

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BELIZE

SUPPORT TO SAFETY NETS FOR VULNERABLE POPULATIONS AFFECTED BY CORONAVIRUS IN BELIZE

(BL-L1034)

LOAN PROPOSAL

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REQUIRED ELECTRONIC LINKS	
REL#1	Simplified Monitoring and Evaluation Plan
REL#2	Procurement Plan

OPTIONAL ELECTRONIC LINKS	
OEL#1	Economic Viability Rationale
OEL#2	Operations Manual
OEL#3	Safeguard Policy Filter and Safeguard Screening Form

ABBREVIATIONS	
BOOST	Building Opportunities for Our Social Transformation
COVID-19	Coronavirus disease 2019, the disease caused by the 2019 novel coronavirus
ECLAC	Economic Commission for Latin America and the Caribbean
FMP	IDB Operations Financial Management and Procurement Services Office
IDB	Inter-American Development Bank
LAC	Latin America and the Caribbean
LEG	IDB Legal Department
MHDSTPA	Ministry of Human Development, Social Transformation & Poverty Alleviation
SSB	Social Security Board
WHO	World Health Organization

PROJECT SUMMARY
BELIZE
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Financial Terms and Conditions				
Borrower:			Flexible Financing Facility^(a)	
Government of Belize			Amortization period:	25 years
Executing agency:			Disbursement period:	1 year
Ministry of Human Development, Social Transformation & Poverty Alleviation (MHDSTPA)			Grace period:	5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital):	12,000,000	100	Credit fee:	^(c)
			Inspection and supervision fee:	^(c)
			Weighted Average Life:	15.25 years
Total:	12,000,000	100	Currency of approval:	U.S. dollars
Project at a Glance				
Project objective/description: The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support minimum income levels for those affected by the coronavirus in the immediate period ¶1.14.				
Special contractual conditions precedent to the first disbursement of the loan proceeds: The Executing Agency will submit to the Bank evidence of: (i) the appointment of a program coordinator; and (ii) the approval of the Program Operation Manual ¶3.4.				
Exceptions to Bank policy: None.				
Strategic Alignment				
Challenges:^(d)	SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>
Crosscutting themes:^(e)	GD	<input type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input type="checkbox"/>

- ^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- ^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- ^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the relevant policies.
- ^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- ^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale.

- 1.1 **COVID-19 pandemic.** On 11 March 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. COVID-19 is a respiratory disease caused by the 2019 novel coronavirus, or nCoV-2019. As of May 19, more than 4.7 million cases were reported worldwide, resulting in 318,201 deaths. The first cases in Latin America and the Caribbean (LAC) were reported in late February. Since then, their number has been rising fast, with over 550,637 confirmed cases. Belize was among the last batch of LAC countries to register positive COVID-19 cases. As of May 10, Belize has 18 confirmed cases of COVID-19, of whom two have died and 16 have recovered. After the first case was confirmed on March 23, Belize confirmed the next 17 cases in 19 days and the last case was reported on April 23. The Government has recognized the possibility of a second wave of cases and aims at expanding testing.¹
- 1.2 **Macroeconomic and social context.** Belize's last poverty assessment was undertaken in 2009 and found that 41.3% of the population lived at or below the poverty line, while 15.8% were classified as extremely poor. Income inequality in 2009 was moderately high, with a Gini coefficient of 0.42.² Although information about poverty and inequality remains scant, the evolution of the income per capita suggests that poverty has remained high since 2009. The lack of updated information on poverty creates a challenge to measure the social impacts of the COVID-19 pandemic in Belize. However, these impacts are expected to be severe as the tourism sector, which represents close to 40% of Belize's GDP and generates 39.3% of total employment,^{3,4} is among the hardest hit by the crisis. A recent Inter-American Development Bank (IDB) study found that significant reductions in poverty were observed in areas with tourist destinations in the last decades.⁵ These improvements are at risk to be reverted with the plunge of the tourism industry.
- 1.3 The health measures necessary to fight COVID-19, particularly social distancing, had immediate impacts and will have lasting economic consequences. The Government of Belize declared the State of Emergency on April 1, and for the whole month of April it introduced curfew hours and closed borders, ports of entry (except cargo), and nonessential business. After May 1, restrictions were relaxed to allow

¹ Belize Press Office. Statement by the Prime Minister Rt. Hon. Dean Barrow.

² Poverty in Belize is defined by having daily per-capita consumption below the poverty line. See: <https://www.undp.org/content/dam/undp/library/MDG/english/MDG%20Country%20Reports/Belize/2010.pdf>

³ According to the World Travel & Tourism Council. These figures refer to 2019 and include direct and indirect effects. In Belize, the tourism sector directly or indirectly employs about 60,000 people, two thirds of which in the informal sector.

⁴ From a macroeconomic perspective, in addition to shrinking domestic demand, the Economic Commission for Latin America and the Caribbean (ECLAC) sees at least five channels for transmission of the crisis impacts to the region's economy: (i) slowing economic activity of key trading partners that will impact the demand for exports; (ii) less demand for tourism services; (iii) interruption of global value chains; (iv) falling commodity prices; and (v) worsening financial terms. See: <https://www.cepal.org/es/comunicados/covid-19-tendra-graves-efectos-la-economia-mundial-impactara-paises-america-latina>.

⁵ Hersh et al., 2020. Mapping Poverty in Belize Using Satellite Features and Machine Learning. IDB Monograph 806. <http://dx.doi.org/10.18235/0002345>.

mobilizing essential workers for essential purposes; public transportation by land, air and sea resumed with some restrictions; government offices reopened, and additional businesses started to operate during limited hours.⁶ However, social distancing is still encouraged. On April 28, the National Assembly approved a resolution extending the state of emergency for two additional months.

