challenges, strengthening smallholder farmers’ productive capacity and climate resilience offers a unique development opportunity. With potential for immediate national market share expansion through import substitution, the

introduction of modern and climate-smart good farming practice, along with market access support, would have notable effects on the national economy, and on food security and poverty alleviation in rural areas. Coordinated and sustainable support to smallholders requires strengthening the administrative, technical, marketing and member service capacities of producer organizations (POs). It also requires capacity development in relevant government ministries and agencies in the provision of climate-smart smallholder capacity-building and extension services, as well as formulation and enforcement of a supportive national regulatory environment.

B. Rationale and alignment with government priorities and RB-COSOP

6. The proposed programme is an operational response to the current IFAD strategy for Belize. The country strategy note was approved in early 2017 with the following strategic objectives: (i) build, rehabilitate and maintain climate-resilient rural infrastructure; and (ii) foster smallholder farmers' capacities to employ market-driven and climate change adaptive farming practices and technology. The strategy is aligned with national strategies as contained in Belize's long-term development plan, Horizon 2030, the National Food and Agriculture Policy 2002-2020 and the 2014-2024 National Environmental Policy and Strategy. Objectives and priorities agreed upon with the Government of Belize are harmonized with and complementary to assistance provided by other development partners. They are focused on a limited set of priorities where IFAD's assistance can achieve the greatest impact.

II. Programme description

A. Programme area and target group

7. The most recent data on poverty in Belize show between 2002 and 2009 an increase in the share of the total population living below the poverty line, from 34 per cent to 41 per cent, and an increase in the number of poor households from 24.5 per cent to 31 per cent.[1] Estimates for 2016 indicate that there are approximately 37,900 poor households in Belize.

8. The programme will have national coverage, with 6,000 households as direct beneficiaries: 3,500 in the communities located in priority areas, and 2,500 households to be identified during implementation. Beneficiaries will be male and female smallholder farmers in selected rural communities with a demonstrated willingness and potential for improving productivity and participating in commercial markets. Women and youth (male and female) will account for 40 per cent and 20 per cent of programme beneficiaries respectively, and will participate in all programme interventions.

9. The programme will initially operate in five priority areas (23 communities, grouped in five clusters): Orange Walk District, Belize District, Cayo District, Stann Creek District and Toledo District.

10. The target group comprises: (i) poor rural families, defined as indigent and poor families with incomes below the poverty line;[2] (ii) vulnerable rural families with incomes ≤ 25 per cent over the poverty line who are vulnerable to poverty due to climate change and/or external economic events; (iii) households with less than 25 acres engaged in part-time or full-time farming; and (iv) formal and informal POs with the willingness and potential for improving productivity and farmer market access. Some 1,700 households with these characteristics have already been

[1] Belize country poverty assessment, 2009.

[2] Definitions of poverty and socio-economic vulnerability to climate change consider exposure to climate change risk, degree to which smallholders produce at a subsistence level, portion of land smallholders can/ do farm (e.g., some have up to 50 acres but farm only a small portion), and women and youth, who comprise 30 per cent and 37 per cent of smallholder farmers, respectively.

identified in programme priority areas. Of this group, 40 per cent are considered poor farmers and 60 per cent vulnerable farmers.

B. Programme development objective

11. The development objective is to build overall resilience to climate change by adopting new or improved climate-resilient practices, increasing and diversifying agricultural production, and facilitating access to commercial market chains for off-take of surplus production.

12. The expected outcome under component 1 is to support target beneficiaries to produce and market a larger and more reliable supply of agricultural products via climate-resilient practices. The outcome under component 2 is climate-resilient public infrastructure and services support for production and access to markets for targeted beneficiaries.

C. Components/outcomes

13. The proposed programme has two complementary and mutually reinforcing components: climate-resilient value chains development and climate-resilient rural infrastructure and assets development.

14. Component 1: Climate-resilient value chains development (CRVC). This component will introduce or strengthen smallholder participation in select value chains through the promotion of climate-resilient production methods, product diversification and related innovations. Value chain development will be participatory, with the objectives of: (i) supporting high quality smallholder production for commercialization; and (ii) enhancing sustainable smallholder farmer access to markets. Additionally, this component will support self-consumption and healthy food choices through support for backyard gardens.

15. The CRVC has three subcomponents to support climate-resilient smallholder integration into value chains: (i) infrastructure and production plans (IPPs); (ii) strengthening of producers organizations; and (iii) market-oriented value chains development.

16. Component 2: Climate-resilient rural infrastructure and assets development (CRRIA). This component supports climate-resilient productivity and improved market access through rehabilitation and provision of new roads, drainage and irrigation infrastructure.

17. Infrastructure investment proposals will be aligned with and support infrastructure and production plans and business plans and demonstrate the potential to: (i) reduce smallholder and infrastructure climate change vulnerability; and (ii) enhance smallholder economic opportunities and incomes. The overarching goal is to support climate-resilient infrastructure to improve smallholder farming business and rural enterprise opportunities, while serving the largest possible number of direct and indirect beneficiaries.

