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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

BELIZE

PROJECT PAPER

COMMERCIAL BANK DISCOUNT FUND

AID/LAC/P-112

Project Number: 505-0005
Loan Number: 505-E-002

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY

BELIZE

3. PROJECT NUMBER

505-0005

4. BUREAU/OFFICE

LAC

05

5. PROJECT TITLE (maximum 40 characters)

Commercial Bank Discount Fund

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
1 | 2 | 3 | 8 | 5

7. ESTIMATED DATE OF OBLIGATION

(Under "B:" below, enter 1, 2, 3, or 4)

A. Initial FY 8 | 3

B. Quarter

C. Final FY 8 | 3

B. COSTS (\$000 OR EQUIVALENT \$1 = BZE \$2)

A. FUNDING SOURCE	FIRST FY 83			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	()	()	()	()	()	()
(Loan)	(1200)	()	(1200)	(5000)	()	(5000)
BZE						
1. Local Banks		400	400		1600	1600
2. Local Businessmen		1000	1000		4400	4400
Host Country						
Other Donor(s)						
TOTALS	1200	1400	2600	5000	6000	11,000

9. SCHEDULE OF AID FUNDING (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESP	140		840	400	4600		5000	400	9600
(2)									
(3)									
(4)									
TOTALS				400	4600		5000	400	9,600

10. SECONDARY TECHNICAL CODES (maximum 8 codes of 3 positions each)

010 070 140 150

11. SECONDARY PURPOSE CODE

840

12. SPECIAL CONCERNS CODES (maximum 7 codes of 6 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

TO INCREASE PRIVATE PRODUCTIVE INVESTMENT
IN AGRICULTURE AND RELATED INDUSTRY.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
0 | 9 | 84 | | | 0 | 3 | 86

15. SOURCE/ORIGIN OF GOODS AND SERVICES

Gov M1 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

17. APPROVED BY

Signature

[Handwritten Signature]

Title

A.I.D. Representative, Belize

Date Signed

MM DD YY
0 | 9 | 86

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

PROJECT AUTHORIZATION

Name of Country: Belize
Name of Project: Commercial Bank Discount Fund
Number of Project: 505-0005
Number of Loan: 505-K-002

1. Pursuant to Caribbean Basin Initiative Supplemental, Title I, Chapter VI of P.L. 97-257, the Supplemental Appropriations Act, 1982, I hereby authorize the Commercial Bank Discount Fund project for Belize involving planned obligations of not to exceed Five Million United States Dollars (\$5,000,000) in loan funds ("Loan") over a twenty-five (25) year period from the date of authorization, subject to the availability of funds in accordance with the AID OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project ("Project") consists of the establishment of a \$5 million loan financed Commercial Bank Discount Fund in the Central Bank of Belize, against which commercial banks will be able to discount credits extended to productive private sector agricultural, related industrial, and export-producing subprojects.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with AID regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as AID may deem appropriate.

a. Interest Rate and Terms of Repayment

The Government of Belize ("Borrower") shall repay the loan to AID in U.S. Dollars within twenty-five (25) years from the date of first disbursement of the loan, including a grace period of not to exceed ten (10) years. The Borrower shall pay to AID in U.S. Dollars interest from the date of first disbursement of the loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by AID under the loan shall have their source and origin in Belize or the United States, except as AID may otherwise

agree in writing. Ocean shipping financed by AID under the Loan shall be financed only on flag vessels of the United States, except as AID may otherwise agree in writing.

c. Conditions Precedent to Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, the Borrower shall, except as AID may otherwise agree in writing, furnish, in form and substance satisfactory to AID:

(a) An opinion of counsel acceptable to AID that the Project Loan Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the office of the Borrower specified in Section 9.3, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) A copy of the Central Bank's regulations and policies related to discounting project funds to the commercial banks;

(d) A statement of the retail lending policy of the commercial banks that will include special emphasis on lending to small and medium-size entrepreneurs and a commitment on their part to use their best efforts to lend twenty percent (20%) of the proceeds of this loan to achieve that objective;

(e) A copy of the Model Sub-Loan Agreement which the commercial banks will use in their loans to the sub-borrowers;

(f) Evidence that the Central Bank and the participating commercial banks will provide the staff necessary to carry out the Project.

d. Covenants

The Borrower shall covenant that, unless AID otherwise agrees in writing, it will:

(a) Require a subborrower under this Project to fit one of the following categories to be eligible for a sub-loan: (i) an individual who is a citizen or a legal resident of Belize or the United States; (ii) a corporation or partnership organized under the laws of Belize

or the United States of which more than twenty-five percent (25%) of the total combined voting power of all classes of stock is owned by Belizean or United States shareholders; (iii) a joint venture or unincorporated association consisting entirely of individuals, corporations, or partnerships which are eligible under any of the foregoing categories.

(b) Submit to AID for approval any project to be financed under the Loan Agreement which has a value in excess of Five Hundred Thousand United States Dollars (\$500,000).

(c) In carrying out project activities under the Loan Agreement, the Borrower will avoid projects or activities which would cause or threaten serious injury to the production, marketing, or pricing of United States agricultural commodities or products, and will keep AID informed of activities which appear to involve the potential for such harm.

(d) Examine each subproject financed under the Loan Agreement and make a written determination as to the effect that the Project will have on the human environment. Borrower will ensure that before proceeding with any project which could have a substantial effect on the environment that an environmental examination satisfactory to AID has been prepared.

Otto J. Reich

Otto J. Reich
Assistant Administrator
Bureau for Latin America
and the Caribbean

3/24/83
Date

Clearances:

GC/LAC: RBMeighan: *RM* date *3-22*

LAC/CAR: JHoltaway: *JH* date *3/22/83*

LAC/DR: DBJohnson: *DB* date *3/24/83*

GC/LAC: PGJohnson: *ckg*: 3/22/83: x632-3273

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BELIZE

COMMERCIAL BANK DISCOUNT FUND

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I. Summary and Recommendation

A. Summary Statement

The economy of Belize is in a period of stagnation, with agriculture and manufacturing activity in recession and declines being registered in private and public investment. Government borrowings to compensate for revenue declines due to lower export receipts (mainly sugar) and the general recession have brought on a liquidity squeeze which has seriously limited the commercial banks' ability to finance new productive facilities.

However, the private sector in Belize is active; the investment climate is good; and the Government strategy is to promote private investment in the export sector, given the small size of the domestic market. This Project proposes to establish a \$5 million¹/Loan-financed Commercial Bank Discount Fund in the Central Bank, against which commercial banks will be able to discount credits extended to productive private sector agricultural, related industrial, and export-producing projects.

The Loan and discount terms will allow the Central Bank sufficient net interest earnings over the repayment term of the A.I.D. Loan to form a permanent Fund substantially larger than this Loan. This Fund will be a continuing incentive to the commercial banks to offer long-term credit; and through manipulation of discount criteria, will provide the Central Bank with another device to influence the allocation of credit by the commercial banking system, promoting the engagement of this key private sector component in the national development process.

Except for the Central Bank's role as credit channel this Project will be carried out entirely within the private sector of Belize. In addition to the economic benefits attendant upon an increased level of agricultural production, processing, employment, and exports, it will lead to: an institutionalized expansion of the banking system's operations and client group; a change in banking policy, as the banks continue to lend for longer terms than are offered at present; and technological improvements in agricultural production and processing, as Belizean farms and businesses acquire modern machinery and know-how with this financing.

Financial Summary (US\$ 000)

Commercial Bank Discount Fund (AID)	\$ 5,000
Commercial Banks' Own Funds	1,600
Private Business Capital (Equity)	4,400
Total New Investment	<u>\$ 11,000</u>

1/ All cash figures in \$US unless otherwise noted.

The Embassy recommends authorization of an Economic Support Fund Loan of \$5,000,000 to establish a Commercial Bank Discount Fund within the Central Bank. The Dollar Loan will be repaid in 25 years, including a ten-year grace period, with interest charged at 2 percent during the grace period and 3 percent thereafter.

The Borrower will be the Government of Belize acting on behalf of the Central Bank, which supervises the banking system, and which will hold and administer the proposed Commercial Bank Discount Fund.

B. Conditions and Covenants

In addition to the customary Conditions and Covenants, the Project Agreement will include Conditions Precedent to Initial Disbursement whereby the Central Bank and the participating commercial banks will provide: a copy of the Central Bank's regulations and policies related to discounting project funds to the commercial banks, a statement of the retail lending policy of the commercial banks that will include special emphasis on lending to small and medium-size entrepreneurs and a commitment on their part to use their best efforts to lend twenty percent (20%) of the proceeds of this loan to achieve that objective, a copy of the Model Sub-Loan Agreement which the commercial banks will use in their loans to the sub-borrowers, and evidence that the Central Bank and the participating commercial banks will provide the staff necessary to carry out the Project; Covenants during the disbursement of the loan concerning project evaluation, the eligibility of sub-borrowers, the effects of subprojects on the environment, possible injury to U.S. producers, and subproject approval by A.I.D.; and Covenants whereby throughout the life of the A.I.D. Loan all repayments by the commercial banks of discounted subloan principal and interest thereon will be retained in the Discount Fund, and any change in the lending policy governing the use of the Discount Fund will be subject to A.I.D. approval.

C. Project Committee

Robert Adler, LAC/DP
Larry Armstrong, LAC/DR
Neboysha Braashich, USAID/BZE
Douglas Broome, LAC/DP
Charles Connolly, LAC/DR
Joanne Connolly, IDI
Jonathan Farrar, ECON/COM, ZMB/BZE
Jack Francis, LAC/CAR
Bob Meighan, GC/LAC
Karen Peake, LAC/DR
Marco Zavala, USAID/Honduras

II. Background

A. The Economy

1. Economic Review

Belize is a newly independent Caribbean country bordered by Mexico and Guatemala. With some 150,000 people on 8,867 square miles (Massachusetts-sized), it has one of the lowest population densities in the world. More than one third of its land is suitable for agriculture, and there is potential for development in forest products, fishing, light industry, and tourism.

Agricultural output increased slightly over the past five years, but export earnings have not kept pace with production. Sugar production has been steady since 1980, although earnings have dropped sharply in the past two years. Citrus and banana acreage have shown small increases and the prospects are good for a further rise. The cattle industry is in the most difficulty, with production, exports, and earnings all in decline. Despite the small population, ample fertile land, and favorable climate, Belize is not self-sufficient in food production. Food imports make up about one quarter of the total import bill.

The second most important sector, manufacturing, accounts for about 8 percent of GDP and is based primarily on agricultural output. Manufacturing growth has been affected by saturation of the relatively small domestic market, uncertainties associated with independence, and government price controls on some domestically produced goods.

Tourism exhibits considerable potential, and accounts for about 10 percent of foreign exchange earnings. Nevertheless an effective tourist plan, including marketing approaches and infrastructure requirements, needs to be developed.

The nation's economic infrastructure is in an early stage of development. Substantial investment in a road network and a new port have been made by the Government. Road maintenance is a serious problem. The new port facilitated a rapid rise in transit cargo for Mexico, which accounted for about 40 percent of all cargo handled before the 1982 collapse of the Mexican peso.

GNP per capita in 1981 was estimated at \$1,055, one of the highest in Central America and the Caribbean. However, the GOB current account budget for FY 82 registered its smallest surplus in recent history (\$5 million) and GDP is estimated to have fallen by around 3 percent during CY 82. New public sector investment has virtually ceased, with most projects shelved, including several with external funding for working capital. During the first half of FY 82 the GOB managed to draw down only 7 percent of its assistance

pipeline, now placed at about \$35 million. The private side of the economy has also entered a decline, as the consequences of falling agricultural export sales prices are compounded by diminishing production volumes while the domestic credit market, squeezed by Government borrowings, cannot finance the new productive investment needed to break the downward trend. This new investment is needed for the creation, expansion, or modernization of relatively large Production units; to quote the IBRD Economic Memorandum on Belize dated April 5, 1982: "while recognizing the importance of existing small farmer production to the economy, it appears essential to base future expansion of agriculture on medium to large commercially viable farms."

2. Recent Performance

Preliminary estimates for 1983 point to little or no growth in GDP, better than the decline registered over the past two years but significantly lower than the average growth rate of 5 percent in the early and mid-1970's. Agricultural production held up well in the face of lower prices for exports. The volume of sugar exports in 1982 exceeded the 1981 volume and was marginally higher than the 1980 level, but export value was one third lower than in 1980. Export volumes of citrus and fish products were also higher in 1982 than in the two previous years, but banana exports were significantly lower.

With the sharp decline in sugar prices, Belize's terms of trade deteriorated and this had a strong dampening effect on domestic economic activity. Preliminary estimates indicate 20 percent decline in Gross Domestic Income from 1981 to 1982, which was reflected also in substantial declines in consumption (about 10 percent) and investment (about 20 percent).

Table 1.

BELIZE

GDP by Sectors -- Growth Rates (%)

<u>1981</u>					
<u>Composition</u>		<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
100.0	<u>GDP</u>	<u>-1.3</u>	<u>4.8</u>	<u>1.5</u>	<u>-3.0</u>
60.5	<u>Basic Productive Sectors</u>	<u>-5.7</u>	<u>6.0</u>	<u>1.1</u>	<u>2.9</u>
48.1	Agriculture	7.0	4.8	2.7	-8.0 (est)
23.8	--Sugarcane	(-12.0)	(6.0)	(-9.5)	(-27.3)
17.7	--Other crops & L.S.	(-8.4)	(160.0)	(3.1)	(-2.2)
2.0	--Forestry	(46.3)	(-41.0)	(8.1)	(-10.5)
4.6	--Fishing	(6.8)	(-11.1)	(81.1)	(-6.9)
8.3	Manufacturing	-7.1	10.6	-1.8	14.0
3.8	Construction	18.2	9.9	-11.6	-10.0
<u>11.9</u>	<u>Public Administration</u>	<u>4.3</u>	<u>5.0</u>	<u>2.0</u>	<u>-3.5</u>
<u>27.6</u>	<u>Other Sectors</u>	<u>6.0</u>	<u>3.0</u>	<u>2.2</u>	<u>-0.9</u>

3. Public Sector Finances

Following a strong performance in the period 1975-80, the position of the consolidated nonfinancial public sector deteriorated in 1981 because of a pronounced weakening in Central Government finances. Public sector savings, which until 1980 averaged 3 percent of GDP, are estimated to have dropped to less than 1 percent in 1981. As a result, reliance on the domestic financial system, which had been minimal until 1979, intensified.