- 1.4 **Problem to be addressed.** The outbreak and the measures implemented to contain its transmission had an enormous impact on the travel industry. The Belize Tourism Board (BTB) reported that overnight arrivals fell by 59% in March, compared to the same month of 2019, and larger declines are expected in the coming months. Moreover, the tourism industry is not expected to have a fast recovery as the latest estimates from the World Tourism Organization (WTO) point to international falls between 60% to 80% in 2020. Given its high dependence on the tourism inflows, the International Monetary Fund (IMF) estimates that the economy will contract by 12% in 2020. This will further worsen the macroeconomic outlook, that was already negatively affected by the effects of a drought on the agricultural sector. Amid concerns about an interest payment deferral or a distressed debt exchange, Standard and Poor's downgraded Belize's credit rating from B- (stable) to CCC (negative) on April 16, 2020, while Moody's downgraded its credit rating from B4 (stable) to Caa1 (negative) on May 12, 2020.
- 1.5 **Effects on employment and living standards.** The crisis will hurt the income and consumption of most people, including formal workers, informal workers, and those who were not employed and face lower probability of finding a job. All these groups are vulnerable to the effects of the economic downturn, and are either poor or run the risk of falling into poverty. Considering the impact of COVID-19 on the tourism sector, for which some estimates indicate that 95% of firms have been impacted,⁷ and the effects on agriculture and other services, the IMF estimates that the unemployment rate will more than double from 9.1% in 2019 to 18.6% in 2020.
- 1.6 **Government response.** The Prime Minister and the Leader of the Opposition formed the COVID-19 National Oversight Committee to address the crisis. In addition to measures to reduce contagion, the Congress approved US\$12.5 million as a supplementary budget and US\$25 million to be borrowed from the Central Bank of Belize to support the health sector and the economic sectors affected by COVID- 19, especially tourism. The Government's response is constrained by the limited fiscal space and high debt burden (the IMF estimates that the debt-to-GDP ratio will increase from 93% in 2019 to 115% in 2020). Belize's fiscal stance weakened significantly over the last year when the economy entered a recession, and increased spending to fight the emergency and a decline in tax revenues will worsen it further.
- 1.7 To offset the loss of income and protect the levels of consumption of the vulnerable population, the Government is implementing a two-prong strategy. First, on April 1, it launched the COVID-19 Unemployment Relief Program. The National Oversight

⁶ The State of Emergency regulations were further relaxed on May 15 after a month without cases of COVID-19. Under the new regulations, the use of recreational areas, the operation of open-air dining areas, and limited religious congregations are permitted. Additionally, Belizean citizens abroad are permitted to reenter the country, though the borders remain closed to foreign nationals. These regulations will be in effect until at least June 30.

⁷ Ministry of Tourism and Civil Aviation of Belize.

Committee appointed the Economic Oversight Team, which is comprised of representatives from both the Government and the Opposition, to oversee the establishment and operationalization of the Unemployment Relief Program. Second, as a complement for when the Unemployment Relief Program will be discontinued and for those who do not qualify for it, it is planning an expansion (of the number of beneficiaries and value of the transfer) of the Building Opportunities for Our Social Transformation (BOOST) cash transfer program.⁸ The latter part of the strategy will chronologically follow the first (with support from other financial institutions) and does not form part of this operation.

- 1.8 **Unemployment Relief.** The Unemployment Relief Program was announced as a temporary cash transfer for unemployed persons and workers who lost their jobs and income, particularly but not solely in the tourism sector.⁹ Eligibility criteria include being a Belizean citizen and being over 18 years of age. Exclusion criteria include being formally employed, receiving benefits from other Government or Social Security programs (e.g., pensions, disability benefits, or other cash transfers such as the BOOST), and having been laid off in March 2020 by the Belize Tourism Board.¹⁰ Applications are crosschecked against data from the Treasury Department, the Social Security Board (SSB, via web service), the Belize Tourism Board, the Fisheries Department and the Ministry of Human Development, Social Transformation & Poverty Alleviation (MHDSTPA) to verify eligibility and exclusion criteria (and avoid duplication of benefits). The electronic verifications and the checks of the various lists of licenses were augmented with a team of eight senior public officers who call employers and applicants, where necessary, to verify the information on the application forms. The following applicants are classified as formerly formally employed: (i) those with recent SSB contributions and whose employers confirmed they lost their job; (ii) those who were registered with the Belize Tourism Board or the Fisheries Department (e.g., licensed tour guides or licensed fishers, as well as licensed self-employed and microbusinesses that supply services to hotels and tour operators). All other applicants are classified as either formerly informally employed or unemployed. Given this verification process and the impossibility to verify current informal employment, the Program is in practice similar to a temporary universal basic income for adult citizens not formally employed and not receiving other Government benefits.

⁸ BOOST targets poor households through the application of a proxy means test. Its cash transfer varies by household structure and averages between US\$25 to US\$30 per month. The Government is considering a temporary expansion of the program, based on: (i) the relaxation of the eligibility threshold, aimed at including also vulnerable households above the poverty line; (ii) an increased value of the transfer, to match that of the Unemployment Relief Program.

