

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC36861

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| Project Name | Belize FCPF REDD Readiness Preparation (P152415) |
| Region | LATIN AMERICA AND CARIBBEAN |
| Country | Belize |
| Sector(s) | Forestry (100%) |
| Theme(s) | Climate change (100%) |
| Project ID | P152415 |
| Borrower(s) | Ministry of Economic Development, Petroleum, Investment, Trade and Commerce |
| Implementing Agency | Protected Areas Conservation Trust (PACT), Ministry of Agriculture, Fisheries, Forestry, the Environment and Sustainable Development |
| Environmental Category | B-Partial Assessment |
| Date PID Prepared/ Updated | 25-Mar-2016 |
| Date PID Approved/ Disclosed | 31-Mar-2016 |
| Estimated Date of Board Approval | 31-Dec-2020 |

I. Introduction and Context

Country Context

Belize is a small, upper-middle income country with a population of 351,700 (2014) and a gross national income (GNI) per capita of US\$4,350. The country is endowed with pristine tropical forests and the largest barrier reef in the Americas. The country has undergone significant economic transformation over the last two decades, mainly attributable to the emergence of the tourism industry and to the commercial oil discovery in 2005. Agriculture, a traditionally key sector for the national economy and a relevant source of employment and exports, has shrunk its relative importance in the GDP decomposition from roughly 19 percent (average 1980-1991) to approximately 13 percent (average 2003-2014), and currently represents about 13.5 percent of GDP, with sugar, citrus and banana being the most important crops. Since the early 1990s, manufacturing has represented between 15 percent and 19 percent of GDP, following a fluctuating trend, as medium and small local enterprises contribute vitally to the tourism's sector. At present the secondary sector accounts for roughly 16 percent of GDP. The service sector has represented the lion's share of GDP consistently for the last two decades, and currently accounts for about 60 percent.

Systemic inefficiencies (e.g., weak human capital, negative total factor productivity, and an embryonic infrastructure particularly in the transport sector) together with the exposure to natural

disasters, climate change, and highly volatile terms of trade constitute relevant sources of vulnerability for Belize. While the Belizean economy grew robustly by approximately 4 percent in 2014, preliminary figures for the year 2015 signal a strong deceleration, as the economy declined consecutively in the second and third quarter. During 2015, fisheries exports recorded a drop - largely due to lower shrimp production - and agriculture output suffered owed to lower than expected rainfall and an extended dry season. Overall real GDP growth is expected to hover around 2.5 percent a year in the medium term, as declines in the oil industry would be offset by higher output of other commodity exports, tourism and construction. Lower crude oil prices have contributed to reduce export earnings as well as to exert pressures on fiscal balances. Authorities have missed the objective of maintaining the primary surplus positive, as it was in 2013, and this is expected to remain in deficit prompted by expansionary fiscal policies (including wage increases and new development projects). Public debt, consequently, is expected to rise as a share of GDP, especially since a court decision has called for the payment of compensation to the former owners of the recently nationalized companies. The Belizean financial system would continue to be hampered by high non-performing loans and low capital buffers. The risk of further economic decline is exacerbated by potential external vulnerabilities arising from a protracted period of weak growth in advanced economies. On the other hand, authorities are conscious of the existing challenges and determined to mitigate these risks by continuing integral structural reforms, reinforcing the financial system, and aiming at allowing space for fiscal policy buffers.

Poverty in Belize is estimated to be substantially above the average for Latin America and the Caribbean, in part due to little dynamism in the economy and to the impact of natural disasters. GDP per capita remained virtually flat after 2003 because the economy grew close to—and at times even below—the annual rate of growth of population estimated at 2.5%. During the 2002-2009 period, the overall poverty rate increased from 34 to 42 percent, and extreme poverty increased from 11 to 16 percent. After a gradual decline in unemployment during the past decade, it increased drastically from 8 to 14.2 percent between 2008 and 2013. Income inequality is also moderately high with a Gini coefficient of 0.42 in 2009, but this is based on an old survey and the recent stagnation of real per capita in the country suggest that this might have increased in more recent years. There is also clear evidence of a rural-urban divide driven by low education, low female labor participation and prevalence of ethnic minorities.

Sectoral and Institutional Context

Forest Sector: Belize has the highest forest cover in both Central America and the Caribbean (1,727,600 ha—62 percent as a percentage of land, 37 percent of which are primary forests). Belize has two large, unified blocks of intact old growth forest that are likely to be the last strongholds for species that require large, undisturbed areas for their long-term survival. Much of the terrestrial area of Belize represents a significant portion of the Mesoamerican Biological Corridor, which stretches from Mexico to Panamá. These rich terrestrial ecosystems provide important habitat for Belize's high level of terrestrial biodiversity, including more than 150 species of mammals, 540 species of birds, 151 species of amphibians and reptiles, high numbers of invertebrates, and 3,408 species of vascular plants. In order to protect this unique forest and outstanding biodiversity, Belize has 103 protected areas (PAs) covering 35.8 percent of the country's total land area equivalent to 816,454 hectares. Forests are a valuable asset for Belize and generate a range of important ecosystem services such as protection of water quality, biodiversity habitats, non-timber forest products (NTFPs) for local and indigenous communities, fuel for rural communities, and a large untapped potential for the use of medicinal plants in the pharmaceutical industry. Forests provide soil stabilization, which prevents excessive sedimentation of estuaries and reduces the runoff of

nutrients from agriculture to sensitive coral reef and mangrove ecosystems, which greatly impacts the tourism and fisheries sectors, critical foreign exchange earners for Belize (approximately US \$338 million and US\$56 million).