18. The main types of public infrastructure for common use will be eligible under the CRRIA, including: (i) local or feeder roads and ancillary structures such as culverts and bridges; and (ii) small-scale irrigation and drainage systems. The CRRIA component has three subcomponents: subcomponent 2.1 - Investment in rural roads improvements; subcomponent 2.2 - Investment in small-scale irrigation and drainage; and subcomponent 2.3 - Climate information system.

III. Programme implementation

A. Approach

19. The programme proposes a comprehensive approach to reduce climatic effects on smallholder farmers by strengthening their economic, social and environmental resilience, and their capacity to recover in times of extreme stress.

20. The programme simultaneously addresses smallholder constraints to more sustainable agricultural production and improved market access. It will do this by promoting climate-resilient agricultural practices and production technologies, investing in public and private climate-proof infrastructure, supporting POs, strengthening value chains and enhancing smallholder capacity to respond to market demand.

21. The programme approach is transparent and participatory, building on the needs and productive and marketing capacity of farmers, POs and institutions in the targeted communities. It will provide demand-driven capacity-building, training, technical assistance and market relationships to establish sustainable market access and leverage improved prices and incomes for smallholders. The programme approach proactively supports women and youth in terms of both implementation and participation. Specific, measurable output and outcome targets will ensure performance accountability.

22. Finally, smallholder resilience and integration into growing value chains will be supported by policy and knowledge generation investments in the Ministry of Agriculture and related policy, research and innovation stakeholders.

B. Organizational framework

23. The Ministry of Economic Development and Petroleum (MEDP) is the lead programme agency and will have overall responsibility for programme implementation.[3] Working closely with MEDP and the programme management unit (PMU), the Ministry of Agriculture (MoA) will play a key role in implementation, and will ensure programmatic alignment with agriculture sector priorities and strategies.

24. A programme oversight committee (POC) will provide strategic direction and oversight, and will approve annual workplans and budgets (AWP/Bs) and procurement plans, consultant contracting and procurement of goods and works. The committee will be chaired by a representative of the MEDP and will include one representative from each of the Ministry of Finance (MoF), MoA, Ministry of Works, Ministry of Rural Development (MRD), Ministry of Natural Resources (MNR) and the National Climate Change Office. It will monitor implementation progress via monthly meetings and PMU reports. The POC will be responsible for the selection of PMU staff.

25. Day-to-day programme management and implementation will rest with the PMU, which will be anchored to the MEDP. The PMU's principal function will be programme implementation and budgeting. The PMU will lead implementation of programme components, and will work closely with the MoA and other implementing partners (IPs) to ensure that each component achieves the expected outcomes.

26. Implementing partners: The programme's success will depend largely on establishing viable relationships with IPs, including different government stakeholders, for service delivery. Relationships will be formalized in memorandums of understanding with each IP. The PMU will be responsible for writing MoUs, managing IP relationships, and coordinating IP activities and services. The PMU will also facilitate execution of formal agreements between beneficiaries, POs and financial institutions. These agreements will detail the responsibilities of each party in the implementation and performance of the matching grant fund.

[3] The programme's organizational framework is patterned on the successful Belize Rural Finance Programme.

C. Planning, monitoring and evaluation, and learning and knowledge management

27. The logical framework provides the basis for planning, implementation, management and design of the programme's monitoring and evaluation (M&E) system. It defines the results chain underlying design, linking activities to outputs and outcomes according to a theory of change cause and effect relationship. The system defines the criteria (indicators and targets) that will be used to assess, monitor and evaluate performance and results.

28. Knowledge management activities will provide stakeholders with updates, insights and data on trends in programme implementation. The M&E specialist, with the input of programme stakeholders, will lead the development of a knowledge management plan early in the first year of implementation.

D. Financial management, procurement and governance

29. Programme financial management will be the responsibility of MEDP, through the creation of a dedicated PMU. The PMU's finance team will comprise a finance officer and an accountant. During design, the overall fiduciary risk was rated as low, subject to application of the envisaged financial management arrangements and IFAD support.

30. Funds flow. A designated account will be opened by and held in the name of the borrower at the Central Bank of Belize. The account will be denominated in United States dollars and will be used exclusively for deposit of the loan proceeds. One or more project accounts in Belize dollars (BZ$) will be opened and maintained at a bank selected by the borrower to deposit resources from the designated account and counterpart funds.

31. Accounting system. The programme will use advanced accounting software, integrated with the national accounting system to the extent possible and able to generate financial reports in line with IFAD requirements. The implementation of accounting software acceptable to IFAD will be a condition of disbursement. The PMU will be responsible for preparing annual consolidated financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

32. Auditing. An external audit of the programme's annual consolidated financial statements will be conducted annually by an independent private audit firm in accordance with the International Standards on Auditing and in line with IFAD's requirements and terms of reference approved by IFAD. Each annual audit report and the related management letter will be submitted to IFAD no later than six months after the end of each fiscal year.