⁹ The following categories were listed in its press release: tour guides, office staff, cleaners/janitors/room attendants, kitchen and dining room staff, bus/van drivers, store clerks, mechanics, construction workers connected to tourism-related projects, independent operators (such as: freelance guides, vendors, hair braiders, entertainers, fishermen, taxi operators), border point and free zone workers, others which may be added. For more information on the program, see: <https://www.covid19.bz/the-covid-19-unemployment-relief-program/>

¹⁰ The reason is that these individuals were laid off with full benefits (e.g., payment in lieu of their vacations, severance pay) and a promise of re-hire once business is back to “normal”. To ensure their exclusion, the Belize Tourism Board provided employer validated data on persons who were laid off due to COVID-19; all applicants were validated against this dataset.

- 1.9 The transfer is initially set for a duration of 12 weeks, with a biweekly value of US\$75.¹¹ About 81 thousand applications were received between April 3 and April 24 (mostly online), and 42 thousand beneficiaries have been enrolled to date. The other 39,000 applications are being evaluated, and the applicants that are declared eligible will constitute a second wave of beneficiaries. Of the applicants, 44% were classified as formerly formally employed, 28% as formerly informally employed, and the remaining 28% as formerly unemployed. Women represent 49% of the applicants. No data was collected on applicants' disabilities and ethnicity, and no differentiated approach was included in project design and implementation. Payments began during the month of April, using a mix of bank accounts and prepaid cards.
- 1.10 **Bank experience and lessons learned.** Since the 1990s, the Bank has supported the design, implementation, and evaluation of cash transfer programs in 18 LAC countries, including as a response to the crisis. For example, in 2009, following the international financial crisis of 2008, the Bank supported the introduction of the food component of Mexico's *Oportunidades*. Several evaluations have shown that cash transfers are the most effective tool to redistribute income and support vulnerable households' consumption. The Bank has accumulated comprehensive operational experience, including for the selection of beneficiaries and the development of electronic payment systems. Lessons learned and best practices have been codified in a recent book on twenty years of implementation of cash transfers in LAC.¹² This operational experience teaches that beneficiaries' enrollment and the payment of transfers require time and extensive fieldwork. In the current context, this presents a risk of promoting the congregation that may contribute to the spread of COVID-19. To mitigate such risk, electronic systems should be used to collect applications, and bank accounts and electronic payment systems (including prepaid cards) should be used to preserve social distancing. These lessons informed the design of both components of this operation.
- 1.11 The Bank has also experience in supporting and studying the design and implementation of unemployment insurance programs both in developed countries and in the region (e.g. in Colombia and Perú), including in contexts of high labor informality.¹³ This experience suggests that effective income-support policies for the unemployed make it possible to smooth the loss of consumption and achieve a more effective job search.¹⁴ Also, unemployment insurance allows workers more time for job search and can enable them to find a more productive job.¹⁵ There have been few examples internationally of unemployment insurance that includes informal

¹¹ At program onset, the value of the benefit was set at US\$50 for individuals formerly in informal employment or unemployment. In May, this value was redefined to US\$75 for all beneficiaries. This is equivalent to 87% of the country's minimum wage (as reported in the Doing Business 2020; See <https://www.doingbusiness.org/content/dam/doingBusiness/country/b/belize/BLZ.pdf>).

¹² Ibararán et al. 2017. How Conditional Cash Transfers Work. IDB. <http://dx.doi.org/10.18235/0000746>.

¹³ See: Alaimo et al. 2015. Empleos para Crecer. IDB. <http://dx.doi.org/10.18235/0000139>

¹⁴ See Gruber (1997). "The incidence of payroll taxation: Evidence from Chile." *Journal of Labor Economics*, Vol.15, No.3, Part 2, pages S72-S101. Tatsiramos (2009). "Unemployment insurance in Europe: Unemployment duration and subsequent employment stability." *Journal of the European Economic Association* 7:6 (2009): 1225-1260. Alaimo et al (2015).

¹⁵ See Alaimo et al. (2015).

workers. However, in the face of the COVID-19 crisis, countries in LAC¹⁶ are expanding coverage to consider informal workers, as reflected in this operation. The duration of unemployment benefits should not deter people from seeking work. International experience shows that long unemployment insurance benefit periods may reduce job search intensity unless payment duration is limited.¹⁷ Both lessons are reflected in the design of both components of this operation, as the Unemployment Relief Program provides income support for unemployed individuals, with a short and fixed duration of three months.

- 1.12 **Coordination with other International Financial Institutions.** The Bank has coordinated the social and economic response with the World Bank and the Caribbean Development Bank. Following Government's guidance, the Bank will fund part of the Unemployment Relief Program (with the rest being covered with internal resources). The other institutions and particularly the World Bank will support the expansion of the existing BOOST cash transfer program, an intervention that complements the Unemployment Relief Program supported by this operation. This division of responsibilities reflects the lead role played by the World Bank in recent years in supporting the institution of BOOST.¹⁸ The Bank has also received a formal request from the Government of Belize for a Special Development Loan (SDL), which would provide financial support to address the macroeconomic crisis. This operation would support different actions and policies that the Government is implementing to promote the economic recovery of the country after the COVID-19 pandemic. The Bank is in close coordination with the IMF, as the SDL's approval requires that Belize has a lending arrangement approved by the IMF Board, such as the Rapid Financing Instrument (RFI). The Government of Belize has sent a formal request to the IMF to access the RFI. Negotiations of its commitments are in progress.
- 1.13 **Strategic alignment.** The program is consistent with the Second Update to the Institutional Strategy (document AB-3190-2) and aligned with the challenge of Social Inclusion and Equality, through support for maintaining minimum levels of income and welfare for the populations most vulnerable to COVID-19. The program will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the indicator: beneficiaries of anti-poverty programs. It is aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) in the areas of enhancing equity and supporting vulnerable populations. It is also consistent with the Social Protection and Poverty Sector Framework Document (document GN-2784-7), which underscores the importance of supporting vulnerable

¹⁶ See Arboleda et al (2020). ¿Cómo proteger los ingresos y los empleos? Posibles respuestas al impacto del coronavirus en los mercados laborales de América Latina y el Caribe. IDB. <http://dx.doi.org/10.18235/0002312>.