Central Government savings, which account for the entire savings of the public sector as the public enterprises continue to show a small operating deficit, are estimated to have fallen to less than 2 percent of GDP in 1981, after averaging slightly over 4 percent in the previous six years. The drop was caused by an upsurge in current expenditures of an estimated 32 percent, thrice the growth in nominal GDP. Current expenditures, on the other hand, until 1980 had grown more or less in line with nominal GDP, reflecting mainly moderate increases in salaries and wages. The upsurge in 1981 reflected in part wage awards granted in 1980 and 1981, but mainly a jump in outlays for goods and services. Revenue growth remained buoyant until 1982, when reduced re-exports and agricultural exports meant a reduction in customs revenues. This necessitated the imposition of new measures involving import duties, stamp duties, and excise taxes. From 1977 to 1981, current revenue consistently outpaced the growth of nominal GDP and rose from 21 percent of GDP in 1977 to an estimated 24 percent in 1981. Some investment projects not originally scheduled to start until 1982 were advanced by the Government with the attainment of independence. As a result capital spending is estimated to have increased by 28 percent in 1981. With the erosion of current account savings, more than one-third (\$7.5 million) of such spending is estimated to have been financed through domestic bank borrowing. However, part of this borrowing was expected to be reimbursed in 1982 from external assistance. At independence Belize received from the United Kingdom a commitment for a zero-interest long-term loan of \$11 million, in addition to a similar amount as a grant, both to be disbursed over the next three years.

In contrast to the weakening in Central Government finances, the position of the rest of the public sector continued to improve. The operating deficits of the public enterprises in 1981 amounted to 0.5 percent of GDP, compared with an average of 2 percent in the period 1977-78. The improvement in the operating position was due to increases in utility rates and tariffs: in 1979-80 telephone rates were doubled, electricity rates were increased, and selling prices of certain commodities handled by the Marketing Board were moderately increased. In early 1981 water and sewage rates, which had remained unchanged since 1976, were raised by 50 percent. The Social Security Scheme, which started operations in mid-1981, had an operating surplus of an estimated \$0.9 million in 1981.

During the period 1978-80 the public sector significantly stepped up its investment program. The bulk of this increase was carried out by the public enterprises and consisted mainly of a deep-water port, water and sewerage expansion, additional telephone equipment, and several new electricity generators. As a result public sector investment rose sharply from an average of 11 percent of GDP in 1975-77 to an average of 16 percent in 1978-80. With the completion of major projects in 1980, the investment ratio fell to an estimated 13 percent of GDP in 1981, although public sector investment did not decline in nominal terms. Until 1979 the bulk of public sector investment had been financed by public sector savings, foreign grants, and concessionary long-term foreign borrowing, with little recourse to domestic bank borrowing. However, the proportion of public sector investment financed by domestic bank borrowing increased in 1980 and 1981, and public sector savings were increasingly eroded.

The current status of the GOB's fiscal situation, prepared by the GOB and the IMP in April 1982, is provided in Table 2 below. The analytical logic of this table is as follows: (1) The difference between current revenues and current expenditures is the current surplus. (2) The current surplus plus capital revenues (a relatively minor item) constitute all of the local non-bank funds available to finance central government capital expenditures and transfers to the rest of the public sector. (3) The other sources of funding for capital expenditures are foreign grants and loans and domestic and foreign bank credits. The central government's current surplus accounts for nearly all of the savings of the public sector; see IBRD, Economic Memorandum on Belize (April 5, 1982), page 2. Public enterprises as a whole have had small operating deficits. Domestic funding from the current surplus as well as credit from the domestic banking system accounted for about 60 percent of funding of central government capital expenditures during the two recent fiscal years.

The GOB budget law for the 1982/83 fiscal year projected current revenues at \$48.3 million, current expenditures at \$40.7 million, and a current surplus of \$7.6 million. By the end of August it was evident that the revenue performance was not conforming to the budgetary projection, and significant downward revisions were made by the GOB. These revisions set current revenues for the fiscal year at \$43.0 million -- a reduction of \$5.3 million -- while no changes were made in the expenditure level. The current surplus for 1982/83 was therefore reduced to \$5.1 million. Based upon revenue performance during the first half of the 1983/84 fiscal year, the magnitude of downward revision appears realistic.

4. Investment and Savings

Gross domestic investment in 1982 is estimated to have declined to 14 percent of GDP, from 27 percent in 1979, mainly because of lower private investment. The sluggishness of private

investment is attributable to continuing uncertainty generated by the attainment of independence and Guatemala's continuing claim on Belizean territory, as well as to low profitability arising from a policy of price controls on some domestically produced goods. Total gross domestic investment would have declined even further had the public sector not maintained a relatively high level of investment. Gross domestic savings is also estimated to have dropped sharply in 1981 and 1982, because of lower public sector savings as well as lower private savings due to reduced income from sugar exports.

Table 2.

Central Government Operations
(In Millions of Dollars)

	<u>FY</u> <u>1980/81</u>	<u>FY</u> <u>1981/82</u>	<u>FY</u> <u>1982/83(b)</u>
• Current Revenue	40.4	42.5	43.0
Current Expenditures	31.3	36.0	38.0
Wages and Salaries	14.0	17.0	
Other	-17.3	19.0	
Adjustment (Extrabudgetary)	- 0.1	- 0.1	
Current Surplus	9.1	6.4	5.1
Capital Revenue	0.7	0.7	1.5
Available Local Funds	9.8	7.1	6.5
Capital Expenditure (a)	20.2	23.1	
Local Funds	12.4	12.4	
Foreign Funds	7.8	10.7	
(Grants)	(7.0)	(7.9)	
(Loans)	(0.8)	(2.8)	
Deficit for Domestic Financing	2.7	5.3	
Central Bank	1.2	6.8	
Commercial Banks	3.8	- 1.8	
Other	0.3	0.3	

(a) Includes transfer to rest of public sector.

(b) Based upon GOB budgetary revision of October 1982.

5. Money and Credit

Credit availability eased considerably in 1981 following a credit squeeze the previous year, after the Monetary Authority instructed the commercial banks to reduce their loan portfolios by 5 percent during the first quarter of 1980, and gradually raised the discount rate from 10 percent at the end of 1979 to 14 percent at the end of 1980. The rate of credit expansion by the financial system doubled to 21 percent in 1981. Although about one-half of the increase reflected higher domestic financing requirements of the Central Government, credit to the private sector nevertheless expanded by 16 percent, compared with 9 percent in 1980. The bulk of this increment was directed to services, particularly trade activities, rather than to manufacturing and construction. The easing of credit in 1981 was facilitated by the buoyancy of liabilities to the private sector. The growth of these liabilities accelerated from 11 percent in 1980 to an estimated 14 percent in 1981 on the strength of an estimated 42 percent rise of time deposits spurred by the higher return being paid by the commercial banks. The maximum interest rate on three-month time deposits was gradually raised from 7 percent at the end of 1979 to 15 percent at the end of 1980, moving domestic interest rates closer to international levels. However, the accelerated inflow of domestic resources into the financial system did not reflect a higher level of total domestic savings, but rather the stemming of a capital flight, which had started in 1979 and intensified in 1980.

6. Prices and Wages

No official price and wage statistics are compiled in Belize, but given the high degree of openness of the economy, movements in domestic prices are mainly influenced by changes in foreign prices. The growth of the GDP implicit deflator is estimated to have slowed from 14 percent in 1980 (reflecting largely the sharp increase in sugar export prices and oil import prices) to 8 percent in 1981 (reflecting the decline in sugar export prices and a moderate rise in import prices). According to a cost of living survey carried out by a commercial bank, the cost of living for their employees rose by 17.9 percent in the 12-month period ended in June 1980, compared with 12.5 percent in the previous 12-month period. According to fragmentary information, nominal wages in both the private and public sectors have risen more or less in line with perceived cost of living increases. In the garment industry, wage and fringe benefits were raised by 12.5 percent in 1979 and 17 percent in 1980. In the banking sector, salary increases of 9 percent and 12 percent were awarded in 1980 and 1981, respectively. For the public sector, a wage award of 20 percent to 25 percent was given for a two-year period beginning October 1980.

The April 1982, IBRD Economic Memorandum on Belize recommended a review of the list of price controls then in effect covering a number of domestically produced agricultural

commodities. In the course of preliminary discussions of this project proposal we suggested the GOB consider lifting these controls, at least so far as they bore on commodities to be financed under the A.I.D. Loan. As these discussions progressed during 1982, the controls on basic foodstuffs were lifted; and more recently, as a possible Livestock Development project has been under study and discussion, almost all the price controls and other marketing restrictions on cattle have been rescinded.

7. Balance of Payments

In 1980, Belize had a balance-of-payments surplus of \$2.3 million and in 1981 a deficit of \$0.9 million. For 1982, the decline in the net international reserve position is expected to approximate \$4 million. Gross foreign exchange assets of the Central Bank declined from \$10.4 million at the end of 1981 to \$6.6 million as of October 13, 1982. In terms of import coverage this decline in gross foreign exchange assets constituted a reduction from 3.1 weeks to 2.3 weeks of import coverage. Restoration of gross reserves to a position of 6.0 weeks of import coverage (based upon 1982 imports) would require a \$10.6 million increase in the gross asset position. Coverage at this level is deemed a minimum of adequate coverage by major external donors. It is also anticipated that the 1983 B/P deficit will be about \$4 million.

Other external donors have indicated that the provision of immediate B/P relief on the order of \$4 to \$5 million would be welcome as relief to Belize's current B/P problem, particularly if it were conditioned as a requirement for fiscal correction. The GOB has applied to the IMF for a drawing under the Compensatory Finance Facility (CFF) and this drawing would provide approximately \$4 million in freely disposable foreign exchange. However, this drawing is not likely to be forthcoming until late in the first quarter of CY 1983 at the earliest.

Table 3 below on the Balance of Payments of Belize, which was recently prepared, suggests the fundamental reasons for the swing toward a deficit balance of payments position. As can be seen, the domestic exports of Belize declined by about 22 percent in 1982 and domestic imports declined by about 10 percent. The increased trade deficit was offset by a decline in non-factor service expenditures and a small increase in transfers resulting in no change in the magnitude of deficit on current account -- \$38.6 million for both 1981 and 1982. The reduced inflow of private capital and commercial loans on capital account was also nearly offset by an increase in the net inflow on official capital. The paramount danger for Belize relates to the fact that further erosion of the gross reserve position could impair external creditworthiness and undermine the capital account, particularly in regard to credits to the private sector. For this reason, each dollar of ESP assistance can be viewed as yielding a multiple equivalent in terms of capital account inflow.

B. Agriculture-Related Credit System

The Government-owned Development Finance Corporation (DFC) is the major source of agricultural credit at present, providing small loans on one-year terms and larger credits for three to five years. With over 42 percent of its accounts now in arrears, this is not the time to consider increasing the DFC's lending resources.

The commercial banks also provide agricultural credit, a portfolio component less important now than industry and commerce, and could expand this line if there were funds available.

Table 3.

Belize: Balance of Payments
(In Millions of Dollars)

	<u>1980</u>	<u>1981</u>	<u>1982</u>
Domestic exports of goods	82.1	74.7	57.8
Re-exports of goods	28.7	44.3	32.7
Total Exports of goods	110.8	119.0	90.4
Non-factor service earnings	10.3	10.5	10.6
Exports of goods & n.f.s.	121.1	129.5	101.0
Domestic imports of goods, f.o.b.	121.0	117.7	106.0
Imports of goods for re-export	28.8	44.3	32.7
Total Imports of goods	149.8	162.0	138.7
Non-factor service expenditures	15.1	14.0	10.4
Imports of goods and n.f.s.	164.8	176.0	149.1
Net Factor Income	3.6	4.0	3.8
Transfers	14.9	11.8	13.2
Balance on Current Account	32.4	38.6	38.6
Official Capital	14.1	15.8	18.3
Grants	(5.6)	(8.0)	(-)
Loan Disbursements	(7.7)	(7.9)	(19.0)
Loan Amortization	(-0.6)	(-0.7)	(-1.9)
Public Financial Entities	(1.4)	(0.6)	(1.2)
Commercial Loans	2.3	2.1	1.1
Private Capital and E & R	22.9	18.6	15.4
Balance on Capital Account	34.7	36.5	34.6
Change in Net International Reserve Position (- = increase)	-2.3	2.1	3.6

The four commercial banks (branches of foreign banks) operating in Belize are Barclays, Atlantic, Nova Scotia, and the Royal Bank of Canada. The Atlanta bank is the smallest of the four banks, and has an approximate market share of 5 percent. In general, the four banks are competitive, their rates are similar, and interest rate movements are uniform.

At the present time, the prime lending rate of the banks is 16 percent. Most loans are at prime plus 2 or 3 points. The typical loan is an 18 or 19 percent, 30 to 90 day credit for an established customer. Other characteristics of loan activities at the banks are:

- o terms range from 30 days to 5 years, but are skewed toward the short range;
- o large borrower equity participation is required (the starting point in the negotiations is generally 50 percent participation);
- o average size of business loans is approximately \$250,000;
- o quality and aggressiveness of the four banks differ, but they are competitive and will "follow the leader";
- o the banks do not have the staff experience to perform market studies and financial feasibility studies for projects being considered for financing.

At year-end 1982 the commercial banks' exposure in areas to be eligible for financing under this Project totalled \$24,514,000 of a combined portfolio (four banks) of \$66,172,000.

Commercial Banks' Distribution of Loans and Advances
(\$ '000)

December 31, 1982

Government Services	\$ 7213
Public Utilities	292
Agriculture	12242
Commercial Fishing	265
Forestry	1388
Manufacturing	6619
(Agricultural processing)	(2985)
(Other)	(3633)
Tourism	721
Building & Construction	6292
Real Estate	692
Financial Institutions	159
Distribution	22182
Professional Services	387
Transport	1012
Entertainment	431
Mining & Exploration	926
Personal Loans	5352
Sundries	
Total	66172

C. Other Donors

Belize receives assistance from the Caribbean Development Bank (CDB), the European Development Fund, the Canadian International Development Agency (CIDA), and the United Kingdom through the Commonwealth Development Corporation and the British bilateral program. Of the 50 or so ongoing development projects, currently about one-half are financed through the CDB. Other sources of funding are the UNDP and CIDA. The European Economic Community (EEC) is also an active development participant in Belize, and has recently established a resident office in Belize City. Until the opening of our bilateral Mission in January, 1983, U.S. Government assistance was provided through A.I.D.'s regional program in the Caribbean, under which Belize was the largest beneficiary.