33. Retroactive financing. As an exception to the General Conditions for Agricultural Development Financing, specific expenditures incurred from 2 February 2018, the date of approval by IFAD's Quality Assurance Group, to the effective date of the financing agreement may be considered eligible, up to the amount of US$400,000, for activities relating to: recruitment of key PMU personnel; preparation of the programme implementation manual; design and implementation of the accounting software; and production of studies and diagnostics. To be considered eligible, activities to be financed by retroactive financing and their respective category of expenditures will require prior no objection from IFAD. Pre-financed expenditures will be reimbursed to the borrower once disbursement conditions are met.

34. Procurement. Procurement of goods, works and services will be conducted by MEDP through the PMU in accordance with IFAD's Project Procurement Guidelines. Procurement arrangements will be specified in the programme operating manual and procurement plans.

35. Governance. POC will be responsible for fiduciary oversight. Additionally, all programme contracts and agreements will be submitted to the government Office

of the Contractor General for review and will require approval prior to signing. Furthermore, the programme will promote good governance through involvement of IPs and beneficiaries in both AWP/B preparation and M&E of programme activities.

E. Supervision

36. IFAD’s supervisory function will be continuous, and will support the resolution of programme management and implementation challenges as they arise.

37. Supervision missions will: (i) monitor implementation and results; and (ii) monitor the proper management and use of project resources, as well as proper management of disbursements and use of funds as planned.

IV. Programme costs, financing and benefits

A. Programme costs

38. The total estimated programme cost over a period of six years, including price contingencies, will be US$20.0 million. The base costs will reach US$19.43 million, and physical and price contingencies have been estimated at US$0.57 million. Investment costs are US$17.27 million, representing 86 per cent of total cost, and recurrent costs represent 14 per cent of the total, or US$2.73 million.

39. Programme costs have been calculated considering an annual inflation of 1 per cent. This estimate is based on the following: the average general inflation rate in the last 20 years was 1.5 per cent per year; the average rate during the last 7 years was 0.5 per cent per year; and the average inflation rate associated with the costs for corresponding goods and services (main investments with programme funds) during the last 15 years was 1 per cent per year, with no major variations.

40. The country has maintained a fixed exchange rate of two Belize dollars per United States dollars since 1981 and no change in this rate is expected for the next six years. No physical contingencies are foreseen because Belize has no complex procedures likely to delay procurement or contracting.

Table 1
Programme costs by component and financier
(Thousands of United States dollars)

	IFAD loan		*Other cofinanciers*		*Beneficiaries*		*Borrower/ counterpart*		*Total*	
Component	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
1. Climate resilient value chains Development	3 196	40	3 601	45	820	100	460	14	8 077	41
2. Climate-resilient rural infrastructure and assets development	1 811	23	4 131	52			2 541	80	8 483	42
3. Programme management unit	2 993	37	268	3			179	6	3 440	17
Total	**8 000**	**100**	**8 000**	**100**	**820**	**100**	**3 180**	**100**	**20 000**	**100**

B. Programme financing

41. The programme was designed over two cycles of the performance based allocation system (PBAS), comprising US$5.8 million from the current allocation and a financing gap of US$2.2 million. Following early PBAS reallocations approved in March 2018, the financing gap of US$2.2 million was fully covered by current PBAS resources. The programme will therefore be financed as follows: (i) US$8.0 million from IFAD; (ii) anticipated Green Climate Fund (GCF) cofinancing for US$8.0 million; (iii) US$3.2 million expected as the Government’s counterpart contribution; and (iv) US$0.8 million as the contribution from beneficiaries. The government contribution will cover all taxes and 30 per cent of public infrastructure costs, at pari passu financing.

42. A funding application for cofinancing has been submitted to the GCF, following positive feedback on a concept note submitted in October 2017. The GCF financing is expected to be approved by the end of 2018. Should GCF financing not materialize, other cofinanciers will be approached thereafter. The Caribbean Development Bank (CDB) has already expressed interest in cofinancing this programme.

Table 2
Programme costs by expenditure category and financier
(Thousands of United States dollars)

	IFAD loan		*Other cofinanciers*		*Beneficiaries*		*Borrower/ counterpart*		*Total*	
Expenditure category	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
1. Vehicles, equipment and materials	269	3	86	1			69	2	424	2
2. Grants	2 191	27	2 494	31	820	100	3	1	5 508	27
3. Consultancies, training and technical assistance	1 452	18	1 822	23			858	27	4 132	21
4. Works	1 648	21	3 398	42			2 159	68	7 205	36
5. Salaries and operating costs	2 440	31	200	3			91	2	2 731	14
Total	**8 000**	**100**	**8 000**	**100**	**820**	**100**	**3 180**	**100**	**20 000**	**100**

C. Summary benefit and economic analysis

43. For the financial and economic analysis, nine production models were developed relating to the prioritized value chains. Models were developed reflecting programme-supported production improvements to be made by farmers by projecting net income over a period of 15 years, including the implementation period.