¹⁷ See Huneus et al. (2012). Unemployment Insurance and Search Effort in Chile (June 2012). IDB Working Paper 313. <http://dx.doi.org/10.2139/ssrn.2149060>. See and González-Rosada et al. (2011). "Protecting Workers against Unemployment in Latin America and the Caribbean: Evidence from Argentina," [Research Department Publications](#) 4759, Inter-American Development Bank.

¹⁸ In addition to supporting the Unemployment Relief Program, the IDB approved the reformulation of the Sustainable Tourism Program II (3566/OC-BL) on June 4, 2020. This reorients US\$6.2 million of undisbursed funds to support the immediate public health response to contain COVID-19 and mitigate its impact on healthcare service delivery. IDB's support to the Government of Belize's health sector response to COVID-19, the most comprehensive to date in terms of volume of resources mobilized, focuses on filling the gaps identified by PAHO and the Ministry of Health in terms of laboratory supplies, equipment and health personnel.

populations, particularly from external shocks, through responsive social protection policies. It is consistent with the Labor Sector Framework Document (GN-2741-7), which highlights the importance of income protection mechanisms for the unemployed to smooth the loss of consumption and facilitate their return to work. Finally, this program is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996) by supporting the efforts to protect vulnerable populations through cash transfers.

B. Objectives, components, and cost

- 1.14 **Objectives.** The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support minimum income levels for those affected by the coronavirus in the immediate period.
- 1.15 **Component 1. Protection for the vulnerable population not on the rosters of transfer programs, working in the informal sector (US\$4,162,500).** This component will finance cash transfers of the Unemployment Relief Program to individuals who were formerly unemployed or informally employed. These individuals will initially receive a biweekly cash transfer of US\$75, for a period of 12 weeks (six transfers, for a total amount of US\$450 per person). Applications were received online, through a specifically [designed portal](#), and processed by the Central Information Technology Office (CITO). Applications are also cross-checked against data from the SSB and the Ministry of Human Development, Social Transformation & Poverty Alleviation, to exclude reception of pensions or other Government transfer. Payments began during the month of April, using a mix of bank accounts (for beneficiaries who had one) and prepaid cards issued by Heritage Bank (for unbanked beneficiaries, representing about 20% of the total). This system of application and payment has avoided the crowding observed in some LAC countries that expanded cash transfer programs in response to the COVID-19 crisis.
- 1.16 **Component 2. Protection for the vulnerable population not on the rosters of transfer programs, who worked in the formal sector (US\$7,730,100).** This component will finance cash transfers of the Unemployment Relief Program to individuals who were previously formally employed. The application, the amount of the transfer, and the payment process replicate those described in the previous Component. For this component, the application review process also includes the verification of formal employment, against the SSB database and through calls to former employers.
- 1.17 **Program administration, evaluation, and auditing (US\$107,400).** This item will fund the development of an information system for program application, fees for consultants engaged in program execution (in the MHDSTPA and Ministry of Finance), and monitoring expenses (including a consultancy for an audit of financial statements and reasonable assurance engagement).
- 1.18 **Beneficiaries.** The actions proposed in this operation will benefit 26,428 individuals that were unemployed or lost their formal or informal job or business income as a consequence of the COVID-19 crisis. None of these individuals were included in the rosters of pre-existing social protection programs.

C. Key results indicators

- 1.19 **Expected outcomes.** The program will contribute to maintaining standards of living for vulnerable persons whose income levels are affected by the COVID-19 crisis. The main expected outcomes are the provision of cash transfers to 9.03% of adult individuals (aged 18 or older) that were not formerly formally employed, were not receiving a pension nor transfers from BOOST, and to 60.49% of individuals who were formerly formal workers and lost their job due to the COVID-19 pandemic. All these individuals are considered to be vulnerable in the current context.
- 1.20 **Economic viability.** The cash transfers of the Unemployment Relief Program will support the levels of consumption of the vulnerable population. In the baseline scenario of the cost-benefit analysis of this project, the Net Present Value, using a social discount rate of 5%, amounts to US\$2.0 million and is robust to different assumptions on the fiscal multiplier effectiveness.¹⁹ This is a conservative estimate, as it does not take into account the positive effects on human capital that may result from consumption smoothing, nor the potential reductions, due to the support to social isolation, of COVID-19 related mortality and morbidity ([See OEL#1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation is a specific investment loan for a total of US\$12 million (Table 1) and will be financed with resources from the Bank's Ordinary Capital. The operation will be fully executed and disbursed during the year 2020. This short execution timeline reflects the emergency response nature of the Unemployment Relief Program.

Table 1: Estimated program costs (US\$)

Components	IDB total	%
Component 1. Protection for the vulnerable population not on the rosters of transfer programs, working in the informal sector	4,162,500	34.69
Component 2. Protection for the vulnerable population not on the rosters of transfer programs, who worked in the formal sector	7,730,100	64.42
Administration or other contingencies (evaluation and auditing)	107,400	0.90
Total	12,000,000	100.00

B. Environmental and social risks

- 2.2 In accordance with Directive B.3 of the Bank's Environment and Safeguards Compliance Policy (OP-703), the program has been classified as a Category "C" operation as it will not finance any physical infrastructure and is not expected to cause any negative environmental or social impacts. Nevertheless, rural and indigenous communities may be less likely to possess identity documents, and often have less access to computers, internet or smartphones that allow submitting online applications, thus are subject to some risk of exclusion. The fact that paper applications were made available at each of the district branch offices of the Social

¹⁹ The Net Present Value of this intervention is mostly insensitive to the use of different discount rates, as all costs and benefits materialize during the first year.