The Belize Government's priorities for funding over 1982-85 include some 44 projects. Tentative funding sources have been identified for about half. At present neither the World Bank nor the IDB has a program in Belize, but the World Bank is currently considering a road maintenance proposal.

D. The A.I.D. Development Strategy

According to the March, 1982, "Background on the Caribbean Basin Initiative" issued by the State Department, "the emergency economic aid program confronts the acute liquidity crisis faced by many countries in the region. At stake is the survival of the private sector and with it the pluralism, diversity, and political moderation on which viable long-run policies depend." While few Belizeans display that acute a sense of crisis, all would concur that the economy is deteriorating visibly, and that a major problem is the liquidity squeeze confronting the Government and the private sector.

A.I.D.'s development strategy for Belize emphasizes short-term economic stabilization support and longer term economic development assistance to allow the country to achieve a measure of sustainable growth. In support of this strategy, A.I.D. has provided the GOB with a \$4.6 million ESP quick-disbursing cash transfer loan. The essential and immediate purpose of that credit is to cover the country's foreign exchange shortfall and buttress the country's foreign exchange reserves, thereby assuring over the short run the external and internal creditworthiness of the country. The provision of ESP primarily to finance private sector imports, strengthening the country's balance of payments and promoting increased domestic production and employment, is welcomed by spokesmen for government and business.

Over the longer term, the proposed program will help the GOB improve its financial situation (i.e., its cash flow problems), and will assure adequate funding of the GOB's public sector

investment program. Besides the \$4.6 million cash transfer (provided under the FY 1982 Caribbean Basin Initiative Supplemental), the following projects will make up the bulk of the A.I.D. program during FYs 1982-84:

(1) Commercial Bank Discount Fund. The \$5.0 million Commercial Bank Discount Fund will provide credits to private sector entrepreneurs for investment in business activities, agriculture, related industry, and export projects.

(2) Technical Assistance for the Housing Guaranty. A \$400,000 ESP grant will supply technical assistance for the Housing Guaranty (HG) project. This three-year FY 1982 \$2.0 million HG project aims at strengthening of the institutional capacity of the Belize credit union system in shelter construction, the rationalization of the Government's housing delivery system, and the preservation and upgrading of the country's housing stock.

(3) Livestock Production Program. This loan/grant program is being designed as an integrated approach to the improvement of the livestock sector. This systematic approach will include productivity improvement, credit, new products, market development, and policy changes.

(4) Private Voluntary Organizations Program. Some \$1 million in grants will be available for Private Voluntary Organization (PVO) community-based development activities.

(5) Technical Assistance for Program Development. Some \$0.35 million in grants will also be available for project development needs.

The size and composition of this assistance program has been developed to demonstrate the U.S. Government's interest in maintaining a democratic, independent, economically viable Belize.

III. The Project

A. Goal and Purpose

The Goal is to increase the agricultural national product by 50 percent in real terms between 1982 and 1990, with accompanying gains in employment and income throughout the sector. This implies an average annual gain of 5.2 percent, a growth rate higher than that achieved by the over-all economy during the relatively prosperous 1970's, and considerably higher than the low-growth and no-growth performance of the recent past and today. Agriculture presently contributes about 20 percent of GDP; achievement of this Goal may increase that proportion to more than one third.

The Purpose is to increase private sector productive investment in agriculture and related industry. This is consistent

with the Caribbean Basin Initiative's emphasis on the role of the private sector in development, and the priority to be given food and agriculture.

B. The Commercial Bank Discount Fund

1. Operations: The Project includes a \$5 million Loan to the Central Bank to establish a discount fund against which the four local banks can discount new loans for productive projects intended to utilize existing unused capacity, expand existing enterprises, or create new enterprises in agriculture, related industry, and export production. The discount facility will be open to all four banks on a first come, first serve basis. The criteria for subproject eligibility, the discount terms, and the lending terms to subprojects are as follows:

a. Subproject Eligibility

(i) Sub-borrower

A sub-borrower under this Project will fit one of the following categories to be eligible for a subloan: an individual who is a citizen or a legal resident of Belize or the United States; a corporation or partnership organized under the laws of Belize or the United States of which more than twenty-five percent (25%) of the total combined voting power of all classes of stock is owned by Belizean or United States shareholders; a joint venture or unincorporated association consisting entirely of individuals, corporations, or partnerships which are eligible under any of the foregoing categories.

(ii) Subproject Activity

The Discount Fund can finance the procurement of goods and services to be obtained for and applied to any point in the production, processing, and export cycle of any agricultural product grown in Belize, except those crops ineligible for A.I.D. assistance (e.g., sugar, citrus, palm oil, and others). Waivers to allow financing related to citrus and palm oil will be sought on a case-by-case basis as specific proposals and their potential volume of exports to the U.S. and to U.S. export markets can be estimated.

(iii) Subproject Size

Subprojects are not expected to exceed \$1 million, including all credit and equity; subprojects exceeding \$500,000 will be subject to A.I.D. approval.

b. Subloan Terms, Interest Rates, and Security

The participating banks will lend for terms of from five to fifteen years, including up to two years grace, at market rates of interest (currently 16 percent prime). The subloans will

be secured to the satisfaction of the lending banks. The participating banks will set their retail lending rates to their customers. It is expected that smaller or riskier subloans will carry interest rates higher than prime.

c. Application of Funds

Subloan agreements will include procurement regulations complying with A.I.D. Handbook 15, Appendix G-7. The first disbursement of A.I.D. funds will be tied to the procurement of goods and services of U.S. or Belizean source and origin. The participating banks' share of each subproject may finance goods and services from the Free World (Code 935).

d. Discount Terms

The Central Bank will discount 75 percent of each eligible subloan at six points less than the prime rate, with the grace period and repayment schedule for the discount matching that of the retail credit.

2. Inputs

The \$5 million Discount Fund will finance 75 percent of eligible subloans, with the lending bank covering the rest of the credit. It is expected that retail borrowers will provide new equity investment equivalent to about 40 percent of the value of each subproject. This scheme implies approximately \$11 million in new productive investment during the disbursement of the A.I.D. Loan, scheduled to take place from mid-1983 through 1985.

New Investment - All Sources (US \$ 000)

Commercial Bank Discount Fund

Disbursement Term; 2 years

A.I.D. Loan to Central Bank	\$ 5,000
Banks' exposure at 25 percent of subloans	1,600
Customer equity at 40 percent of subprojects	<u>4,400</u>
New Investment	\$ 11,000

If the average subproject value is \$275,000, there will be about 40 financed during these two years, or about five new subprojects per calendar Quarter. One Central Bank staffer should be able to handle the monitoring and reporting workload this implies, a Central Bank in-kind contribution of perhaps \$15,000 annually.

3. Outputs

Project Outputs will include: new investments, perhaps 40 or more from the first use of A.I.D. Loan Funds; the Discount Fund established on a permanent basis; a banking policy change, the extension

of credit on longer terms than now are offered; and an institutional change, as the extension of long-term credit and the concept of appraisal banking become part of the banks' normal way of doing business.

Beyond this set of Outputs, the successful execution of the subprojects financed by the Discount Fund will lead to: (a) increased agricultural production areas and productivity; (b) new agriculture-related light industry; (c) increased and diversified agricultural produce and products for domestic and export sale; and (d) the employment and income effects of a, b, and c. While these effects cannot be realistically estimated until specific subprojects emerge, they will be measurable: new acreage put into production, productivity gains, new and expanded agro-industry, domestic and export sales, and new employment. This impetus to the growth of a productive, self-sustaining, income and job-producing private sector in Belize will be institutionalized through the continuing operation of the Discount Fund, created on a permanent basis within the Central Bank from the spread between the interest the Central Bank will pay to A.I.D. and will collect from the commercial banks. The Discount Fund is projected to have a balance substantially greater than \$5 million when the A.I.D. Loan is repaid, and should continue to grow thereafter, supporting the commercial banks in expanding their term lending operations.

C. Project Analyses

1. Technical Analyses

The factors within this project which could be considered "technical" are two: the effective demand for the proposed credit, and the ability of the banking system to deliver it.

a. Demand

Demand for credit on the terms and for the purposes proposed herein was surveyed by IAC and Embassy staff in mid-1982, and again by an expert consultant (Coopers and Lybrand) at year-end. Both investigations yielded the same findings: that over \$10 million of long-term credit could be used productively within the next two years.

This assessment of credit demand in Belize is based upon three different perspectives:

- o the current state of the Belizean economy and its potential growth over the next two years
- o a new market for long-term credit in the banking system
- o a number of illustrative projects that could be financed with this long-term credit

(i) Business Community

Belize is somewhat better off than most developing countries. Its English-speaking people are mobile and have been absorbed in large numbers in metropolitan areas of the U.S. Rather than the usual labor surplus, Belize has a labor shortage. For a country the size of Belize, there are a large number of entrepreneurs for new economic projects.

Belize offers:

- o businessmen who have a realistic picture of viable projects for Belize.
- o a large number of capable entrepreneurs for potential projects.
- o a labor force that is literate, industrious and trainable.
- o a market that should be looked at in conjunction with export markets for most economic development projects.

(ii) Potential Demand for Funds

The economic recessions around the world and the financial crisis in Mexico have had a impact on the Belizean economy. Re-exports to Mexico have virtually ceased because of the present adverse exchange rate. The weak world sugar market has meant that Belize has not been able to enjoy the expected benefits of higher production. Because the causes of the current economic slump in Belize are principally external ones, the economy should respond well when world economic activity picks up. This will lead to a substantial demand for medium- and long-term credit to fund the investment necessary for economic expansion.

With current banking practices skewed towards short-term credit, many sound projects which require long-term funding have been underfunded or ignored. If the credit market were to offer long-term credit, a number of projects would qualify. Plantation improvement and factory construction and equipment projects have long economic lives, and their financing should correspond to their income flows. Currently such viable projects would not be funded, or would be financed with short term funds which place an added burden on their potential for success. The availability of long-term funds through the Belize banking system should elicit a substantial demand for credit.

(iii) Illustrative Projects

Another basis for the estimate of demand is to identify and evaluate possible projects that would qualify for funds. Such a list includes projects in the following areas:

bananas, mangos, and citrus fruit
fishing
timber
bricks and clay
cattle
edible oil
light manufacturing

The following specific potential projects were reviewed in interviews and discussions with Belizean businessmen, bankers and government officials. Each project was evaluated in terms of its market potential and financial feasibility, and a rough estimate was made concerning funding needs.

Of these illustrative projects, 6 were suggested by Barclays; 4 others were suggested by the Bank of Nova Scotia. All were discussed in detail with the UNDP persons in Belize. The grain market projects, edible oils, refractory, export packaging manufacturing, and hydro-electric projects were discussed with entrepreneurs who have an interest in developing them. Long-term financing was their major concern. An estimate of credit needs is presented for each of the illustrative projects described briefly below:

Grain Market

- o rice and corn
- o for harvesting equipment plus grain storage
- o \$400,000 to \$600,000 funding needed

Mangos

- o ready and lucrative market
- o plants in place; need for refurbishing and fertilizer
- o cash infusion would yield immediate export earnings
- o \$700,000 to \$800,000 funding needed

Shrimp Fishing

- o commercial development (2,000 acres)
- o successful elsewhere
- o funding for demonstration project would be \$125,000
- o full project development would need approximately \$600,000

Banana Industry

- o scale problem (need to get 4,000 acres for efficient weekly shipments)
- o would balance economic picture with sugar
- o growth opportunity building on a critical mass
- o \$1,800,000 to \$2,000,000 funding needed.

Edible Oils

- o imported now from various sources;
- o coconut, peanuts, other crops;
- o large \$ funding needed.

Agricultural Credit

- o livestock and dairy
- o crops other than sugar and bananas
- o longer term credit
- o immediate needs of \$1,000,000

Logging Operations

- o improvement in operations
- o equipment and transport system
- o \$750,000 plus funding needs

Timber Farming

- o coastal pines tropical hardwood
- o one-fourth million acres (feasibility study has been completed)
- o \$2,500,000 to \$4,000,000 funding needs

Refractory

- o basic item, now imported
- o sufficient demand in local market
- o \$800,000 to \$1,200,000 funding need

Export Packaging Manufacturing

- o cardboard cartons
- o ready market (import cardboard)
- o bananas example, approximately \$5,000,000 funding needed

Canned Goods

- o meats (now imported)
- o selected fruits
- o large funding need

Agriculture and Forest Waste

- o sawmill should be energy self-sufficient
- o woodchips for gasification
- o sugarcane for particle board
- o small initial funding need

Agriculture Waste for Animal Feeds

- o fodder for livestock**
- o small initial funding need**

Hydro-electric Plants

- o would provide electricity at a much cheaper price than is now available**
- o large funding need**

These add up to a range of \$14,575,000 to \$17,475,000 in credit for projects that could be started in 6 to 15 months. The new credit proposed under this Project could meet about one-half of that demand.

b. Delivery

The four commercial banks operating in Belize have portfolios with a combined total of approximately \$66 million, and carry out thousands of short-term transactions each year. The placement of \$6.6 million in long-term credit as proposed herein, implying 40-plus transactions over two years, will be constrained only by the capacity of the banks to appraise these projects to their own satisfaction. Such project assessment capabilities are limited; however, the banks could train existing personnel or hire already qualified people (if available) for their own account within a few months.

c. Administrative Analysis

(i) The Central Bank

The Central Bank is an autonomous government entity, legally empowered to contract foreign debt, with an annual budget just under \$400,000 and a staff of 38. The Central Bank is well regarded, with publications which provide excellent, comprehensive assessments of banking and economic conditions in Belize; in the opinion of our Coopers and Lybrand consultant, it is "a well-organized, thoughtful, and deliberative organization, and it is conservative in its banking actions."

The role of the Central Bank in this Project will be: to set up and operate on a permanent basis a Discount Fund, formed initially by drawdowns of the A.I.D. Loan and then by discounts repaid by the commercial banks; to administer the discount operation, examining discount applications for compliance with the eligibility criteria, and to execute discount agreements and disburse funds for each discount; to monitor the execution of each subproject to verify the use of funds consistent with the Discount Fund approval; and to repay the A.I.D. Loan. It is expected that one additional staff person, plus site and end-use inspection costs,

a total of perhaps \$15,000 annually, will be necessary for the Central Bank to carry out these responsibilities. This expense will be charged against the interest earnings of the Discount Fund.