44. Financial analysis. Inclusion of incremental costs and benefits in total programme cost for all the models provides a net cash flow from which the following efficiency indicators were obtained: an internal rate of return (IRR) of 15.74 per cent and a net present value (NPV) discounted at 10 per cent of BZ$9.4 million or US$4.7 million. This level of return does not reflect full benefits, as the programme provides additional climate change adaptation and value chain participation benefits that would also contribute to greater economic growth in production and higher incomes.

45. Economic analysis. Current market price distortions were adjusted by eliminating the effect of taxes and subsidies, market influences, unemployment and the exchange rate to reflect the opportunity costs of employed resources. The result is an estimated IRR of 18.97 per cent and NPV discounted at 6 per cent of BZ$29.0 million (US$14.5 million).[4]

D. Sustainability

46. Political and institutional sustainability measures will include involvement and capacity-building of key institutions overseeing the Government's rural and agricultural development strategies and framework (MEDP, MoF, MoA, MRD and the National Climate Change Office), ensuring post-programme policy commitments and the application of knowledge and experience in new policy initiatives.

47. In addition, the programme includes activities to strengthen the management capacity of the beneficiaries' community and economic organizations and to promote access to marketing opportunities. POs and community leaders, both existing and new, will be trained in organizational management and good governance.

[4] Estimated at the time economic prices were calculated for programme costs based on sustainable production models.

48. Environmental sustainability will be fostered through the adoption of climate-resilient production practices and sustainable natural resource management, enhancing agricultural production and promoting biodiversity. To this end, the programme will work to reduce unsustainable practices such as slash and burn cultivation and the application of chemical fertilizers and pesticides, which result in soil degradation, deforestation, water shortages and floods.

49. Finally, the sustainability of public assets management will be fostered through the creation or strengthening of government institutions responsible for the maintenance of public infrastructure, as well as the creation of water users associations.

E. Risk identification and mitigation

50. At country level, the main risks are as follows: (i) the Government's priorities may not always be aligned with the procedures established for the selection of investment proposals; (ii) MoA may not have sufficient capacity to adequately provide technical advice to farmers in a manner consistent with programmatic aims; and (iii) medium- to long-term operation and maintenance of constructed and rehabilitated assets may be inadequate. Planned mitigation actions are: (i) a multi-stakeholder inclusive approach to AWP/B preparation; (ii) capacity-building for MoA staff; and (iii) institutional development technical assistance to help minimize the operation and maintenance risk.

51. At programme level, two main risks have been identified: (i) start-up difficulties, personnel turnover and poor M&E as encountered by previous IFAD-financed projects in Belize; and (ii) negative environmental impact of programme investments, such as deforestation, excessive water withdrawal or misuse of agrochemicals. The mitigation actions planned are: (i) focusing on the effective development of key programme building blocks including start-up planning/design and systems development; (ii) ensuring that the environmental management plan is implemented by the PMU and the necessary environmental clearances are requested and received. The environmental management plan lists mitigation measures to minimize any negative environmental impact.

V. Corporate considerations

A. Compliance with IFAD policies

52. The programme is in line with IFAD's policies and strategies on targeting, gender equality and women's empowerment, and adheres to the social, environmental and climate assessment procedures.

53. Targeting policy. The design document includes a full analysis of targeting and poverty issues for the programme area. The target groups have been profiled and beneficiary groups for proposed programme activities identified.

54. Gender policy. The design document is fully in accordance with the gender policy. The specific challenges facing rural women have been identified and opportunities for their economic empowerment, representation and workload reduction identified.

55. Environmental and social safeguards. The design document contains an environmental and social safeguards review, and appropriate actions have been identified in the programme design report.

56. Climate change. The programme will undertake a climate vulnerability assessment at start-up. The aim is to analyse smallholder vulnerability to climate change in the five priority areas. It will define climate change risks, identifying the most vulnerable communities, sectors, value chains and social groups, as well as mitigation activities.

B. Alignment and harmonization

57. The proposed programme will build upon and complement the work of other donors and the private sector, including a recently completed value chain project by the Food and Agriculture Organization of the United Nations (FAO), as well as the Agricultural Water Management Investment Plan prepared by the Government of Belize, CDB and FAO and the national adaptation strategy to address climate change in the agricultural sector in Belize prepared by the Government of Belize together with the Caribbean Community Climate Change Centre. During programme implementation, complementarities will be sought with a recently approved Inter-American Development Bank Climate Vulnerability Programme and an ongoing CDB-funded regional initiative for climate risk insurance.

C. Innovations and scaling up

58. As this programme has been designed over two PBAS financing cycles, upscaling is embedded in its formulation. Although the programme will focus initially on 23 villages in five priority areas, it has the potential to expand and replicate the interventions in other communities with shared characteristics and beneficiary group challenges.

59. Before moving on to the second cycle, a thorough review of the programme achievements and potential will be undertaken, with a view to scaling up successful initiatives. CDB has expressed interest in cofinancing this effort.