Security Board and that applications did not require an identity document (identity was verified through the social security database and licenses for different commercial activities) may have facilitated access for indigenous and rural populations. If the program opens a new window of applications in the future, paper applications would continue to be made available at the district offices as done in the past, but also with translation into local languages.

C. Fiduciary risks

- 2.3 Fiduciary risk in procurement management is considered low, given that the only procurements within the scope of the project are those needed to hire consultants to conduct the evaluation and audit. Fiduciary risk in financial management is considered medium. The risk assessment took into account the results of the institutional capacity assessment conducted in December 2019 on the MHDSTPA as well as the status of public financial management (PFM) in Belize (See Annex III for further details). The following are the main possibilities that could adversely affect project execution: (i) possible delays and errors in financial management due to lack of experience and knowledge of Project Executing Unit (PEU) staff in executing the financial management aspects of a Bank-financed investment loan; and (ii) possible lack of inter-agency coordination and fluid information sharing between MHDSTPA, SSB, and Ministry of Finance, that could lead to delays in financial reporting. Actions to mitigate these risks include: (i) Bank to conduct coaching sessions with PEU on the Bank's financial management policies and procedures; and (ii) establish and document in a program operations manual the role of each agency involved in the payment of beneficiaries under the Unemployment Relief Program to ensure seamless information sharing and coordination for timely disbursement and payment processing as well as financial reporting.
- 2.4 For most of the proposed actions, the execution risk is low inasmuch as consolidated institutions and processes will be used, such as the MHDSTPA, which is the executing agency of existing Government cash transfer programs. The Bank has worked with this counterpart during the execution of the Community Action for Public Safety (2475/OC-BL) operation, successfully closed in 2016. More recently, the Bank has been working with MHDSTPA for the design of a new phase of the previously mentioned program. All this experience shows that MHDSTPA has sufficient capacity to execute the program and presents a low risk in the systems included in the evaluation. No significant risks that could affect execution have been detected.

D. Other key risks and issues

- 2.5 An inherent reputational risk of cash transfers implemented during the COVID-19 pandemic lies in the potential for outbreaks due to crowding related to program applications and payments. The Unemployment Relief Program minimizes these risks by: (i) creating an information system that receives and processes the large majority of the applications online; (ii) paying the cash benefits through bank accounts and issuing prepaid bank cards for unbanked beneficiaries (representing about 20% of the total).
- 2.6 **Sustainability.** The project is sustainable as it focuses exclusively on supporting the immediate efforts to protect vulnerable populations from the socioeconomic effects

of the COVID-19 pandemic, by avoiding a rapid deterioration of social conditions in the country. The Unemployment Relief Program is a short-term intervention, and is not designed to become a permanent component of the country's social safety net. The loan represents a fraction of the financial and social effort being made by the country, which is determined to assume economic costs to save lives, as well as advance an inclusive recovery once the emergency has been contained. In addition, the information on applicants and the payment system built to implement the Unemployment Relief Program will provide a useful platform for shock responsive social protection, to respond to similar situations in the future, whether health emergencies or natural disasters.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The Borrower is the Government of Belize. The program will be executed by the Ministry of Human Development, Social Transformation & Poverty Alleviation, through its Project Executing Unit (PEU). The PEU will include a full-time program coordinator who will coordinate and oversee the activities of the project and will be supported by a program assistant.
- 3.2 **Execution and administration.** The PEU responsibilities include: (i) preparation of the implementation plan; (ii) financial administration, accounting, and preparation of budgets and disbursement requests; (iii) preparation of procurement plan and procurement of consultancy services, including the selection and hiring of the external audit firm; (iv) preparation of technical reports and financial statements; and (v) monitoring of project activity progress.
- 3.3 **Interagency coordination.** To facilitate the efficient implementation of Components 1 and 2 of the transfer program, the executing agency, through the PEU, will facilitate coordination between those institutions that are responsible to execute the transfers. These include the Ministry of Finance, the Social Security Board Belize, the Central Information Technology Office, the Economic Oversight Team, the Belize Tourism Board, the Treasury Department, and the Fisheries Department. The Program Operations Manual will define the role of each institution and the coordination mechanism between these institutions.
- 3.4 **Special contractual conditions precedent to the first disbursement of the loan proceeds: the EA will submit to the Bank evidence of: (i) the appointment of a program coordinator; and (ii) the approval of the Program Operations Manual.**²⁰ These conditions are necessary to guarantee adequate project execution.
- 3.5 **Retroactive financing.** The Bank may retroactively finance eligible expenditures made by the borrower prior to the loan approval date for cash transfers of the COVID-19 Unemployment Relief Program (Component 1 and 2) as well as related administrative expenses up to US\$6 million (50% of the loan amount), provided that requirements substantially similar to those established in the loan contract were met.

²⁰ The elaboration of the Operations Manual is being supported by the Bank. The manual will detail the processes of application, selection of beneficiaries and payment of transfers ([See OEL#2](#)).