(ii) The Commercial Banks

The banking system in Belize does well providing short-term credit. They have regular customers, repeat business, similar types of financing needs, and short-term exposure. Overall, the banks have:

- o good credit criteria
- o experience in dealing with commercial customers
- o loans that are generally short-term
- o preference to grant trade credit
- o limited capabilities to perform project assessments
- o limited risk exposure on their current portfolios

Given the addition of project appraisal capacity as mentioned above, the banks could expand their operations to include long-term lending, and have expressed strong interest in doing so. The mechanics of disbursing, monitoring, and collecting those credits will not differ materially from present practice.

2. Financial Analysis

a. Cash Flow

The A.I.D. Loan will be advanced by electronic transfer to the Central Bank's account at the Federal Reserve Bank of New York for the Commercial Bank Discount Fund as requested, based on the Central Bank's estimate of discount disbursements likely to occur during the following thirty days. An initial advance of \$500,000 may be requested. The Discount Fund will be held in a special segregated account by the Central Bank. Discounts will be disbursed by the Central Bank to the commercial banks on demand and in full, against evidence of receipt of the goods (customs records) or services (retail customer's certification). If the Commercial Bank has drawn upon Central Bank US dollar reserves in the transaction, the Central Bank will disburse the discount in Belize dollars; if the commercial bank has used its own US dollars in the transaction, the Central Bank will disburse the discount in US dollars. Discounts against local currency expenditures will be disbursed by the Central Bank in Belize dollars.

Retail loans will be disbursed by the commercial banks to their customers according to their usual practice.

Payments of interest and repayments of principal will flow through the same sequence in reverse. The commercial banks will retain their gross spread; the Central Bank will retain all collections above: (i) debt service (to A.I.D.), and (ii)

Discount Fund operating costs (e.g., personnel, end-use inspection costs), to form a permanent Discount Fund to remain after the repayment of the A.I.D. Loan.

b. Assumption of Risk

The commercial banks will assume the full risk of repaying their discounted balances and interest due thereon, denominated in BZE Dollars, to the Central Bank.

The Government of Belize, acting through the Central Bank, will assume the full credit and exchange risks of repaying the A.I.D. Loan in U.S. Dollars.

c. Interest Rates and Amortization Periods

The A.I.D. Loan will be repayable in 25 years, including a grace period of 10 years. Interest will be charged at 2 percent during the grace period, and 3 percent thereafter.

The Discount Fund will disburse discounts to the commercial banks at six points below prime, with repayment terms matching the retail credits being discounted.

The commercial banks will lend for from five to fifteen years, with up to two years grace, with interest charged at prime (now 16 percent) or higher, as negotiated with their customers.

Commercial banks in Belize presently lend short-term at 16 percent plus, with most loans made at 18 percent, utilizing a deposit base with an average cost of 9.7 percent. The gross spread from these operations is usually between 7 percent and 9 percent. In this Project the banks will offer long-term lending, which will involve: (a) a different level of credit appraisal than that now practised; (b) added staff time and other overhead associated with this analytical work; and (c) the assumption of the risks inherent in lending long-term. While these additional costs and risks might justify a greater than usual spread, the banks' willingness to accept about their usual margin may be further evidence of the potential strength of demand. The Central Bank spread, which will absorb most of the "concessionality" of the A.I.D. financing, will bring about the creation of a permanent Discount Fund.

d. Accumulation of a Permanent Discount Fund

The various lending terms set forth above will allow the Central Bank sufficient net interest earnings over the repayment term of the A.I.D. loan to form a permanent Fund substantially larger than this loan. This Fund will be a continuing incentive of the commercial banks to offer long-term credit; and through manipulation of discount criteria, will provide the Central

Bank with another device to influence the allocation of credit by the commercial banking system, promoting the engagement of this key private sector component in the national development process.

3. Economic Analysis

The Project does not contemplate the undertaking by the Central Bank or by the commercial banks of sub-project economic feasibility studies. Justification of this determination resides in the acceptance by the commercial banks of default risk on sub-project loans, the relatively high nominal (16-18 percent) interest rates, and the supposition that most sub-projects will have financial rates of at least 20 percent per annum. With inflation rates affecting sub-project inputs and outputs of less than 10 percent per annum, in constant prices financial rates of return would be at least 10 percent per annum and more usually on the order of 15 percent per annum, and given the openness of the Belizean economy it is reasonable to assume that economic rates of return are approximately the same orders of magnitude as financial rates of return. A requirement that prospective borrowers prepare analyses of economic costs and benefits of projects that are distinct from the financial analyses indispensable for commercial bank loan appraisal would be an additional barrier to prospective borrowers, and one that would not substantially reduce the sub-project default risk.

Certain basic information on the prospective economic impacts of sub-projects on important economic variables will be reported by commercial bank participants. Uniform guidelines will be set out by the Central Bank of Belize to collect data on prospective sub-project impacts on investment, employment, generation of export earnings, and utilization of plant capacity. This information will be used for periodic evaluation of over-all project effect.

4. Social Soundness Analysis

a. Summary

Participants: The Commercial Credit Discount Fund will directly affect and assist farmers and entrepreneurs who are already credit-worthy in the opinion of the commercial banking system. More mobile, less financially secure farmers and entrepreneurs, and possibly those whose reliance on the use of the Spanish, Mayan and Creole languages places them at a disadvantage in the predominantly English-speaking commercial banking system, will find direct access to the project loans more difficult.

Constraints: Cultural pluralism divides an already small national market and labor base of 150,000 people into yet smaller markets that are distinct in value, motivations and preferences.

Badly maintained roads and other factors allow groups such as Mennonites, Mayans, Caribs, Salvadoran refugees, and in the future also refugee Haitians, to remain distinct rather than to meld into a homogeneous national culture/market/resource pool. Paradoxically, mobility is high between the scattered settlements, and emigration is the goal of many.

Credit: When the financial system is liquid, which it has not been recently, credit is available to those who qualify through credit unions and commercial banks.

Motivation: Initiative will have to be nurtured and rewarded in order for Belize to realize the potential of its natural and human resources.

b. Many Markets

Belize is a pluralistic society of many ethnic and cultural groups. This is a self-evident and locally self-held perception of which Belize is justly proud. Gradually, and particularly since independence in September 1981, a Belizean sense of identity is emerging, and a homogeneous Belizean "market" may emerge in time. In Belize City the predominant part of the population of 50,000 is Creole, an Anglo-African culture with strong ties to the US and the Caribbean. In Belize the Creoles are skilled and semi-skilled urban dwellers, not farmers. They live in downtown neighborhoods in Belize City where they own small snack shops, stores, provide services, and earn wages as clerks, teachers, craftsmen, and laborers. The workers in the city abattoir are all Creole, although the manager is not. Expectations are low, as expressed in the Creole expression, "Don't hang your hat higher than you can reach." The basic motivation for working is to earn cash to pay for necessities.

Asians, particularly Chinese and Indians, and Lebanese own somewhat larger general stores in the business center of town, and appear to remain culturally separate. Anglo-Saxon Belizeans and some American expatriates play conspicuous roles in the major, capital-intensive businesses. Hispanics and Mayans are a small portion of the population of Belize City, although they predominate in the northern areas where Belize borders Mexico, and the west where it borders Guatemala. The southwest was settled by Mayans from Guatemala, and the southern coast is predominately Carib (Afro-Carib Indian).

Mennonite communities in the north and west of Belize, as well as the Spanish, Mayan, Carib and to a lesser extent Creole communities, have varying degrees of interest in remaining culturally isolated. Throughout Belize remnants of the old colonial socio-economic class structure further divide the country into winners and losers. The traditional elite live well though not ostentatiously, and form a close network of financially savvy entrepreneurs.

c. Income

National per capita income figures, much less disaggregated statistics, have not been tabulated. A common estimate of the average per capita income is \$1,000, and the median per capita income is \$600. These estimates were based on a 1980 household expenditure survey and used 5.5 persons as the typical family size. Indicative of typical income is a recent local newspaper advertisement to hire a manager and an assistant manager for the Belize Food Processing Plant, one of several good quality local food enterprises. With the qualification of 3-5 years of managing a business, the offered salary was \$7,200 for manager. An "A-level" (2 years of college) in chemistry was required for the assistant manager's job, at a salary of \$3,600.

d. Education

Literacy, at least in English among English-speaking Belizeans, is apparently high because primary school attendance is compulsory. Although Belize City is predominantly English (and Creole) speaking, half of the total population speaks Spanish, Mayan or Carib-Creole languages as their mother tongue. Access to an adequate education, opportunities for higher education, and specialized training are limited. One banker commented that his bank customers have little problem filling out forms to open accounts or apply for loans, but that the bank itself has difficulty hiring trained or trainable staff. On the other hand, an aggressive young Creole businessman urgently wants training so that he can better manage his successful meat processing business, but he knows of no opportunity to get it in Belize.

e. Access to Credit

In addition to borrowings from family and friends, credit is available from 23 credit unions and four foreign commercial banks. In recent months, however, capital resources have severely declined. The credit unions, which depend on members' savings deposits, are undercapitalized, while the commercial banks are customarily fully loaned out.

While credit unions are preferred by many people for their neighborhood access and political connections, more affluent Belizeans deal with the four banks: The Royal Bank of Canada, which came to Belize in 1912; Barclays, 1949; The Bank of Nova Scotia, 1968; and the Atlantic Bank, which was set up jointly by the Chase, the Deutsche Sudamerikanische, and the Banco Atlantida of Honduras in 1971.

Different degrees of collateral are necessary to get a loan, depending on the personal reputation and credit-worthiness of the loan applicant. Banks do not consider land to be saleable

collateral. One bank, having taken possession of 20,000 acres of land in forfeit for a defaulted loan, has found it impossible to find a buyer at what it considers bargain prices. Thus, the unequal ownership of land in Belize does not necessarily mean inequalities in access to credit. Banks prefer liquid collateral.

The Atlantic Bank is a savings bank with an entirely bilingual staff, which farmers use for short-term loans, typically \$2,500-\$25,000 at 19 percent. A current loan in their portfolio is a \$15,000 credit to the Mennonites for poultry and egg production. The Bank of Nova Scotia will only consider applications for substantial, fully secured loans. They feel that smaller loans of \$5,000 to \$10,000 are not worth the paperwork, while very large loans - those above \$50,000 - are authorized in Toronto. The Royal Bank of Canada, which also has branches in Corozal, Orange Walk, Stann Creek, Belmopan and San Ignacio, lends to small farmers at 2-3 percent above prime. They make no long-term loans because of lack of liquidity.

Barclays takes a strong public service stance in its advertising and its lending policies, and is the preferred bank of the English community in Belize. The Bank makes generous corporate contributions to local charities throughout the English-speaking Caribbean, provides scholarships and training, and considers itself an agent of development. Barclays International Development Fund has withdrawn from Belize, but Barclays still maintains its Farm Plan Loan scheme for small farmers.

The Farm Plan Loan Scheme is targeted on business-oriented farmers with between 5 and 50 acres (leasehold or freehold) and total assets not to exceed \$50,000. There should be a ready market for their product, i.e., sales to a marketing association or to a private buyer under contract. Loans are made for land clearing and preparation, construction of farm buildings and roads, purchase of equipment, land, seed, insecticides, livestock and stockfeed, and rental of equipment for harvest, packaging, and transport. Any branch of Barclays in Belize City, Orange Walk, Corozal, Belmopan, and Dangriga (Stann Creek) may authorize loans up to \$15,000 of which half may be unsecured. Interest is not subsidized, but is based on commercial prime plus 1 1/2 percent. The term of repayment is 10 years except for annual crops, in which case loans should be repaid within one year of the sale of the crop. Although Barclays would prefer to secure the loan with property, the bank's assistant manager stresses that the unavailability of security does not prevent a farmer getting financial assistance where he has demonstrated that he has a viable project, possesses the necessary skills to operate a successful farm operation, and is of good reputation. Barclays has not been able to make Farm Plan Loan Scheme loans in recent months because of a lack of loanable funds.

f. Initiative

In Belize, the paucity of rewards, be they in material wealth and possessions, or in sustained prestige, limits the incentive to work hard or to create new enterprises. Life is slow-paced. Many people are poor but surviving, and there is little evidence of wealth through ostentatious display. Basic household equipment, like refrigerators, or services such as electricity, are so expensive that little cash remains for discretionary purchases, which tend to include imported magazines, movies, fashions, tinned foods, and durable goods from the U.K., U.S., Central America or Jamaica. A national identity has not emerged to envelop the cultural pluralism, although a nationalistic response to the Guatemalan claim on Belizean territory may develop. Indicative of recent trends to encourage national identity is the Prime Minister's recent proposition to exempt locally-produced cultural shows from payment of the entertainment tax, and to exempt from customs duties phonograph records produced abroad by Belizean artists.

For the entrepreneur, Belize is not one small market or resource base but many micro markets, in which the complex politics of a small, diverse population and the multiplicity of local preference and skills is an impediment.

In addition to the constraints of pluralism, a local journalist notes that "Starting a business in Belize is not easy, and when that business involves manufacturing a product for local sale the odds against any fledgling entrepreneurs become astronomical. The reasons often vary, but what stops most people is a chronic shortage of capital, the diseconomies of small-scale production, and an historical prejudice in favor of imports." (Breakdown, November, 1979). The magazine is now out of business.

5. Effects and Beneficiaries

The Project will have a developmental effect through its focus on agriculture, identified as Belize's key development sector, and the mobilization of private sector forces -- bankers and businessmen -- in its revitalization and expansion. Direct continuing beneficiaries of this will include, among others, the skilled and unskilled labor for whom new jobs are created, and the local producers and suppliers of raw materials for new agriculture-related industry, generally small and medium farmers. Other specific groups may come to mind; the Project will touch on a variety of beneficiaries at all levels of Belizean society. The macroeconomic effects and benefits of this Project will be balance of payment support and an easing of the domestic credit squeeze.

D. Implementation

1. Negotiation

Negotiation of the Loan Agreement with the Central Bank will include Agreement between A.I.D., the Central Bank, and the commercial banks on the lending terms and discount eligibility criteria to be applied throughout the Project. This agreement has already been reached in principle.