D. Policy engagement

60. A number of policy bottlenecks to private sector development have been identified by the project design team and partners, chiefly import tariffs and permits, quotas and outdated laws and regulations such as the Law on Cooperatives. This programme will make funding available for broad-based public consultations with national and local stakeholders around the barriers to private sector development in applicable value chains.

61. The programme will also contribute to a series of studies and research activities to help the government advance on some key areas such as climate-related insurance, environmental services and production conversion.

VI. Legal instruments and authority

62. A financing agreement between Belize and IFAD will constitute the legal instrument for extending the proposed financing to the Borrower. A copy of the negotiated financing agreement is attached as appendix I.

63. Belize is empowered under its laws to receive financing from IFAD.

64. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

65. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

> RESOLVED: that the Fund shall provide a loan on ordinary terms to Belize in an amount equivalent to eight million United States dollars (US$8,000,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Houngbo
President

Negotiated financing agreement

"Resilient Rural Belize"

(Negotiations concluded on 19 March 2018)

Loan No.: __________

Programme Title: Resilient Rural Belize (Be-Resilient)

(the "Programme" or "Be-Resilient")

Belize (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

WHEREAS the Borrower has requested a loan from the Fund for the purpose of financing the Programme described in Schedule 1 to this Agreement;

WHEREAS, the Fund has agreed to provide financing for the Programme;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), and the Allocation Table (Schedule 2).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009 amended in 2014 and as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is eight million United States dollars United States dollars (USD 8 000 000).

2. The Loan is granted on ordinary terms and shall be subject to interest on the principal amount outstanding at a rate equal to the IFAD Reference Interest Rate, payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of eighteen years, including a grace period of three (3) years starting from the

date that the Fund has determined that all general conditions precedent to withdrawal from the Loan have been fulfilled in accordance with Section 4.02(b) of the General Conditions and Section E of this Agreement.

3. The Loan Service Payment Currency shall be the United States dollars.

4. The first day of the applicable Fiscal Year shall be 1 April.

5. Payments of principal and interest shall be payable on each 1 April and 1 October.

6. There shall be one Designated Account in United States dollars, opened by and held in the name of the Borrower in the Central Bank of Belize. It shall be used exclusively for the deposit of the loan proceeds.

7. There shall be one or more Project Accounts opened by and held in the name of the Borrower in a bank selected by the Borrower. It shall be in Belize Dollars (BZ$) and this is where resources from the Designated Account and counterpart funds shall be deposited.

8. The Borrower shall provide counterpart financing in the amount of three millions two hundred thousand United States dollars (USD 3 200 000), which shall also include payments of taxes.

Section C

1. The Lead Programme Agency shall be the Ministry of Economic Development and Petroleum (MEDP).

2. Additional Programme Parties shall be established via Memoranda of Understanding (MoU) between the Programme and each Programme Party (Implementing Parties-IP).

3. A mid-term review shall be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the mid-term review of the implementation of the Programme.

4. The Programme Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be six (6) months later, or such later date as the Fund may designate by notice to the Borrower.

5. The procurement of goods, works and services under the Programme shall be conducted in accordance with the provisions of IFAD's Project Procurement Guidelines and Procurement Handbook as well as with the operational procedures and any other measures identified by IFAD.

Section D

The Financing shall be administered and the Programme supervised by the Fund.

Section E

1. The following are designated as additional conditions precedent to the first disbursement of funds:

(a) The Programme Manager shall have been selected;

(b) The IFAD no objection to the draft Programme Implementation Manual (PIM) shall have been obtained; and

(c) The establishment of an accounting software acceptable to IFAD.

2. The following are designated as additional grounds for suspension of the right of the Borrower to request withdrawals from the Loan Account:

(a) The Programme Manager or other key Programme Staff of the PMU have been removed from the Programme without the prior consultation with the Fund;

(b) The PIM and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Programme.

3. In accordance with Section 13.01 of the General Conditions this Agreement shall enter into force upon its signature of both Parties.

4. The following are the designated representatives and addresses to be used for any communication, notices, requests, reports related to this Agreement:

For the Borrower:

Financial Secretary
Ministry of Finance
Sir Edney Cain Building
Belmopan
Belize

Copy to:

Chief Executive Officer
Ministry of Economic Development and Petroleum
P.O. BOX 42, Sir Edney Cain Building
Belmopan
Belize

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This agreement, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower, and shall enter into force on the date of countersignature.

BELIZE

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Authorized Representative
(name and title)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

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Gilbert F. Houngbo
President

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. Programme Area. The Programme will initially operate in five priority areas (23 communities, grouped in five clusters): Orange Walk District, Belize District, Cayo District, Stann Creek District and Toledo District. Other areas and communities may be included as experiences from initial interventions are assessed.

2. Target Group. The target group shall include: (i) poor rural families; (ii) vulnerable rural families; (iii) households with less than 25 acres, engaged in part-time or full-time farming; and (iv) formal and informal producers organizations with the willingness and potential for improving productivity and farmer market access.

3. Goal. The Programme aims to minimize the impacts of climatic and economic events on smallholder farmers while supporting sustainable market access for their produce.