Although Belize has managed to preserve its forests and outstanding biodiversity to a great extent, the country still faces serious problems that not only threaten the existing natural environment, but also adversely affect the poorer population that are dependent on the forests and the economic growth prospects of the country. Forest cover in Belize decreased from 72.9 percent in 1989 to 60.3 percent in 2014 and the trend is expected to continue. Main anthropogenic threats to the forests include the expansion of agriculture, housing, and tourism developments. Also damaging are illegal logging, looting of archeological sites, hunting, and poaching, in some areas by communities from across the national border. According to Cherrington et al. (2012), PAs in the country have been effective in protecting forests—only 6.4 percent of overall deforestation equivalent to 1,603 hectare occurred within PAs while 93.6 percent equivalent to 23,489 hectare was outside PAs during 2010-2012. The deforestation rate within PAs is 0.25 percent while outside PAs is 0.84 percent. However, pressure on PAs has been increasingly high in recent years, especially from agricultural expansion which has resulted in the de-reservation of some PAs. Also Belize's PAs are administered and regulated by different laws and enforced by different government agencies (e.g., Department of the Environment, Forest Department, Fisheries Department, Coastal Zone Management Authority and Institute, Institute of Archaeology, and Lands and Survey Department). These institutions are often subjected to limited resources and staff to adequately perform the critical functions including monitoring and enforcement.

The state lands comprise the majority of the forests in Belize. The lease and sale of national land to private owners continues to manifest itself as a key policy in promoting national development and alleviating poverty. The National Lands Act of 1992 controls the allocation of state lands by lease or sale to private ownership. Under normal practice the applicant may first obtain a long-term lease of national land, then after making sufficient improvement to the land may purchase it outright. This often leads to deforestation in rural areas since the assumption is that the improvement to the land requires clearing. On the other hand, the Act reserves to the government all mineral and timber rights in these allocated lands. National land distribution is a political process that involves political representatives at local and national levels. The rationalization of land allocation continues to pose a historic challenge. The Constitution is silent, however, on the issue of collective land rights of indigenous communities or other forest dependent communities. Also a recent Belize Court of Appeals ruling has reaffirmed a previous Supreme Court ruling that grants the Mayan communities of Southern Belize collective rights to land and resources in Southern Belize based on use and occupancy.

Climate Change Impacts on Forests and Livelihoods: Belize is extremely vulnerable to the adverse impacts of climate change. Like the rest of the Caribbean, Belize has experienced frequent climate related events of catastrophic proportions. In October 2010, Hurricane Richard (Category 1) led to extensive forest destruction leaving much dry debris which accumulated and caused forest fires. Consequently, Belize experienced extensive forest fires across the country during the 2011 dry season. In addition to the estimated 25,092 ha of cleared lands, another 33,129 ha were estimated to have suffered from fire/hurricane damage between 2010 and 2012. Climate change related events have already begun to profoundly impact the country's geophysical, biological and socio-economic systems, which results in depleting national budgets. The short-term impacts of such disasters and the long-term effects of climate change are expected to undermine the resilience of the natural

ecosystems and human vulnerability, increasing the urgency of tackling these challenges.

The poorest people in Belize including the Maya indigenous communities are predominantly rural and their livelihoods depend largely on access to land and natural resources. Furthermore, the highest poverty levels tend to occur in forested areas with the highest (e.g., South and West of Belize) or lowest (e.g., North and East of Belize) levels of biodiversity, thus presenting critical poverty-environment challenges (for example with encroachment and enforcement issues). The rural population continues to be larger than the urban population and it is growing faster (2.85 percent versus 2.46 percent nationally). This increase places an undue burden on the country's natural resources. People in forested areas use the forest resources and can contribute to sustainable forest and natural resource management. However, they need income generating and employment options that are not destructive to the forest. It is therefore critical that a participatory and inclusive process for effective and improved management of the forests is supported for shared prosperity and green growth of Belize.

Belize and REDD+: Belize is in a unique position to reduce emissions from deforestation and forest degradation and to increase carbon stocks through enhancement of conservation and sustainable management of forests (REDD+). Belize is a net sink for greenhouse gases (GHGs), i.e., it absorbs more than it emits. Moreover, 91% of the country's emission of GHGs come from Land Use, Land Use Change and Forestry (LULUCF). Interventions to avoid deforestation and to promote reforestation of degraded forests would significantly enhance the country's potential for climate change mitigation.