2. Timetable

a. Documentation

Authorization and Agreement Signed: March, 1983.

b. Disbursements

June, 1983 - June, 1985.

3. Procurement

Procurement financed under the Commercial Bank Discount Fund will be governed by the rules applied by the lending Banks, which will comply with A.I.D. Handbook 15, Appendix G-7. The first use of the A.I.D. Loan funds will be tied to the procurement of goods and services of U.S. (Code 000) or Belizean Source and Origin.

4. Disbursement

The A.I.D. Loan will be disbursed in Dollars via electronic transfer to the New York Federal Reserve Account at the Central Bank on demand as required for discount operations. An imprest fund covering up to an estimated 30 days' needs may be established.

The Central Bank will maintain records sufficient to show compliance with the Code 000 and Belizean source and origin restriction on the first use of A.I.D. Loan funds.

5. Monitoring and Reporting

The utilization of the proceeds of the A.I.D. Loan will be monitored by the A.I.D. Representative in Belize. For specialized end-use checks and evaluations he may call on the Controller's Office USAID/Honduras, technicians from other nearby Missions, or AID/W. The Discount Fund may finance 40 or more subprojects; each one should be visited by the Central Bank, the commercial banks, and by A.I.D.

The Central Bank will provide a Quarterly report on the financial position of the Discount Fund, with detailed status reports on each subproject.

6. Evaluation

Evaluations will look to the degree of achievement of the Purpose ("to increase private sector productive investment in agriculture and related industry") through two windows: (a) the expected outputs of new investments (subprojects), the establishment of the Discount Fund on a permanent basis, and the change in banking policy to include long-term credit; and (b) the effects of successful subprojects - increased agricultural areas and productivity, new industry, increased and diversified produce and products for domestic and export sale, and the employment and income created by the above. There will be an Interim Evaluation after one full year of discount operations (9/84), and a final evaluation in early 1986, shortly after the December 31, 1985 PACD.

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country; or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

NO.

2. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?

NO.

3. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

NO.

4. FAA Sec. 532(c), 620(a), 620(f), 620b; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver?

NO.

5. ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981.

6. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property?

NO.

3

7. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC?

Yes.

8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters?

No.

(b) If so, has any deduction required by the Fishermen's Protective Act been made?

9. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds?

No.

No.

10. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual Taking into

Yes.

Consideration" memo:
"Yes, taken into account
by the Administrator at
time of approval of
Agency OYB." This
approval by the
Administrator of the
Operational Year Budget
can be the basis for an
affirmative answer during
the fiscal year unless
significant changes in
circumstances occur.)

11. FAA Sec. 620(t). Has the
country severed
diplomatic relations with
the United States? If
so, have they been
-resumed and have new
-bilateral assistance
-agreements been
negotiated and entered
into since such
resumption?

NO.

12. FAA Sec. 620(u). What is
the payment status of the
country's U.N.
obligations? If the
country is in arrears,
were such arrearages
taken into account by the
AID Administrator in
determining the current
AID Operational Year
Budget? (Reference may
be made to the Taking
into Consideration memo.)

CURRENT

13. FAA Sec. 620A; FY 1982
Appropriation Act Sec.
520. Has the country
aided or abetted, by
granting sanctuary from
prosecution to, any
individual or group which
has committed an act of
international terrorism?
Has the country aided or

NO.

abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?

NO

14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

NO.

15. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977 (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

NO.

NO.

16. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and filed

to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

No.

- 17. ISDCA of 1981 Sec. 721.
See special requirements for assistance to Haiti.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

- a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

2. Economic Support Fund Country Criteria

- a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

No.

b. ISDCA of 1981, Sec. 725(b). If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?

c. ISDCA of 1981, Sec. 726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance Funds, B.2. applies to projects funded with Development Assistance loans, and B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(b).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project;
 (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

*Consentual Notification,
 March 1983.*

Yes.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,00, will there be

(a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes.

Yes.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

None Required.

4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook 3 for new guidelines.)

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

Yes.

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

No.

These commercial credit operations will have little effect on regional programs.

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

(A), (B), (E) - YES.

LITTLE EFFECT ANTICIPATED ON OTHER AREAS LISTED.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Private U.S. investors will be inclined to invest in the project.

9. FAA Sec. 612(b), 636(h);
FY 1982 Appropriation
Act Sec. 507. Describe
steps taken to assure
that, to the maximum
extent possible, the
country is contributing
local currencies to meet
the cost of contractual
and other services, and
foreign currencies owned
by the U.S. are utilized
in lieu of dollars.

All local-currency costs
will be financed by the
US-embassy contribution.

10. FAA Sec. 612(d). Does
the U.S. own excess
foreign currency of the
country and, if so, what
arrangements have been
made for its release?

11. FAA Sec. 601(e). Will
the project utilize
competitive selection
procedures for the
awarding of contracts,
except where applicable
procurement rules allow
otherwise?

12. FY 1982 Appropriation Act
Sec 521. If assistance
is for the production of
any commodity for export,
is the commodity likely
to be in surplus on world
markets at the time the
resulting productive
capacity becomes
operative, and is such
assistance likely to
cause substantial injury
to U.S. producers of the
same, similar or
competing commodity?

7D-71 will apply

13. FAA 118(c) and (d).
Does the project comply
with the environmental
procedures set forth in
AID Regulation 167 Does

Yes.

44

the project or program take into consideration the problem of the destruction of tropical forests?

Yrs.

- 14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

B.. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and

- (A) THESE FOUR OBJECTIVES WILL BE REALIZED, BUT THROUGH THE EFFORTS OF LOCAL INSTITUTIONS;
- (B) COOPS WILL BE VITAL TO GROWTH;
- (C) THIS PROJECT HAS A HIGH LOCAL GROWTH RATE, AND WILL BE CARRIED OUT MAINLY BY LOCAL FINANCING AND ADMINISTRATION;
- (D) WOMEN ENTREPRENEURS ARE AN IMPORTANT PART OF THE DEVELOPMENT SCHEME, AND CAN RECEIVE CREDIT IN THIS PROJECT;

otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

(E) THIS ASPECT WILL HAVE LITTLE POSITIVE EFFECT.

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

YES.

c. FAA Sec. 107. Is ~~emphasis on use of~~ appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

NO.

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a 'relatively least developed' country)?

YES.

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character."

NO.

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Y

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage

THE PROJECT WILL CAUSE A SIGNIFICANT EXPANSION OF BENIN'S AGRICULTURAL PRODUCTION BASE AND SOCIAL ECONOMIC DEVELOPMENT, AS WELL AS

institutional development,
and supports civil
education and training in
skills required for
effective participation in
governmental processes
essential to self-government.

OFFERING INDIVIDUAL ENTERPRISES
THE CAPABILITY TO STIMULATE INDUSTRY
AND EMPLOYMENT.

2. Development Assistance Project
Criteria (Loans Only)

a. FAA Sec. 122(b).
Information and conclusion
on capacity of the country
to repay the loan, at a
reasonable rate of interest.

b. FAA Sec. 620(d). If
assistance is for any
productive enterprise which
will compete with U.S.
enterprises, is there an
agreement by the recipient
country to prevent export
to the U.S. of more than
20% of the enterprise's
annual production during
the life of the loan?

c. ISDCA of 1981, Sec. 724
(c) and (d). If for
Nicaragua, does the loan
agreement require that the
funds be used to the
maximum extent possible for
the private sector? Does
the project provide for
monitoring under FAA Sec.
624(g)?

3. Economic Support Fund
Project Criteria

a. FAA Sec. 531(a). Will
this assistance promote
economic or political?

stability? To the extent possible, does it reflect the policy directions of PAA Section 1027

YES ; THE LACK OF LIQUIDITY IN THE BANKING SYSTEM, AND THE CONSEQUENT ECONOMIC STAGNATION, ARE VIEWED AS LONG-TERM THREATS TO POLITICAL STABILITY.

b. PAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

NO.

c. PAA Sec. 534. Will ESP funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?

NO.

d. PAA Sec. 609. If _____ commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?



Please Cook

Office Of The Prime Minister

*Belize
Cayo District Belize
Central America*

20 February 1983

Mr. Neboysa R. Brashich
A.I.D. Representative
U.S.A.I.D. Mission to Belize
American Embassy
BELIZE CITY

Dear Mr. Brashich,

On behalf of the Government of Belize, I hereby request the Agency for International Development to extend a Loan of Five Million United States Dollars, on the most concessional terms possible, to the Central Bank of Belize.

This loan will be used to establish a Commercial Bank Discount Fund, to be held and administered by the Central Bank, which will discount private commercial bank credits to be extended on terms and for purposes to be defined in detail. The overall purpose of this credit operation will be to encourage private sector productive investment in agriculture and related industry, with special priority to be given to investment which offers possibilities of creating exports. Repayment of this U.S. Dollar loan will be the responsibility of the Central Bank of Belize.

My Government welcomes this assistance from A.I.D., and we look forward to an early negotiation of an Agreement covering this requested credit.

Kindest regards and best wishes.

Sincerely,

(GEORGE PRICE)
Prime Minister
and Minister of Finance

C.1a

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON DC 20523

LAC/DR-IEE-83-32

ENVIRONMENTAL THRESHOLD DECISION

<u>Project Location</u>	: Belize
<u>Project Title and Number</u>	: <u>Commercial Bank Discount Fund</u> : 505-0005
<u>Funding</u>	: 5,000,000 (L)
<u>Life of Project</u>	: 4 years
<u>IEE Prepared by</u>	: James Talbot, REPS/C
<u>Recommended Threshold Decision</u>	: Negative Determination
<u>Bureau Threshold Decision</u>	: Concurrence with Recommendation
Copy to	: Hob Brashich, Mission Director, Belize
Copy to	: James Talbot, REPS/C, USAID/Port au Prince
Copy to	: Karen Peake, LAC/DR
Copy to	: IEE File

James S. Hester Date 25 April 1983

James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

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INITIAL ENVIRONMENTAL EXAMINATION

COMMERCIAL BANK DISCOUNT FUND

BELIZE

I. DESCRIPTION OF PROJECT

This project will provide a \$5 million loan to Belize's Central Bank to establish a discount fund against which four local banks can discount new loans in underdeveloped subproject areas of the private sector. Such subprojects will be subject to specific eligibility requirements and discount and lending terms. The long-range goal of the project is to increase Belize's national agricultural product by 50 percent in real terms between 1982 and 1990. The purpose of the project is to increase private sector productive investment in agriculture and related industries. Some end points of development will be:

- (1) increased productivity within particular sectors;
- (2) new agriculturally-related light industry;
- (3) diversified domestic and export products and markets; and
- (4) better incomes and employment opportunities.

Several potential subproject areas have been suggested by Barclays and The Bank of Nova Scotia and have been reviewed by USAID/Belize. These projects are presented herein as illustrative of the kinds of projects which may be supported by the AID project:

- o Crop Production: grain market, mangoes, banana industry, citrus, edible oils;
- o Fisheries: shrimp fishing, demonstration projects;
- o Timber Production and Harvesting: logging operations and timber farming;
- o Agro-processing Industries: export packaging/manufacturing, canned goods;
- o Miscellaneous: refractory, livestock and dairy, agriculture and forest waste, agricultural waste for animal feeds.

II. SCOPING OF ENVIRONMENTAL ISSUES

Each of these subprojects raises certain environmental issues and should be addressed on a case-by-case basis. Without specific details regarding site location, degree of development proposed and resources to be applied, it becomes difficult to address environmental impacts in any terms other than generic. For the sake of this analysis, a general discussion of the issues will be conducted using the arbitrary categorical groupings of projects previously mentioned, along with their respective anticipated project effects. The goal of this approach is to flag key issues, briefly discuss environmental

effects and suggest mitigative measures or environmental guidelines for environmental protection in accordance with what is known about the effects of similar projects in other areas. These guidelines may then be used as minimum conditions for loans.

o Crop Production

In the agricultural sector, credit needs could focus on: grain markets, mangoes, bananas, citrus, edible oils, and crops other than sugar cane (which will not be supported under this USAID project). The major environmental concerns of development of any one of these crops include: use of agricultural chemicals, land clearing and soil management.

- Soil Management. The field activities of the project, although not known at this time, are likely to be centered in areas where many of the aforementioned crops are already established or where land use planning has indicated their adaptability. Such areas include the Stann Creek and Belize River valleys, and affect parts of Cayo, Stann Creek, Belize and Toledo Districts. These are areas of high rainfall (80-120 inches) and consist of soils classified as alluvials (alfisols), oxisols and ultisols. Table 1 presents some general characteristics of the major soil types of Belize which delimit their manageability.

Table 1. Soil Fertility Analysis for Topsoil (Depth, 0-6 inches) Representative of Main Soil Types in Belize¹

Parameter	Ultisol	Oxisol	Alluvial	Vertisol
pH	3.0-5.0	4.5-5.5	5.0-7.0	5.0-8.0
Organic Matter (%)	0.75-2.25	0.75-3.0	1.5-5.0	4.5-75
P (ppm)	0-3	0.3	3-15	1-4
K (ppm)	25-125	25-200	50-250	300-400
Ca (ppm)	200-2000	200-4000	6000-12000	12000-25000
Mg (ppm)	0-200	0-200	200-800	2000-3000
Cation Exchange Capacity (Milliequivalents/100 grams)	1-15	10-25	25-50	50-80
Base Saturation (%)	5-40	15-40	50-80	80-90

¹ H. Vernon, Ag. Chemist (Soils), Central Farm. Personal Communication.

The alluvial soils are generally deep, fertile, slightly acidic, and loamy; oxisols and ultisols are acidic, infertile, high in clay content, and are subject to some drainage problems in certain areas of Belize. Alluvial soils are easy to manage; oxisols and ultisols present considerable management difficulties, although the better drained oxisols in the Stann Creek District are being properly managed for citrus production (even though farmers find the economics of living are too costly, decreasing profits).

Major soil management concerns are associated with choice of land clearing methods, fertility maintenance, and prevention of erosion, especially on hillsides.

- Use of Pesticides. In accordance with Section 216.3(b), Pesticide Procedures, a separate analysis of the environmental aspects of pesticide usage associated with the proposed project was carried out in 1982. A report prepared by Dr. Carl Barfield (Attachment 1) and a corollary memorandum entitled, "Environmental Assessment for Proposed U.S. Assistance Loan to Belize" (dated 8 Nov 82) sent to James Hester, IAC Environmental Officer, from Carroll Collier, Pest Management Specialist with S&T (Attachment 2) will satisfy the requirements of the regulations for projects that involve procurement or use of pesticides.