4. Components. The Programme shall consist of the following Components:

A. <u>Component 1: Climate Resilient Value Chains Development (CRVC)</u>. This component shall introduce/strengthen smallholder participation in select value chains through the promotion of climate resilient production methods, product diversification, and related innovations. Value chain development will be participatory, with the objectives of: (i) supporting high quality smallholders' production for commercialization; and (ii) enhancing sustainable smallholder farmer access to markets. Additionally, this component shall support self-consumption and healthy food choices through support for backyard gardens.

Subcomponent 1.1: Infrastructure and Production Plans. This subcomponent will assess and facilitate stakeholder's participation in value chain development needs in each of the five priority areas. It will result in an Infrastructure and Implementation Production Plan (IPP) for each area to guide resilient, smallholder focused value chain development. IPPs have two input studies, a Climate Vulnerability Assessment (CVA) and a Value Chains Analysis and Market Assessment (VCAMA). These complementary assessments provide the foundation for preparing the IPPs, and will inform related national policy and regulatory framework for public infrastructure investment plans found in Component 2.

Subcomponent 1.2: Strengthening of Producers' Organizations (PO). The Programme will strengthen PO capacity to improve resilient smallholder production and participation/markets access in select value chains. In addition to organizational capacity building, the programme will focus on social inclusion (youth and women), confidence building, leadership training, and rural empowerment. As a part of this commitment, the programme will train local men and women in ten POs to become professional local managers.

Subcomponent 1.3: Market-Oriented Value Chains Development. This subcomponent will address smallholder value chain participation constraints by improving market information to smallholders, enhancing linkages between farmers and buyers, improving marketing capacities, and providing targeted technical resilient production assistance/ extension services. Backyard Gardens (BYGs) are also a part of this sub-component. This subcomponent has three interlinked support activities, namely:

(i) Development of value chain Business Plans (BPs). This activity will provide Technical Assistance (TA) to support the development and implementation of PO's BPs consistent with, and supportive of priority areas IPPs.

(ii) Matching Grant Fund (MGF): Resilient production and value chain development investments defined in PO BPs will be financed by the MGF. This MGF will support investments with the goals of: (i) increasing agricultural production climate resilience; (ii) increasing production volume and quality; (iii) climate-proofing value-chain infrastructure; and (iv) developing product value added opportunities. The MGF will be a competitive fund, open to formal and informal POs. Programme target group members receiving support from other technical areas of the Programme will be eligible for funding.

The MGF will be managed by the PMU. The MGF will promote/ support applications empowering women and youth. The MGF will have three financing windows: (i) BPs presented by formal POs; (ii) BPs presented by informal POs; and, (iii) proposals for establishing/ improving backyard gardens (presented by individuals and informal groups of beneficiaries). Proposals from larger, formal POs will typically involve more than one investment, and tranche funding, based on completion of staged investments/ activities, will be considered. Investment categories include: (i) climate resilient technologies and practices (i.e., solar panels, solar pumps or equipment, soil testing, water harvesting, agroforestry, tree nurseries); (ii) climate resilient greenhouses and equipment; (iii) climate proof storage, sorting, and packaging facilities; (iv) irrigation (e.g., boring of wells and/or installation of on farm irrigation connecting to public water systems); (v) drainage systems; (vi) beekeeping equipment; (vii) climate proof agro-processing facilities and equipment; and (viii) backyard gardens. The MGF will not finance purchase or lease of land, debt payment or refinancing, or activities harmful to the environment or communities.

(iii) Market Support Assistance: This activity will support climate resilient production, product marketing, and market linkages. It has four activities: (a) Climate Resilient Production Planning TA; (b) Marketing TA; (c) Development of Partnerships and Market Linkages; (d) Establishment of Intermediate Markets.

B. Component 2: Climate Resilient Rural Infrastructure and Assets Development (CRRIA). This component supports climate resilient productivity and improved market access through rehabilitation and provision of new road, drainage, and irrigation infrastructure in priority areas. The overarching goal of this component is to support climate resilience infrastructure enhancing smallholder farming business/rural enterprise opportunities, while serving the largest number possible of direct and indirect Programme beneficiaries.

Subcomponent 2.1: Investment in Rural Roads Improvements (RRI). Investments will be directed at rural roads and ancillary structures most vulnerable to climate variability, and those that complement the Component 1 objectives.

Subcomponent 2.2: Investment in Small-scale Irrigation and Drainage (SSID). This subcomponent will ensure better climate, environmental, social, and economic resilience as the reliability of water supply and agricultural land management improves and directly addresses the effects of continued, documented rainfall variability.

Subcomponent 2.3: Climate Information System (CIS). This subcomponent will focus on the creation of the CIS which has the purpose of providing farmers with timely and accurate climate information, allowing them to plan production activities and minimize climate related production losses. Its functions will include climate analysis and monitoring, assessment and attribution, prediction (monthly, seasonal, decadal) and projection (centennial scale).

II. Programme Implementation Arrangements

5. Lead Programme Agency. The Ministry of Economic Development and Petroleum (MEDP) is the Lead Programme Agency (LPA) and will have overall responsibility for Programme implementation.