Such expenditures were incurred after April 1, 2020, when the Government launched the COVID-19 Unemployment Relief as a special program to mitigate the socioeconomic impacts of the pandemics.²¹ Even though this predates the project officially entering the pipeline (document GN-2259-1), authorization of the retroactive financing on an exceptional basis is justified, given the circumstances surrounding the global emergency. Given the unpredictability and rapid evolution of the pandemic and its economic consequences on the vulnerable population, it is considered consistent with the project development objectives to retroactively recognize the expenses of the Unemployment Relief Program.

- 3.6 **Procurement.** The project expects few acquisitions, which are included in the procurement plan. If other acquisitions are necessary, the procurement processes will be conducted with the Policies for the Acquisition of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of consultants financed by the Inter-American Development Bank (document GN-2350-15), or the policies in force at the time of execution, as well as the Financial Management Guidelines for projects financed by the IDB (OP -273-12).
- 3.7 **Disbursements.** Disbursements will be made through advances of funds based on liquidity needs, and supporting justification for advances will be provided pursuant to the provisions of the Financial Management Guidelines for IDB-financed Projects (document OP-273-12) or the guidelines in effect at the time of program execution, and the Fiduciary Agreements and Requirements (Annex III).
- 3.8 **Audit.** The type of audited financial report considered most suitable for the program is the reasonable assurance engagement, which the executing agency will submit to the Bank within 120 days after the close of the fiscal year, March 31. The audit engagement will be conducted by a Bank-eligible independent audit firm. The scope and related considerations will be governed by the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audits. Assurance engagement costs will be financed with project resources.

B. Summary of arrangements for monitoring results

- 3.9 **Monitoring.** The executing agency will be responsible for implementing the monitoring and evaluation plan ([See REL#1](#)). In light of the crisis, the main monitoring tools for this program will be the results matrix. The main sources of information for monitoring the outcome and output indicators will be administrative records from the Unemployment Relief Program. The main reporting tool will be the progress monitoring report (PMR), which will use the program's semiannual reports as its main sources of information.
- 3.10 **Evaluation.** Given the nature of this operation, program evaluation will assess the program's contribution to the specific objective to support minimum income levels for those affected by COVID-19 in the immediate period. To that end, a "before and after" analysis will be performed, using information from available time series on results indicators. A consultancy has been budgeted as part of the Administrative

²¹ The Unemployment Relief Program benefits vulnerable populations in the informal and formal sector.

component of this operation to carry out this analysis in the third and fourth quarters of 2020. For the purpose of attributing the observed results to program interventions, the quantitative analysis will be supplemented with a review of the theory of change supported by relevant evidence of the effectiveness of similar interventions in comparable contexts.

Development Effectiveness Matrix		
Summary		BL-L1034
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		This project is consistent with the Proposal for the IDB Group's Response to the Pandemic Outbreak of COVID 19 (document GN-2996), since one of its priorities is to protect the incomes of affected vulnerable populations.
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.6
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		6.5
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		4.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Low
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The operation BL-L1034, for US\$12,000,000, is part of the Bank's operational response to the COVID-19 Pandemic, Support for Vulnerable Populations Affected by Coronavirus. The general objective of the project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support minimum income levels for those affected by the coronavirus in the immediate period.

The loan proposal presents a solid diagnosis of the problem, as well as a review of international evidence. The proposed solutions are an appropriate response to the problems identified in the proposal and its contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of outcomes and impacts. The outcome indicators are appropriately defined to measure the achievements of the project's specific objective.

The economic analysis shows that the operation is efficient with an NPV of US\$2 million. In a context of high uncertainty, the analysis considers the benefits associated with the multiplier effect on the economy from the spending of individuals who benefit from the transfers.

Given the nature of this operation, the monitoring and evaluation plan proposes to carry out a reflexive evaluation (before and after) using the administrative information from the program to measure the outcome indicators.

RESULTS MATRIX

PROJECT OBJECTIVE:	The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support minimum income levels for those affected by the coronavirus in the immediate period.
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EXPECTED OUTCOMES

Indicator	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
Percentage of adult population (aged 18+) not formerly formally employed, receiving pension, or transfers from the Building Opportunities for Our Social Transformation (BOOST), that receive support from the Unemployment Relief program.	%	0	February 2020	9.03	Project ex-post evaluation	Numerator: 9,250; number of beneficiaries of component 1 of the project. Denominator: 102,451. Estimated ex-ante, equal to the total adult population (233,975 Belizean citizens older than 18), minus the number of formal employees (110,937 active insured persons, measured in December 2019), minus the number of beneficiaries of a pension (13,244 recipients of a contributory pension (includes retirement, invalidity, survivors, disablement and death) + 1,343 recipients of a non-contributory pension, both measured in January-February 2020, for a total number of 14,587), minus the number of beneficiaries of BOOST (6,000).
Percentage of individuals who were formerly formal workers and lost their job due to the COVID-19 pandemic, that receive support from the Unemployment Relief program.	%	0	February 2020	60.49	Project ex-post evaluation	Numerator: 17,178, number of beneficiaries of component 2 of the project. Denominator: 28,400. Estimated ex-ante, equal 25.6% of the number of former active insured persons (110,937, measured in December 2019). 25.6% is the loss of jobs due to the COVID pandemic estimated for Belize. ¹

¹ Altamirano et al, 2020. ¿Cómo impactará la COVID-19 al empleo? Posibles escenarios para América Latina y el Caribe. IDB. Washington. <http://dx.doi.org/10.18235/0002301>.