The Collier memo addressed concerns raised in the Barfield report which deal with pesticides and an expanding agro-industry in Belize. These concerns were rephrased as mitigative measures for the project and include: (1) safe use of the herbicide Paraquat; (2) monitoring the safe use of Paraquat; (3) training in pesticide safety; (4) deletion of chlorinated hydrocarbons from AID-sponsored project. REMS/C has additional comments and suggestions in this matter, and these are summarized in the section on "Analysis of Environmental Effects."

o Fisheries Development

Rich shrimp beds at the mouth of the Saratoon River in the southern part of Belize have been exploited since about 1966. Offshore fisheries for rock lobsters, red snapper, conch and some sea turtle are also productive. Capabilities exist in Belize City for freezing and packing of fish produce. Pond culture of shrimp is possible along brackish lagoons but could destroy valuable mangrove forests if not properly situated and managed. Without site-specific location of proposed development, projection of impacts are impossible at this time. Such sites should be scrutinized, however, when loans are reviewed and environmental protection guidelines applied as needed.

Problems with expansion of the offshore fisheries focus on over-fishing, especially of the large edible snail, Strombus gigas, the queen conch. Much of the offshore fisheries depend on breeding and spawning grounds in the coastal mangroves and associated lagoons. These linkages are vital to a healthy resource base and should be wisely managed.

o Timber Production and Harvesting

The major environmental concerns associated with the development of the forestry sector are deforestation-reforestation. Since most of the harvestable and accessible commercial stocks have been logged and reforestation efforts are minimal, cautious observation of development plans should be in effect.

o Agro-processing Industries

Light industry, which will expand to process agricultural products such as fruits and vegetables (in addition to the Stann Creek valley citrus processing plants) or meat canning, can aggravate an already acute sewage problem in Belize City. Most of the coastal waters for several kilometers north or south of the City are so badly polluted that bathing is not advised. REMS/C visual check of the shoreline indicated the presence of indicators of pollution such as blue-green and green algae, foul odors, and turbid waters. No data was available on water quality parameters for the coastal waters; therefore, close monitoring of the situation is warranted. Dissolved solids in the Belize River upstream of the City range from 290-1331 mg/l (Jenkin et al., 1976). Untreated effluent from canning facilities will add to the BOD load, introduce sediments to the water and generally decrease water quality.

o Miscellaneous

Lumped into this category are a number of potential sub-projects: livestock and dairy, refractory, export packaging manufacturing, use of agricultural/forestry wastes for secondary products and energy generation, and use of agricultural waste for animal feed. Livestock projects that involve clearing of new lands, especially forest lands, will aggravate the deforestation problem. Since site specific locations of such projects cannot be determined at this time, close observation of site selection is warranted by loan officers. Most of the other proposed projects present little or no environmental concerns, and those involved in alternative energy development appear to be environmentally sound.

III. ANALYSIS OF ENVIRONMENTAL EFFECTS

o Deforestation

Deforestation is a severe problem worldwide and has been extensive in Belize. Although major forest reserves remain and a fairly well-organized forestry management program exists, the economic importance of the forestry sector has decreased in the past few decades. Why? Overexploitation of mahogany, pine and other species has nearly exhausted the supply of merchantable timber. Development of a workable and enforceable program of forest management is the number one priority facing the Belize Forest Service (ALIC, 1982).

Lending for logging operations could prove counterproductive to reversing the trend in deforestation and to regeneration of valuable woods such as mahogany and pine. Unless loan applications can demonstrate an approved forest management plan that is concordant with GOB forest service program objectives, such support should be withheld.

In addition, the forest lands which remain represent an important resource for the wintering populations of migratory birds from the northern hemisphere and deserve high priority in any long-term management and preservation programs. Special attention should be paid to unique forest areas serving as overwintering centers. The proximity of Belize to a large market of birdwatchers in the United States and other countries indicates the need to consider tourism development and forest preservation as concurrent activities.

o Soil Management

The current activities of the GOB's Central Farm and support services from organizations such as CARDI would indicate that capabilities exist in Belize to implement soil conservation practices such as contour farming, hillside ditch construction, gully control, vegetative barriers and other sound land management practices. Farmers in the Stann Creek District are managing the better-drained oxisols by adequate fertilization and liming.

Awareness of the problems of soil and land use in Belize is at a sophisticated enough level such that medium-large farmers should be willing to adopt practices which ensure a sound return on investment by fostering sustainable systems. Appropriate land clearing could be problematic on easily compacted soils, especially if heavy machinery is desired. Hand clearing and burning have been found to be superior to

use of heavy equipment for land clearing in many areas of the tropics. When heavy machinery (bulldozers) is used, a KG Shear blade is recommended to avoid cutting away valuable topsoil. Projects should attempt to avoid clearing new forest lands and locate instead on previously used lands determined as capable of arable cropping.

The introduction of newer technologies and modern production methods associated with this project and use of the most productive lands will probably not drive development toward unsuitable or marginal lands on steep slopes.

o Pesticides

Attachment 1 and 2 discuss in detail the ecological effects and impact mitigation measures associated with increased use of pesticides in expanded agricultural production. Risks to human health should be minimized if recommendations found in these attachments are followed.

The following represent additional inputs to ensure that impacts will be identified and minimized whenever possible and that pesticide use will be effectively monitored in Belize.

- Pesticides Control Act. A draft Pesticides Control Act is being prepared for review and ratification by the COB (see Attachment 3). This Act will ensure that adequate measures are taken to control the formulation, transport, storage, handling and use of pesticides in Belize. Against this host country support backdrop, it is reasonable to expect that the following minimum concerns will be mitigated: prevention of occupational exposure; prevention of environmental exposure; and diagnosis, treatment and validation of poisonings.
- Development of Training Materials. Central Farm and CARDI are developing training materials designed to present the necessary safety precautions in handling of pesticides to students, extension workers and farmers. Better visual aids, however, are needed. Bilingual materials (in Spanish) would also be helpful since many of the people who use pesticides are of Hispanic background.
- Recent EPA Rulings on Selected Pesticides. Three pesticides that are important in Belize crop production systems are: Densyl (1.27 metric tons used in 1979); Maneb (17.6 tons, 1979); and

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Paraquat (5.5 tons used, 1979). Benomyl and Maneb are used primarily as fungicides in the banana industry; Paraquat as a non-selective herbicide. EPA has just completed a review of these compounds and the results of their review should be considered in pest management strategies which evolve with the present project. The following summarizes important features of this review:

- (1) Benomyl: EPA decided to continue use of this product with the following requirements: (i) potential teratogenic and spermatogenic effects can be sufficiently reduced if mixer/loaders for aerial application use a dust mask while handling same; (ii) labeling should specify use of dust mask by such persons, (iii) those registrants who maintain registration for use on rice must perform aquatic monitoring studies to determine residual levels of Benomyl in aquatic sites (Benomyl is especially toxic to warmwater fishes). REMS/C suggests that CICP suggest simple, low-cost tests available for such monitoring and support training of GOB technicians to learn how to perform such testing.
- (2) Maneb: EPA will continue to register this fungicide with the following requirements: (i) addition of warning label that substance is hazardous to fish; (ii) risks of teratogenicity and thyroid toxicity to applicators will be adequately reduced by wearing of protective clothing; (iii) dietary exposure to homeowners can be reduced by highlighting preharvest intervals on labels of non-commercial (home use) products (probably will not apply to Belize projects since large investors involved, not homeowners).
- (3) Paraquat: EPA concluded to permit normal registration processing with following caveats: (i) insufficient data to indicate conclusively any unreasonable adverse effects; (ii) under certain conditions of use, Paraquat might cause adverse effects in mammalian and avian wildlife species.

IV. ENVIRONMENTAL PROTECTION MEASURES

The project is designed to stimulate development in the agricultural sector by opening new opportunities to medium- and large-scale investors to increase productivity, develop external markets and improve employment opportunities for the people of Belize. Since the subprojects will involve medium- to large-scale investment, it is assumed that the associated investors and their project schemes will be able to overcome the constraints that affect agricultural development in much of Belize: small population in rural areas, poor access, difficulties in obtaining agricultural supplies, inadequate technical advice, marketing difficulties, and pests and disease. These constraints to project development should be scrutinized in loan applications, in any event.

The major environmental concerns related to aggravation of deforestation and safe use of pesticides are real but indeterminable, given the lack of site-specificity to the project at this stage. Since private sector interests are on economic viability, frequently shortcuts are made in the environmental quality arena. This demands that either (1) GOB develop and/or enforce adequate forest management programs and pesticides control and/or (2) USAID establish certain environmental quality objectives as conditions to loan applications. Guidelines should include, but not be limited to the following:

- Protection of Soil Resources. Projects should protect soil resources by not aggravating erosion; soil compaction should be avoided, recent technology for cropping of oxisols and ultisols should be employed when possible; if clearcutting of forests is done in logging operations, debris should be left where it is cut to enhance regeneration by leaving an adequate seedbed; hillsides should be protected in some appropriate manner to reduce soil loss.
- Protection of Forest Reserves. Designated protected reserves such as Columbia Forest, Chiquibul Forest and Cuanacaste Park bird sanctuary should not be used for forestry activities; some minimum forestry management program to ensure sustained use of the resource should be developed and approved by the GOB Forest Service; mangroves should be protected at all costs as vital breeding and nursery grounds for commercially important fish and shellfish species.

- **Safe Use of Pesticides.** Pesticides Control Act of Belize should be adopted as a guide in loan applications; crop protection measures should be established through application of existing technology and development of an adequate research program for those crops developed through the project; monitoring of pesticide residues in water, wildlife and people should begin in order to establish baseline conditions for future identification of pesticide problems; recommendations outlined in Attachments 1 and 2 should be followed.

V. RECOMMENDATIONS FOR ENVIRONMENTAL ACTION

The proposed project could foster some change with adverse implications if environmental protection measures are not applied. The basic unknowns with this project at present are: actual projects to be supported; their proposed locations; the resources that may be affected; and the degree to which environmental protection measures can be used as minimum loan conditions.

The degree of host country support with regard to safe use of pesticides is strong and therefore encouraging. The agro-chemical distribution companies, the Ministry of Natural Resources, and local storeowners who sell pesticides appear to be cooperative and realize the dangers of pesticide use. They believe, however, that the future development of Belize depends on a strong agricultural sector and export market for their goods, and that the benefits of using pesticides outweigh their negative effects, assuming proper usage. The Ministry of Natural Resources is committed to implementing the Pesticides Act so that restricted and/or prohibited chemicals will be controlled and applicators and importers and the like are licensed.

Logging operations that foster deforestation, not reforestation, are another matter since they will ultimately adversely affect the environment and lead to long-term deterioration of an already declining resource. This is not to say that all forestry development is inappropriate. On the contrary, logging operations can practice environmentally sound operations. Without approved timber management plans, however, such operations should not be considered for loan disbursements. The Belize Forest Service is committed to improved management of forest resources and, given this commitment, the forestry sector activities should be able to be properly controlled.

In view of the spirit of these commitments to environmentally sound use of agricultural and forestry resources, it is recommended that a Negative Determination be approved for this project, with inclusion of certain environmental protection measures mentioned in this IEE or developed later as minimum conditions for any loan disbursements.

REFERENCES

Arid Lands Information Center (ALIC), 1982. Draft Environmental Profile on Belize. University of Arizona, Tucson, for USAID/ST/FNR.

Jenkin, R.N., R. Rose Innes, J.R. Dunsmore, S.H. Walker, C.J. Birchall, and J.S. Briggs, 1976. The Agricultural Development Potential of the Belize Valley. Land Resource Study 24, Ministry of Overseas Development, Surrey, U.K.

CONTACTS

GOB Ministry of Natural Resources

- . Liberio Gonzales, Chief Agricultural Officer
- . Rodney Neal, Principal Agricultural Officer, R&D
- . Balimore Silva, Principal Veterinary Officer

GOB Central Farm

- . Harold Vernon, Director/Agricultural Officer
- . Rene Montero, Livestock Officer

Central Agricultural Services (Pesticide Distribution/Sales)

- . Rodney Allen

ATTACHMENT 1

C-15

DRAFT

INITIAL ENVIRONMENTAL ASSESSMENT

Belise, C.A.

22 July--31 July, 1982

**Dr. Carl S. Barfield
Associate Professor
Crop Protection
University of Florida
Gainesville, Florida**

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ATTACHMENT 2

November 8, 1982

MEMORANDUM

TO : LAC/DR, James Hester
Environmental Officer

FROM : Carroll W. Collier *Carroll W. Collier*
Pest Management Specialist

SUBJECT: Environmental Assessment for Proposed U.S. Assistance Loan to Belize

Attached is a copy of Dr. Barfield's report on crop protection in Belize and recommendations relating to pest and pesticide management. The report is quite comprehensive and includes many suggestions for making substantial improvements in certain aspects of Belizean agriculture. If Belize were to become an AID recipient country, the composite of these suggestions could well serve as the case of an excellent agricultural research project.

There is no question, after reading the report, that pesticides are subject to widespread misuse in Belizean agriculture and that almost no regulatory controls are exerted.

Based on AID activities in developing countries and in accordance with its self-imposed regulations developed on the basis of practical experience, I would suggest that the following minimal conditions be imposed on any U.S. loan to Belize for expanding agricultural production:

1. PROVIDE FOR SAFE USE OF THE HERBICIDE PARAQUAT

It can be anticipated that the herbicide paraquat will be used in the culture of bananas and sugarcane. This pesticide is restricted for use in the U.S. and can only be sold to specially certified and trained individuals. Furthermore, it has been established that there is a very low margin safety when paraquat is applied by the methods anticipated in Belizean banana and sugarcane culture (backpack sprayer) [See Paraquat Decision Document, Office of Pesticides and Toxic Substances, U.S. Environmental Protection Agency, July 1, 1982]. Therefore, prior to subsidizing a project within which this extremely hazardous pesticide is to be used the following precautions should be observed:

- All workers who will be using paraquat should be specially trained in its safe use and to the potential dangers to their health, if misused. This should be done through the local banana Control Board, the Belize Sugar Board, Belize Cane Farmers Association and Belize Sugar Industries, Ltd.