6. Programme Oversight Committee (POC). The POC will be chaired by a representative of the MEDP and will include one representative from each of the following parties: Ministry of Finance (MoF), Ministry Agriculture, Fisheries, Forestry, Environment and Sustainable Development (MoA), Ministry of Works (MoW), Ministry of Rural Development (MRD), Ministry of Natural Resources (MNR), and the National Climate Change Office (NCCO). It will provide strategic direction and oversight, approve Annual Work Plan and Budgets (AWPB) and Procurement Plans (PP), as well as procurement of consultants, goods, and works. It will monitor Programme implementation progress via monthly meetings and reports provided by the Programme Management Unit (PMU). The POC will oversee the recruitment of PMU staff.

7. Programme Management Unit (PMU). Day-to-day Programme management and implementation will rest with the PMU. The PMU's principal function will be Programme implementation and budgeting. This will include working with service providers, government ministries and departments, beneficiaries, producers' organizations, and municipalities in the Programme area. The PMU will assume responsibility for the timely preparation of the AWPBs and PPs to be submitted to the POC for review and approval and subsequently to IFAD for its "no-objection".

The PMU will comprise a Programme Manager, Finance Officer, Programme Accountant, Procurement Officer, Administrative Assistant, Monitoring and Evaluation Specialist, Climate Smart Agriculture Specialist, Rural Infrastructure Engineer, Rural Organization Development Specialist, Value Chain Specialist and Institutional Development Specialist for Public Infrastructure.

8. Implementing Partners. The success of the Programme will depend largely on establishing viable relationships with IPs including different government stakeholders, for the delivery of services. Relationships will be established via Memoranda of Understanding (MoU) between the Programme and each IP. The PMU will be responsible for writing MoUs, managing IP relationships, and coordination of IP activities and services. The PMU will also facilitate execution of formal agreements between beneficiaries/POs and financial institutions. These agreements will detail the responsibilities of each party in the implementation and performance of the MGF.

9. Monitoring and Evaluation (M&E). The main objectives of M&E are: (i) to provide stakeholders with data and information on the use of the Programme's resources (outputs), expected outcomes and related targets; (ii) to ensure compliance with the Programme's targeting strategy; (iii) provide the Programme with the capacity to measure outputs, outcomes, and impacts; (iv) to develop evidence-based knowledge products; and (v) to identify and address implementation challenges.

10. Knowledge Management. (KM) Knowledge management activities will provide programme stakeholders updates, insights, and trends on programme implementation. The M&E Specialist, with the input of programme stakeholders, will lead in the development of a Knowledge Management Plan (KMP) early in the first year of implementation. The KMP will outline strategies and plans for data/ knowledge collection/ documentation, consolidating information/ data, and reporting/ disseminating information to programme participants and stakeholders.

11. Programme Implementation Manual (PIM). The Programme Manager shall develop, maintain and update the PIM incorporating the relevant legal and other regulations governing the implementation of the Programme. The POC shall approve the PIM and any related amendments in the form agreed with the Fund.

Schedule 2

Allocation Table

1. Allocation of the Loan Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed thereby in each Category:

Category	Loan Amount (in USD)	Percentage of Eligible Expenditures to be financed
I. Vehicles, Equipment and Materials	240 000	100% net of taxes
II. Grants	1 970 000	100% excluding beneficiaries' contributions
III. Consultancies, Training and Technical Assistance	1 310 000	100% net of taxes
IV. Works	1 480 000	70% of total expenditures
V. Salaries and Operating Costs	2 200 000	100% net of taxes
Unallocated	800 000	
TOTAL	8 000 000	

(b) The terms used in the Table above are defined as follows:

(i) Category II – Grants shall cover eligible expenditures for costs related to the investments of the MGF.

(ii) Category IV – Works shall cover eligible expenditures for costs directly related to the improvement of rural roads as well as the construction of public irrigation systems and drainage canals.

(iii) Category V – Salaries and operating costs shall cover eligible expenditures for salaries, vehicle maintenance, fuel, DSA and other operating expenditures.