OUTPUTS

Output	Unit of measure	Baseline	Baseline year	Final target (Year 1)	Means of verification	Comments
Adult individuals (aged 18+) not formerly formally employed, receiving pension, or transfers from the Building Opportunities for Our Social Transformation (BOOST), that receive support from the Unemployment Relief program.	Number of individuals	0	February 2020	9,250	Project financial report	“Gender tracking” (reported by male/female gender of the beneficiaries)
Individuals that receive cash transfers from the Unemployment Relief Program, being formerly formal workers (active insured persons).	Number of individuals	0	February 2020	17,178	Project financial report	“Gender tracking” (reported by male/female gender of the beneficiaries)

Country: Belize
Co-financing: N/A

Sector: SPH

Project Number: BL-L1034
Co-execution: N/A

Year: 2020

Fiduciary Agreements and Requirements

Executing Agency: Ministry of Human Development, Social Transformation & Poverty Alleviation (MHDSTPA)

Project Name: Support to Safety Nets for Vulnerable Populations affected by Coronavirus in Belize

I. Executing Agency Fiduciary Context

1. Use of Country System in the Project¹

Budget	<input checked="" type="checkbox"/>	Reporting	<input type="checkbox"/>	Information System	<input type="checkbox"/>	National Competitive Bidding (NCB)	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	Internal Audit	<input type="checkbox"/>	Price Comparison	<input type="checkbox"/>	Advanced NCB	<input type="checkbox"/>
Accounting	<input type="checkbox"/>	External Control	<input type="checkbox"/>	Individual Consultancy	<input type="checkbox"/>	Consultancy Firm	<input type="checkbox"/>

Applicable National Laws:

The Constitution of Belize is based on the Westminster parliamentary model and was last updated March 2017. It defines the legislature as the National Assembly with authority to approve laws, including the national budget. Additionally, it defines the mandate of the Auditor General to hold the government accountable for its stewardship of public funds.

The five laws and regulations that provide guidelines for PFM are: (i) Finance and Audit (Reform) Act of 2005, last amended in 2011; (ii) Financial Orders; (iii) Stores Orders; (iv) Control of Public Expenditure Handbook; and (v) Fiscal Transparency and Responsibility Regulation, 2010.

2. Executing Agency Fiduciary Capacity

The evaluation of the fiduciary capacity² of MHDSTPA considered the institutional capacity assessment (ICAS) conducted in December 2019 as well as the status of public financial management in Belize. The MHDSTPA has extensive experience in the implementation of cash transfers for the vulnerable population (e.g. the BOOST). In addition, the program coordinator will be the same program coordinator who led, from 2010 to 2015, the implementation Community Action for Public Safety, 2475/OC-BL.

3. Fiduciary Risk and Mitigation Actions

Fiduciary Risk: High ☐ Medium ☒ Low ☐

Risk	Mitigation Plan
Possible delays and errors in financial management due to lack of experience and knowledge in executing the financial management aspects of a Bank-financed investment loan.	Bank to conduct coaching sessions with Project Executing Unit on the Bank's financial management policies and procedures.
Possible lack of inter-agency coordination and timely information sharing between the executing agency, Social Security	Establish and document in a program operation manual the role of each agency involved in the

¹ Any system or subsystem that is subsequently approved could be applicable to the operation, in accordance with the terms of the validation conducted by the Bank.

² See document ([ICAS - MOHD](#)) that includes the analysis and results of the fiduciary capacity evaluation of the EA.

Board and Ministry of Finance, that could lead to delays in the preparation of disbursement requests.	payment of beneficiaries under the Unemployment Relief Program to ensure seamless information sharing and coordination for timely disbursement and payment processing as well as financial reporting.
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II. Aspects to be considered in the Special Conditions of the Contract

<p>Exchange rate for justification of expenses is the exchange rate in force on the date of payment of the expenditure in the local currency of the Borrower as indicated in Article (b) ii of the General Conditions.</p> <p>Accordingly, the agreed exchange rate will be the exchange rate as published in the Central Bank of Belize on the effective date on which the Borrower, the Executing Agency, or any other person or legal entity in whom the power to incur expenditures has been vested makes the related payments to the contractor, the supplier, or the beneficiary.</p> <p>Audit: The type of audited financial report considered most suitable for the project is the reasonable assurance engagement, which the executing agency will submit to the Bank within 120 days after the close of the fiscal year, March 31. The audit engagement will be conducted by a Bank-eligible independent audit firm. The scope and related considerations will be governed by the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audits. Assurance engagement costs will be financed with project resources.</p>

III. Agreements and Requirements for Procurement Execution

Exception to the Policies and Guides:

No exceptions are provided for to the Bank's policies.
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Retroactive Financing and/or Advanced Procurement³	<p>3.1 The Bank may retroactively finance eligible expenditures made by the borrower prior to the loan approval date for cash transfers of the COVID-19 Unemployment Relief Program (Component 1 and 2), as well as related administrative expenses up to US\$6 million (50% of loan amount), provided that requirements substantially similar to those established in the loan contract were met. Such expenditures were incurred after April 1, 2020, when the Government launched the COVID-19 Unemployment Relief as a special program to mitigate the socioeconomic impacts of the pandemics. Even though this predates the project officially entering the pipeline (document GN-2259-1), authorization of the retroactive financing on an exceptional basis is justified, given the circumstances surrounding the global emergency. Given the unpredictability and rapid evolution of the pandemic and its economic consequences on the vulnerable population, it is considered consistent with the project development objectives to retroactively recognize the expenses of the Unemployment Relief Program.</p>
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³ In accordance with the retroactive financing policy, expense recognition and early procurement GN-2259-1, or the equivalent policy that was in effect at the time of the operation.