Specific individuals, identified by AID/W who should participate in these training exercises are as follows:

Bananas: Mr. Filio Celiorosa, Technical Director Banana Culture, Banana Control Board.

Sugarcane: Mr. A. Cawich, Research Officer, Belize Sugar Industries, Ltd.

All pesticide applicators and their immediate supervisors should be subjected to this training program regardless of how small their individual growing operation or acreage. AID/W-ST/AGR could assist in coordinating any such training effort. A total of \$25,000 should be set aside to conduct this training (See also Section 3).

- Only high quality backpack sprayers should be distributed for farm worker use and special provision should be taken to insure that a backpack sprayer repair service and adequate supply of spare parts to properly repair defective equipment is available at centrally located points within the agricultural areas.
- Locked storage facilities should be provided to all users of paraquat.
- All paraquat should be stored and distributed in properly labeled containers.
- All paraquat formulations should contain a warning odorant (such as valeric acid) to prevent accidental ingestion and an emetic to serve as a post-ingestion safety measure in case of accidental/intentional misuse. The above formulation is available from ICI Chemicals Co.
- Paraquat will not be purchased for non-plantation agricultural use and should only be provided for use in sugarcane and banana projects.
- No paraquat formulation containing dimethyl sulfate, a known carcinogen, should be purchased.

2. PROVIDING FOR MONITORING SAFE USE OF PARAQUAT

As a follow-up to the pesticide safety training program (See above) the grower organisations will cooperate with appropriate chemical epidemiologists in an exposure monitoring program to assure that worker exposure to paraquat is minimized. This monitoring will be in the form of urinary sampling of at-risk workers and will not involve taking of blood samples. Analyses would be performed by AID/W contractors at no cost to the grower organisations. A sum of \$5,000 U.S. should be set aside to assist in the logistics of this operation.

3. PROVIDE TRAINING IN PESTICIDE SAFETY

Since other highly toxic pesticides than paraquat are used in sugarcane culture (e.g. parathion), the training provided for in Item 1, above should also consider the highly toxic organophosphate and carbamate pesticides. Some of this training effort should be in the form of a small farmer crop protection manual. This manual should intentionally be written to direct the farmer to use only those pesticides in the lower toxicity range. If possible, all category I (WHO Classification Pesticides) should be deleted from the manual.

4. DELETE ALL CHLORINATED HYDROCARBON PESTICIDES FROM PROJECTS

Chlorinated pesticides are no longer used in most developing countries and due to problems with their persistence and their ability to bioaccumulate they are also contraindicated in developing countries. Safe and effective substitutes are available for most agricultural uses.

Based on available information, the economic justification for use of Nirex to control leaf cutting ants in citrus groves has not been established. Therefore, this pesticide which has been cancelled for all outdoor uses in the U.S. and many other countries should not be used in any new Belizean citrus projects.

ATTACHMENT 3

APPENDIX II

Proposed Pesticides Control Act, 1961 for India

Act to provide for the control
the importation, sale, storage
use of pesticides.

This Act may be cited as the
Pesticides Act, 1961 and
shall come into operation on
a day to be appointed by the
Minister by notice published
in the Gazette.

Short title
and commen-
cement.

For the purposes of this Act
"advertisement" means any
representation by any means
whatsoever for the purpose
of:

Interpreta-
tion.

Best Available Document

promoting directly or indirectly, the sale or other distribution of any pesticide;

"agriculture" means the production and storage of any produce for consumption or any other purpose and include the use of land for grazing, forestry and woodland, fish culture, bee culture, market gardening, horticulture and nurseries or animal husbandry;

"approved analyst" means the government analyst or any other analyst approved by the Minister

"article" or "article to which the act and regulation apply means -

(a) a pesticide or any produce in which a pesticide is believed to have been applied; or

(b) anything used for the manufacture, packaging, storage, application or use of a pesticide; or

(c) any labelling, packaging or advertising material which relates to a pesticide;

"Board" means the Pesticides Control Board established under section 4;

"container" means anything in which a pesticide is wholly or partly contained or packed;

cont'd...

"container" means anything in which a pesticide is wholly or partly contained or packed;

"extermination" means the use of pesticides for the destruction or control of pests on any land or premises or in a vehicle, ship or aircraft whether on land or any other place;

"label" means any legend, word or mark attached to, included in, belonging to or accompanying a container;

"manufacture" means the formulation, compounding or synthesizing of a pesticide;

"Minister" means Minister responsible for agriculture;

"owner" means the owner of an article, his servant or agent, the person in whose possession an article is found, the owner of a vehicle or land or premises in which or on which an article is found, or the employer of a worker;

"packaging" means the activity of putting pesticides in containers for sale or distribution;

"pest" means any insect, rodent, bird, fish mollusc, nematode, fungus, weed, micro-organism, virus, ectoparasites of animals and any other kind of plant or animal life which is injurious, troublesome or undesirable to growing crops, produce, processed food, wood, clothes fabrics or other inanimate objects and includes anything which is undesirable under any enactment relating to pest control;

"pest applicator" means a person who, by himself or his employees, assistants or agents, uses pesticides to carry out an extermination;

"pesticide" means a product intended to be used for controlling a pest;

"produce" means a crop grown for consumption or other use after it is severed from the land and includes anything ordinarily used or which may be used in the composition of food for human beings and domestic and farm animals, but does not include growing crops;

"Secretary" means the Secretary of the Pesticides Control Board as constituted under the first schedule;

"worker" means a person employed in the use and handling of pesticides;

- (1) There shall be established a board to be called the Pesticides Control Board and the provisions of the schedule, shall have effect in relation to the constitution of the Board and otherwise in relation thereto.

Establishment of Pesticides Control Board

First Schedule

The functions of the Board shall be -

Functions of the Board

- (a) to register pesticides;
- (b) to license persons to import pesticides,
- (c) to authorize persons to sell restricted pesticides;
- (d) to register premises in which a restricted pesticide may be sold;
- (e) to authorize pesticide applicators to use ~~restricted~~ restricted pesticides;
- (f) to consider and determine applications made pursuant to this act and to deal with all aspects of the importation, manufacture, packaging preparation for sale, sale, disposal, and use of pesticides and to advise the Minister on all matters in relation thereto; and
- (g) to do such other things as may be expedient or necessary for the proper performance of its functions under this Act.

3 - The Minister may after consultation with the Chairman, give to the Board directions of a general character as to the policy to be followed in the performance of any of its functions, and the Board shall give effect to such directions.

Policy directions

(1) No person shall manufacture, import, advertise, or sell any pesticide unless such pesticide is registered in the prescribed manner;

(2) The Board shall issue and amend from time to time a list of registered pesticides.

Registration of pesticides

No person shall manufacture, or import any pesticides unless he first obtains in the prescribed manner, from the Board, a license to manufacture or import, as the case may require, that pesticide.

Licensing of manufacturer or importer of pesticides.

(1) No person shall sell a restricted pesticide unless -

(a) he is authorized in the prescribed manner so to do;

(b) the premises in which the sale is carried out has been registered in the prescribed manner for the purpose; and

(c) the sale is carried out in accordance with such other requirements as may be prescribed.

(2) The Board shall issue and amend from time to time, a list of restricted pesticides.

Authorization to sell restricted pesticides and registration of premises

(1) No applicator shall use restricted pesticides unless he is authorized by the Board to use such pesticides or is an employee of an authorized person.

(1) The Board shall cause the Secretary to keep in such form as it may from time to time determine -

(a) a register to be known as the Register of Pesticide in which shall be entered the name and prescribed particulars of any pesticide registered under this Act.

(b) a register to be known as the Register of Licenses in which shall be entered the name and prescribed particulars of every person licensed under this act to manufacture or import a registered pesticide;

(c) a register to be known as the Register of Authorized persons and Registered premises in which shall be entered the name and prescribed particulars of every person licensed under this act to manufacture or import a registered pesticide and the premises in which he carries on the business of this Act;

(d) a register to be known as the Register of Authorized applicators in which shall be entered the name and prescribed particulars of any person, under this Act to handle restricted pesticides.

(2) The registers kept pursuant to subsection (1) shall be open to inspection by any member of the public at all reasonable times and a copy of each register shall be published in the Gazette at such times as may be prescribed.

(3) Every application for the registration of a pesticide, for a license to manufacture or import a registered pesticide, for authorization to sell a restricted pesticide, for registration of the premises in which such restricted pesticide may be sold, for authorization to use restricted pesticides shall be made in the prescribed form and be accompanied by the relevant prescribed fee; and; subject to provisions of this act, the Board may grant any such application on such terms and conditions as it thinks fit, ~~and~~ refuse any such application, and may at any time after an application has been granted, revoke any license, certificate or authorization issued pursuant to that application.

(4) The Secretary shall issue to every person whose application, under pursuant to this section, is granted, the appropriate license or certificate of registration or authorization, as the case may require, in the prescribed form.

15 - It shall be the duty of the Secretary -

Corrections of registers

- (a) to remove from any of the registers mentioned in subsection (1) of section 10 any entry which the Board directs him in writing to remove.
- (b) to correct in accordance with the Board's directions any entry in any such register which the Board directs him in writing to correct as being in the opinion of the Board an entry which is incorrectly made; and
- (c) to make from time to time any necessary alterations in any prescribed particulars contained in any of such registers.

16 - (1) If any person who has obtained any registration, license or authorization pursuant to this act, is found upon enquiry by the Board to have procured such registration, license or authorization, as the case may be, as a result of any misstatement, false or fraudulent representation, the Board may

Suspension and deletion of entry from registers.

gistration, license or authorization as the case may be, for a period not exceeding one year, or direct the Secretary to delete the relevant entry from the appropriate register;

- (2) The Board may at any time if it thinks just, direct any entry which has been deleted from a register pursuant to subsection (1) to be reinstated.
 - (3) The Board may, as soon as practicable after -
 - (a) any registration, license or authorization has been suspended or deleted from a register; or
 - (b) the reinstatement of any registration license or authorization which was deleted from a register, cause notice of the appropriate fact to be published in the Gazette.
 - (4) Whenever any registration, license or authorization is deleted from a register, the Board may in writing require the person to whom such registration, license or authorization had been granted to return to the Secretary the relevant certificate or license, as the case may be and such person shall comply with that requirement.
- (1) Pesticides not registered as required in Section 6 shall be prohibited pesticides and accordingly shall not be brought into or used in the country.
- (2) The Board shall issue and amend from time to time a list of prohibited pesticides. Prohibited Pesticides
- (3) An order made pursuant to subsection (2), may provide for the withdrawal from sale or use, and for the disposal of, any pesticide added to the list of prohibited pesticides.

No person shall package, label or advertise any pesticide in a manner that is false, misleading or deceptive, is likely to create an erroneous impression regarding its character, value, quantity, composition, merit or safety, or is inconsistent with the information supplied to the Board at the time of the application for registration.

Labeling

(1) The Board may, with the approval of the Minister, make regulations -

Regulations

- (a) for the registration of pesticides;
- (b) respecting experimental samples of pesticides and matters related thereto;
- (c) for the licensing of persons to import or manufacture registered pesticides;
- (d) relating to restricted pesticides, the authorization and the eligibility therefor of persons to sell restricted pesticides and the premises in which such pesticides may be sold;
- (e) relating to persons authorized to use restricted chemicals their employees and any medical or other examination which they may be required to undergo;
- (f) as respects the labelling, packaging, storage, transportation and use of pesticides;
- (g) specifying the pesticides which may only be used by or under the direct supervision of an authorized pesticide applicator;
- (h) governing the aerial application of pesticides;
- (i) providing for the keeping of books and records by authorized persons, by persons licensed under this Act to manufacture or import registered pesticides;

- (j) relating to the designation of inspectors and official analysts, and the taking and analysing of samples;
- (k) for matters relating to examination by registered medical practitioners of various persons having contact with pesticides;
- (l) prescribing the protective clothing to be worn and other precautions to be taken by persons handling or having contact with particular pesticides or classes thereof and imposing obligations on employers of such persons with respect thereto;
- (m) prescribing the permissible level of any pesticide or breakdown product thereof, at any specified time, in any kind of plant or animal product intended for consumption by human beings or domestic animals;
- (n) regulating the periods during which particular pesticides may or may not be used on certain agricultural crops;
- (o) respecting the disposal of pesticides and packages;
- (p) for the protection of persons who may suffer damage as a result of the use, storage, manufacture or packaging of pesticides by others;
- (q) exempting certain substances which may be used as pesticides from the provisions of this act when being used otherwise than as pesticides;
- (r) prescribing fees and forms in respect of any registration, license or authorisation under this act; and
- (s) for giving further and better effect to the provisions of this act and prescribing any other matter or thing, whether similar to the foregoing or not, which may or is required by this act to be prescribed.

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(2) Notwithstanding anything contained in the Interpretation Act, regulations under this Act provide in respect of a breach of any of the provisions thereof that the offender shall be liable on summary conviction in a Magistrate's Court to such fine not exceeding five hundred dollars or to such term of imprisonment with hard labour not exceeding six months or to both such fine and imprisonment as may be specified therein.

The Minister may from time to time designate any person whether by name or by the title of his office to be an inspector or an analyst for the purpose of this Act.

Designation of Officers

(1) An inspector may, in the performance of his functions under this Act or the regulations, at any reasonable time enter on land or premises to which this section applies.

Powers of Inspector

(a) on which a pesticide is being, has recently been, or is about to be used in manufacture, sold, packaged or stored

(b) which is being used or has recently been used or is about to be used for a purpose connected with the use, manufacture, sale, packaging or storage of pesticides;

(c) on which apparatus and facilities required to be kept by the regulations are kept; or

(d) which an inspector has reasonable cause to believe to be land or premises mentioned in paragraphs (a) to (c).

(2) An inspector may --

(a) require the production of and inspect, examine and copy registers, records or other documents required to be kept by the regulations;

- (b) make examinations and enquiries to discover whether this Act and the regulations are complied with;
- (c) require any person he finds on land or premises mentioned in section 17 (1) to give information to the best of his knowledge as to who is the occupier of that land and who is the employer of workers employed to work thereon;
- (d) seize and detain for such time as may be necessary any article by means of which or in relation to which he reasonably believes any provisions of this Act or the regulations has been contravened;
- (g) exercise such other powers as may be necessary for carrying into effect this Act and the regulations.

(3) Where an inspector seizes an article under paragraph (d) of subsection (2) and the owner then consents to its destruction the article shall thereupon be forfeited to the Crown and may be destroyed or otherwise disposed of as the Board directs.