2. Retroactive financing. As an exception to section 4.08(a) (ii) of the General Conditions, specific eligible expenditures incurred as of 2 February 2018, which is the date of approval by IFAD's Quality Assurance, until the date of entry into force of this Agreement shall be considered eligible up to an amount equivalent to four hundred thousand United States dollars (USD 400 000) for activities relating to: (i) the recruitment of key PMU personnel; (ii) the preparation of the Programme Implementation Manual; (iii) the design and implementation of the accounting and M&E software; and (iv) the production of the Market Study and diagnostics. The following categories are eligible to be covered by the retroactive financing: (i) vehicles, equipment and materials; (ii) consultancies, training and technical assistance; (iii) salaries and operating costs. Activities to be financed by retroactive financing and their respective category of expenditures and source of financing will require prior no objection from IFAD to be considered eligible. Pre-financed eligible expenditures shall be reimbursed to the Borrower once additional conditions precedent to the first disbursement of funds specified in Section E.1 are fulfilled.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
OUTREACH	People receiving services promoted or supported by the project (40% women and 20% youth).							
	a. Number of households reached.	0	2,000	6,000	M&E system and completion study	Annual reports, mid-term report, Closing report	Project Unit	
	b. Estimated number of household members (40% women and 20% youth).	0	10,000	30,000	M&E system and completion study	Annual reports, mid-term report, Closing report	Project Unit	
Goal: To improve the resilience of poor rural households.	1. Number of rural people with strengthened resilience (by sex and age) (≥20%). (RIMS Impact).[5]	0	3,000HH	6,000 HH (100% of HH;	M&E system and completion study	Annual reports, mid-term report, closing	Project Unit	No major external or internal shocks affecting Belize's economy
Development Objective: To build overall resilience to climate change by adopting new or improved climate resilient practices, increasing and diversifying agricultural production, and by facilitating their access to commercial market chains for the off-take of their surplus production.	2. Number of Households reporting adoption of environmentally sustainable and climate new/ improved practices.	0	2,500	5,500	M&E system and comple-tion study.	Annual reports, mid-term report, Closing.	Project Unit.	Continued Government commitment to country development strategy implementation -Increased production leads to expanded sales and domestic consumption. -Incomes increase through effect of enhanced production and improved market access.
Component 1. Climate Resilient Agricultural Production and Market Access								
Outcome 1.1 Smallholders produce and market larger and more reliable supply of agricultural products via climate-resilient practices.	3. Number of households reporting an increase in production due to adoption of environmentally sustainable and climate new/ improved inputs, technologies or practices.	0	800	1,600 HH (80% of HH receiving full extension/production/market services)	M&E system and comple-tion study.	Annual reports, mid-term report, Closing.	Project Unit	
	4. Number of households reporting at least 30% increase in sales value. (1.2.4)	0	800	1,600 (80% of HH receiving full extension/production/market services	M&E system and comp-letion study.	Annual reports, mid-term report, Closing.	Project Unit	

[5] Mandatory indicator for resilience for IFAD. Could be measured as "Reduction in time required to recover from a climate shock"; however, this will be defined with the PMU M&E Unit as early as possible during the programme life.

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Output 1.1 Strengthening of Producer Organizations (cooperatives and farmers' associations and groups).	5. Number of rural formal POs/ members supported. (2.1.3)	0[6]	10 (150: (40% women and 20% youth).	30 (450: (40% women and 20% youth)).	M&E system.	Annual reports, mid-term report, Closing.	Project Unit.	
Output 1.2 Training on climate-resilient agricultural practices.	6. Number of rural households engaged in climate vulnerability assessments and trained in climate resilience practices and strategies, basic agricultural production and market practices.	0	2,500 (40% women and 20% youth).	6,000 (40% women and 20% youth).	M&E system	Annual reports, mid-term report, Closing.	Project Unit	
Output 1.3 Investment in climate-resilient agricultural technologies inter alia greenhouses, rehab- ilitation/ building of water-related infra- structure (on-farm irrigation and drain- age); rehabilitation/ building of storage facilities, etc..	7. Number of facilities (covered structures, storage facilities) rehabilitated/ constructed. (2.1.6)	0	50	300	M&E system	Annual reports, mid-term report, Closing.	Project Unit	
	8. Number of hectares of land brought under climate-resilient management. (3.1.4)	0	40	400	M&E system	Annual reports, mid-term report, Closing.	Project Unit	
	9. Number of households with increased resilience through backyard gardens.	0	500	2000	M&E system	Annual reports, mid-term report, Closing.	Project Unit	
Output 1.4 Improving small farmers' entrepren- eurial capabilities to identify and exploit market opportunities.	10. Number of persons trained in business management and marketing. (2.1.2)	0	200 (40% women and 20% youth).	700 (40% women and 20% youth).	M&E system	Annual reports, mid-term report, Closing.	Project Unit	
Component 2. Climate Resilient Public Infrastructure and Assets								
Outcome 2.1 Climate resilient public infrastructure and services, support production and access to markets.	11. Number of households benefitting from improved public infrastructure and climate information system	0	1,000	6,000	M&E system and completion study.	Annual reports, mid-term report, Closing.	Project Unit	
Output 2.1 Multi-farm investments in public irrigation/ drainage infrastructure for climate resilience.								
	12. Number of people with access to agricultural water supply	0	700	1,750	M&E system	Annual reports, mid-term report, Closing.	Project Unit	
Output 2.2 Improvement of rural tracks and access routes.	13. Kilometres of roads constructed, rehabilitated or up-graded to all-weather status. (2.1.5)	0	30	80	M&E system	Annual reports, mid-term report, Closing.	Project Unit	
Policy (cross cutting)	14. Number of regulatory innovation and/or mechanism for climate responsive planning and development.	0	1	2	M&E system	Annual reports, mid-term report, Closing.	Project Unit	

[6] Baseline for percentage of women in POs in priority area is 15 per cent.