[Expenses incurred prior to the term of the Modified Agreement]	<ul style="list-style-type: none"> • Not applicable
Procurement Complementary Support	<ul style="list-style-type: none"> • No
Projects with Financial Intermediaries	<ul style="list-style-type: none"> • Not applicable
Procurement Agents	<ul style="list-style-type: none"> • No
Direct Contracting	<ul style="list-style-type: none"> • The following direct contracting are authorized: None

Operational Expenses: <input type="checkbox"/> N/A	National Preference: <input type="checkbox"/> N/A
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General Procurement Supervision Method of the Project: The contracting of works or the purchase of goods and services is not foreseen, however, if they exist, the ex-ante review modality will be applied to international, direct contracting and exceptional processes. It is probable that consultants will be hired, using the following method.	
Supervision Method: Ex-ante	For: Firms or international consultants

Thresholds by Country: <http://www.iadb.org/procurement>

IV. Agreements and Requirements for Financial Management

Programming and Budget	<ul style="list-style-type: none"> • The budget preparation process begins each year with the budget call whereby the Ministry of Finance (MOF) distributes a circular outlining the timeline and required forms to be completed by each ministry, department and agency. The Borrower has committed to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the execution of the project based on information contained in the corresponding project execution plan. Additionally, to address the economic crisis, the GOB April 2020 allocated US\$37.5 million to the Unemployment Relief Program (URP). This project will provide additional financing to URP.
Treasury and Disbursement Management	<ul style="list-style-type: none"> • In accordance with the norms of GOB, a designated bank account within the Central Bank of Belize will be utilized for the receipt of loan resources. For payments to beneficiaries of the URP, applications are first received online, through a specifically designed portal and processed by the Central Information Technology Office (CITO). CITO processing includes an algorithm and interoperability that allows cross-checking applicants' data against the SSB database to ascertain nationality and to exclude current or recent formal employment status. Applications are also cross-checked against data from the SSB and the MHDSTPA. Once the initial vetting process is completed the list of beneficiaries is submitted to the Economic Oversight Team and the MOF for approval. Once approved, CITO enters the approvals into the portal and generates a pay list which is sent to SSB for further processing. SSB receives the payment instructions and processes in their internal payment advice through Atlantic Bank to the various other financial institution using the

	<p>different payment methods available to beneficiaries such as direct deposits and prepaid cards.</p> <ul style="list-style-type: none"> It is expected that the reimbursement method will be used for the first disbursement and the advance of funds methodology will be used thereafter for the project. The Advance of Funds when used, will be based on the true liquidity needs of the project for a period not exceeding six months. Subsequent advances may be disbursed once 80% of the total accumulated balance pending justification has been submitted and accepted by the Bank. To request disbursements from the Bank, the following forms and supporting documents will be submitted. 		
	Type of Disbursements	Mandatory Forms	Optional Forms/ Information that may be requested by the IDB
	Advance of Funds	Disbursement Request/ Financial Plan	List of commitments/ physical and/or financial progress reports
	Reimbursements of payments made	Disbursement Request/ Project Execution Status/ Statement of Expenses/ Reconciliation of Bank Resources	List of commitments/ physical and/or financial progress reports
	Direct Payment to Supplier	Disbursement Request/ Acceptable Supporting Documentation may include invoices and acceptance of completion of works and/or delivery of goods and services to satisfaction of Government of Belize	List of commitments physical/financial progress reports/evidence that goods/services have been satisfactorily received
Accounting, Information System and Report Generation	<ul style="list-style-type: none"> Accounting and reporting for the project will be facilitated through the financial and payment reports generated from the system by CITO. The PEU will use this source information to prepare financial reports in accordance with cash-basis international public-sector accounting standards (cash-IPSAS). It is expected that the accounting and reporting system of the project will, on a cash basis: (i) facilitate the recording and classification of all financial transactions according to source of funding and categories of investment; and (ii) provide information related to, planned versus actual financial execution of the project, commitments made under the project, the financial plan for a six months period, financial statements, performance reports and any other reports that may be required from time to time by the MOF and/or the Bank. 		
External Control	<ul style="list-style-type: none"> Given the capacity constraints of the Office of the Auditor General, an eligible private audit firm will be hired to conduct a reasonable assurance engagement of the project. The Borrower and the Executing Agency, as agreed with the Bank, will select and contract the services of an eligible auditor, in accordance with the agreed Terms of Reference. 		

Financial Supervision of the Project	<ul style="list-style-type: none"> The financial supervision plan of the project will focus on: (i) activities related to the implementation and follow-up of arrangements and systems being implemented for the fiduciary management of the project; (ii) follow-up on the implementation status of risk mitigating measures; Disbursements will be reviewed on an ex-ante and ex-post basis, as deemed necessary.
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V. Information relevant to the operation

Policies and Guides applicable to the operation

Financial Management	Procurement
<ul style="list-style-type: none"> <u>GN-2811 [OP-273-12]</u> 	<ul style="list-style-type: none"> <u>GN-2349-15</u> <u>GN-2350-15</u>

Records and Files

The executing agency will be responsible for establishing the necessary controls for the safeguarding and integrity of the documentation generated by the execution of the project. The Bank may, at any time, verify the standards of organization, control and security of the files.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-____/20

Belize. Loan ____/OC-BL to Belize
Support to Safety Nets for Vulnerable Populations
Affected by Coronavirus in Belize

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Belize, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a project to "Support to Safety Nets for Vulnerable Populations Affected by Coronavirus in Belize". Such financing will be for the amount of up to US\$12,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2020)