(4) An inspector may take samples of articles to which this Act and the regulations apply and submit such samples to an analyst for examination or analysis without paying compensation to the owner.

10 -- (1) Where an inspector or analyst made an examination or analysis pursuant to section 18, he may issue a certificate setting out the result of his examination or analysis as the case may be.

*Certificate of
Inspection*

(2) The certificate of an inspector or analyst stating that he has examined or analysed an article or sample for the purpose of this Act and stating the result of his examination or analysis, as the case may be, shall be admissible in evidence in a prosecution of this Act and shall be prima facie proof of the statements contained in the certificate.

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but the party against whom it is produced may require the attendance of the inspector or analyst issuing the certificate for the purpose of cross-examining him.

19 -- (1) Every person who --

Penalties

- (a) contravenes any of the provisions of this Act, ~~or~~
- (b) with intent to deceive --
 - (i) forges or uses or lends to or allows to be used by another person any license or certificate issued pursuant to this Act; or
 - (ii) make or has in his possession any document so closely resembling such license or certificate as to be calculated to deceive; or
- (c) assaults or obstructs any inspector or other officer designated or appointed as the case may be under this Act, acting in the performance of his functions pursuant to this Act, or
- (d) without proper authority interferes with, or disposes of, any article seized or detained pursuant to paragraph (d) of subsection (2) of section 17; or
- (e) bribes or attempts to bribe any inspector or other officer designated or appointed as the case may be under this Act, in connection with any matter arising in the performance of any of his functions pursuant to this Act; or
- (f) knowingly gives false or misleading information to any inspector or other officer designated or appointed as the case may be under this Act; or
- (g) being an inspector or other officer designated or appointed under this Act as the case may be, accepts or solicits any bribe in connection with any matter arising in the performance of any of his functions pursuant to this Act.

shall be guilty of an offence and shall be liable on summary conviction before a Magistrate to a fine not exceeding five hundred dollars or to imprisonment for a term not exceeding six months.

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- (2) "prosecution for an offence under paragraph (d) or (f) of subsection (1) shall not be instituted without the sanction of the Director of Public Prosecutions.

any person aggrieved by any decision of the Board may appeal to the Ministry against such decision within such time and in such manner as may be prescribed.

FIRST SCHEDULE (Section 3)

1. The Board shall consist of not more than fourteen members being persons appearing to the Minister to have ability and experience in the fields of plant protection, food storage, pesticide chemistry, public health, food chemistry, the pest control industry, and matters related thereto.
2. The appointment of a member shall, subject to the provisions of this Schedule, be for a period not exceeding three years and such member shall be eligible for re-appointment.
3. The Minister shall appoint one of the members to be Chairman thereof.
4. If the chairman or any other member is absent or unable to act, the Minister may appoint any person to act in the place of the Chairman or such member.
5. (1) Any member other than the chairman may at any time resign his office by instrument in writing addressed to the Ministry and transmitted through the chairman and the date of receipt by the Ministry of such instrument shall be deemed to be a resignation of that member.

(2) The Chairman may at any time resign his office by instrument in writing addressed to the Minister and such resignation shall take effect as from the date of receipt by the Minister of that instrument.

6. The Minister shall appoint a person, who may be a public officer, to perform the function of Secretary to the Board.
7. If any vacancy occurs in the membership such vacancy shall be filled by the appointment of another member by the Minister, and in making such appointment, the Minister shall have regard to the provisions of paragraph 1.
8. The names of all members as first constituted and every change in the membership shall be published in the Gazette.
9. The Board may co-opt such person, whether Government officers or otherwise, to attend particular meetings or parts thereof, as it thinks fit.
10. The funds of the Board shall consist of such monies as may from time to time be placed at its disposition for the purposes of this Act by Cabinet, and such other monies as may be lawfully paid to the Board.
11. The Board shall keep proper accounts of its receipts, payments, assets and liabilities and such accounts shall be audited annually by an auditor appointed in each year by the Board with the approval of the Minister.
12. (1) The Board shall not later than three months after the end of each financial year, cause to be made and transmitted to the Minister, a report of its activities during the preceding financial year, including a statement of its accounts, audited in accordance with paragraph 11, and the Minister shall cause copies of such report, together with the auditor's report, to be laid on the Table of the House of Representatives and of the Senate.

(2) The Board shall, before the date specified by the Minister, submit to the Minister for his approval estimates of revenue and expenditure for the ensuing financial year.

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13. (1) The seal of the Board shall be kept in the custody of the Chairman or the Secretary and shall be affixed to instruments pursuant to a resolution of the Board in the presence of the Chairman or any other member of the Board and the Secretary.

(2) The seal of the Board shall be authenticated by the signatures of the Chairman or any other member authorized to act in that behalf, and the Secretary.

(3) All documents other than those required by law to be under seal made by and all resolutions of the Board may be signified under the hand of the Chairman, or any other member authorized in that behalf, or the Secretary.

14. (1) The Board shall meet at such times as may be expedient for the transaction of its business and such meetings shall be held at such places and times and on such days as the Board may determine.

(2) The Chairman shall preside at all meetings of the Board at which he is present and in the case of the Chairman's absence from any meeting, the members present and forming a quorum shall elect one of their number to preside at the meeting.

(3) The Chairman may at any time call a special meeting of the Board and shall call a special meeting within seven days of the receipt of a written requisition for that purpose addressed to him by any three members of the Board.

(4) A quorum of the Board shall be four.

(5) The decisions of the Board shall be by a majority of votes and, in addition to an original vote, the Chairman or other person presiding at a meeting shall have a casting vote in any case in which the voting is equal.

(6) Minutes in proper form of each meeting of the Board shall be kept.

(7) The validity of the proceedings of the Board shall not be affected by any vacancy amongst the members thereof or by any defect in the appointment of any member thereof.

cont'd...

See 4

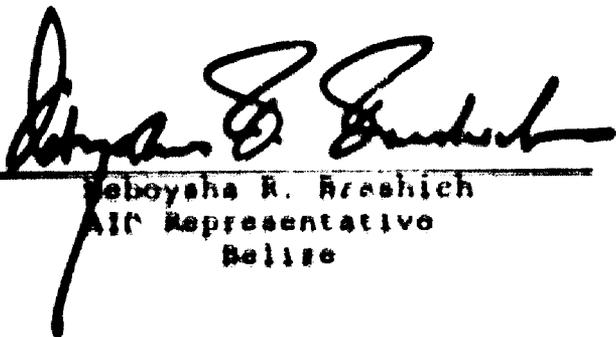
15. (1) The board may appoint such committees as it thinks fit, and may delegate to any committee so appointed the power and authority to carry out on its behalf such functions as the board may determine, so that however, no committee so appointed shall have the power to make regulations.
- (2) The constitution of any committee appointed pursuant to sub-paragraph (1) shall be determined by the board.
- (3) The validity of the proceedings of a committee appointed pursuant to this paragraph shall not be affected by any vacancy amongst the members thereof or affected by any defect in the appointment of a member thereof.
- (4) The provisions of paragraph 15 shall apply to a member of a committee in like manner as they apply to a member of the board.
16. (1) No member of the board shall be personally liable for any act or default of the board done or omitted to be done in good faith in the course of the operations of the board.
- (2) Where any member of the board is exempt from liability by reason only of the provisions of this paragraph, the board shall be liable to the extent that it would be if the member was a servant or agent of the board.
17. There shall be paid from the funds of the board to the chairmen and other members of the board such remuneration whether by way of honorarium, salary or fees, and such allowances as the minister may determine.
18. The office of chairman or member of the board shall not be a public office for the purposes of the Constitution of Malaya.

ANNEX D

**CERTIFICATION PURSUANT TO
SECTION 511 (c) OF THE
FOREIGN ASSISTANCE ACT OF 1981
AS AMENDED**

I, Neboysha R. Brashich, the principal officer of the Agency for International Development in Belize, certify that to the best of my knowledge and belief Belize possesses both the financial capability and human resources to effectively maintain and utilize the Commercial Bank Discount Fund to be established with this loan.

This judgment is based on the performance and capabilities of the Central Bank and the four commercial banks in Belize, and the general lending criteria and operating procedures which have been negotiated for this project.

(Signed) 
Neboysha R. Brashich
AIC Representative
Belize

(Date) March 1, 1983

PROJECT DESIGN SUMMARY - LOGICAL FRAMEWORK

PROJECT TITLE & NUMBER: COMMERCIAL BANK DISCOUNT FUND - PROJECT 505-0005

Life of Project: FY'83-FY'86
 Total U.S. Funding: \$5,000,000
 Date Prepared: February 18, 1983

BRIEF STATE SUMMARY	OBJECTIVELY MEASURABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Goal: To increase the agricultural national product by 50% in real terms between 1982 and 1990, with accompanying gains in employment and income throughout the sector.</p>	<p>Means of Goal Achievement: Value added by the agricultural sector, as estimated for the national income accounts, compared with the base year by deflating as appropriate to reflect changes in agricultural prices.</p>	<p>Customs data - Ag. exports and imports, marketing board transactions, interviews with private marketers; Forestry - sawmill production records Livestock - slaughterhouse production records Interviews with fertilizer, seed and other input suppliers.</p>	<p>Political stability; Export markets remain open; CBI trade incentives; Other - donor assistance in agriculture; Product prices do not decline in real terms; Expanded plantations and processing facilities yield higher production and exports.</p>
<p>Purpose: To increase private productive investment in agriculture and related industry.</p>	<p>End of Project Status: New and expanded plantations and processing plants.</p>	<p>Commercial bank records; Site inspections.</p>	<p>Favorable investment climate. CBI investment incentives.</p>
<p>Outputs: 1. Long-term loans and projects. 2. Policy changes: long-term lending by the commercial banks. 3. Institutional changes: Discount Fund.</p>	<p>Magnitude of Outputs: 1. \$11 million in total new investment. 2. 3-Percent Discount Fund (\$5 million) induces continuing \$6 million-plus long-term commercial bank exposure.</p>	<p>1. Commercial bank records. 2. Commercial bank records. 3. Commercial bank records.</p>	<p>Anticipated demand materializes.</p>
<p>Inputs: A.I.D. - \$1,000,000, Netherlands - \$4,000,000, Commercial Banks - \$1,000,000, Central Bank - Admin. Overhead.</p>	<p>Implementation Targets: 1. New agricultural and agro-industry investment - \$11 million during the first three years plus follow-on. 2. Discount Fund established on a permanent basis.</p>	<p>1. Commercial and Central Bank records. 2. Central Bank records.</p>	<p>1. Effective demand for the credit offered in this Project.</p>

ANNEX 5

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Appendix F

PROJECT AUTHORIZATION

Name of Country: Belize
 Name of Project: Commercial Bank Discount Fund
 Number of Projects: 505-0005
 Number of Loans:

1. Pursuant to Caribbean Basin Initiative Supplemental, Title I, Chapter VI of P.L. 97-257, the Supplemental Appropriations Act, 1982, I hereby authorize the Commercial Bank Discount Fund project for Belize involving planned obligations of not to exceed Five Million United States Dollars (\$5,000,000) in loan funds ("Loan") over a twenty-five (25) year period from the date of authorization, subject to the availability of funds in accordance with the AID OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project ("Project") consists of the establishment of a \$5 million loan financed Commercial Bank Discount Fund in the Central Bank of Belize, against which commercial banks will be able to discount credits extended to productive private sector agricultural, related industrial, and export-producing subprojects.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with AID regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as AID may deem appropriate.

a. Interest Rate and Terms of Repayment

The Government of Belize ("Borrower") shall repay the Loan to AID in U.S. Dollars within twenty-five (25) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Borrower shall pay to AID in U.S. Dollars interest from the date of first disbursement of the Loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by the loan shall have their source and origin in Belize or the United States, except as AID may otherwise

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agree in writing. Ocean shipping financed by AID under the Loan shall be financed only on flag vessels of the United States, except as AID may otherwise agree in writing.

c. Conditions Precedent to Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, the Borrower shall, except as AID may otherwise agree in writing, furnish, in form and substance satisfactory to AID:

- (a) An opinion of counsel acceptable to AID that the Project Loan Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;
- (b) A statement of the name of the person holding or acting in the office of the Borrower specified in Section 9.3, and of any additional representatives, together with a specimen signature of each person specified in such statement;
- (c) A copy of the Central Bank's regulations and policies related to discounting project funds to the commercial banks;
- (d) A statement of the retail lending policy of the commercial banks that will include special emphasis on lending to small and medium-size entrepreneurs and a commitment on their part to use their best efforts to lend twenty percent (20%) of the proceeds of this loan to achieve that objective;
- (e) A copy of the Model Sub-Loan Agreement which the commercial banks will use in their loans to the sub-borrowers;
- (f) Evidence that the Central Bank and the participating commercial banks will provide the staff necessary to carry out the Project.

d. Covenants

The Borrower shall covenant that, unless AID otherwise agrees in writing, it will:

- (a) Require a subborrower under this Project to fit one of the following categories to be eligible for a sub-loan: (i) an individual who is a citizen or a legal resident of Belize or the United States; (ii) a corporation or partnership organized under the laws of Belize

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or the United States of which more than twenty-five percent (25%) of the total combined voting power of all classes of stock is owned by holders of United States shareholdings; (iii) a joint venture or unincorporated association consisting entirely of individuals, corporations, or partnerships which are eligible under any of the foregoing categories.

(b) Submit to AID for approval any project to be financed under the Loan Agreement which has a value in excess of Five Hundred Thousand United States Dollars (\$500,000).

(c) In carrying out project activities under the Loan Agreement, the Borrower will avoid projects or activities which would cause or threaten serious injury to the production, marketing, or pricing of United States agricultural commodities or products, and will keep AID informed of activities which appear to involve the potential for such harm.

(d) Examine each subproject financed under the Loan Agreement and make a written determination as to the effect that the Project will have on the human environment. Borrower will ensure that before proceeding with any project which could have a substantial effect on the environment that an environmental examination satisfactory to AID has been prepared.

Otto J. Reich
Assistant Administrator
Bureau for Latin America
and the Caribbean

Date

Clearances:

GC/IAC:RRVeighani _____ Date _____
IAC/DP:JWaltways _____ Date _____
IAC/DP:DJJohnson _____ Date _____

GC/IAC:DCJohnson:okg:3/22/81:4622-2273