Belize has developed a Readiness Preparation Proposal (R-PP) which contains an initial assessment of the drivers of deforestation and forest degradation, terms of reference for defining their emissions reference level based on past emission rates and future emissions estimates, proposed activities to establish a monitoring, reporting and verification system for REDD+, and actions for integrating environmental and social considerations into the REDD+ Readiness process. Belize submitted the R-PP to the Participants Committee (PC) of the Forest Carbon Partnership Facility (FCPF) in July 2013 and was selected into the FCPF as one of the Qualified Eligible REDD Countries. Subsequently, the World Bank signed a Country Participation Agreement with Belize in October 2014 to assist in the Readiness Preparation process. The completeness check by the FCPF's Facility Management Team (FMT) cleared the revised R-PP in March 2015. The final R-PP is attached to this Assessment Note (Annex III).

Belize is a signatory to the United Nations Framework Convention on Climate Change (UNFCCC), ratified on October 31, 1994. The Project would support the measures identified in the Second National Communication such as the introduction of forest management plans, the promotion of agro-forestry and a REDD+ program, the restoration of abandoned agricultural lands, the establishment and maintenance of PAs, and the development of a national forest fire response team.

Relationship to CAS

The proposed Project would contribute to achieving the World Bank's twin goals to reduce poverty and promote shared prosperity by supporting a participatory and inclusive process for multi-stakeholders including marginalized populations who depend on forest resources and ecosystem services derived from forests, and by strengthening their capacity to improve the management of such forest resources and to participate in future REDD+ carbon payment transactions. The Project was developed under the current World Bank Group Country Partnership Strategy (CPS) for Belize

for the period 2012-2015 (Report No. 63504-BZ), discussed by the Executive Directors on September 8, 2011, which focuses on supporting the Government of Belize (GOB) to achieve “Inclusive and Sustainable Natural Resource-Based Growth and Enhanced Climate Resilience.” Specifically, the Project would contribute to the CPS’ “Results Area 2: Institutional capacity strengthening for natural resource management and climate change” and its outcome ii) Enhanced human resilience and capital for a natural resource based economy; and Results Area 3: Investment to strengthen climate resilience, and its outcomes “Increased ecosystem resilience to climate change impacts.” This makes the Project also relevant to the recently approved Systematic Country Diagnostic for Belize (Report No. 102973-BZ, publicly disclosed on February 8, 2016) which continues to underscore the country’s need to increase resilience to climate change and natural disasters as one of the priorities for growth and shared prosperity of Belize. The proposed Project is also aligned with the country’s national development framework—Horizon 2030—which highlights the central role of sustainable environment and natural resource management in the Belizean economy.

II. Proposed Development Objective(s)

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The Project Development Objective is to assist Belize in carrying out Readiness Preparation through a participatory and inclusive process in order to strengthen their capacity to participate in future REDD+ carbon payment transactions.

Key Results

The key results expected from the proposed Readiness Preparation activities are presented below. These results reflect the key elements to achieve the country’s Readiness to be able to tap into any future REDD+ mechanism under the UNFCCC or others. The indicators to measure these results as well as the intermediate (output) indicators are presented in the Results Framework.

- 1) Development of a National REDD+ Implementation Framework, including a National REDD+ Policy, carbon rights, capacity building for the REDD+ Strategy options, and a benefit sharing mechanism;
- 2) Government institutions provided with capacity building to improve management of forest resources; and
- 3) Multi-stakeholders including indigenous peoples participating in the consultations and capacity building activities for REDD+, of which 30% are female.

III. Preliminary Description

Concept Description

The R-PP of Belize identifies a broad set of activities aimed at strengthening the technical and institutional capacities for Belize to participate in a future REDD+ mechanism. Among these, the activities to be financed by the FCPF REDD+ Readiness Preparation grant (Project) were selected jointly with the GOB, key stakeholders including indigenous peoples, and in coordination with other donors such as the German Agency for International Cooperation (GIZ). Key criteria for consideration include: (i) activities needed to strengthen the immediate institutional capacity of the GOB to conduct participatory and consultation processes for REDD+; (ii) fundamental Readiness activities for which Belize had specific financial needs, not covered by other sources of financing; (iii) a discrete set of activities that would generate a specific outcome; and (iv) activities that are aligned with those of other sources of financing and the government, and that could serve to

strengthen the achievement of the project objective. The Project would be financed by a US\$3.80 million FCPF Readiness grant and US\$0.283 million in-kind counterpart financing by the GOB. In addition, the Project would be supported by parallel financing from complementary investments, including the REDD/CCAD-GIZ Regional Program for Belize and the Management and Protection of Key Biodiversity Areas (KBAs) Project (WB/P130474/TF016773). The proposed Project contemplates the following five components:

Component 1: REDD+ Organization Framework, Consultation and Grievance Redress. This component will support: (1.1) Establishing and operationalizing of: (a) a multi-stakeholder participatory platform for REDD+ implementation, and (b) a REDD+ coordination unit (R+CU) within MAFFESCC to coordinate the implementation of Readiness Preparation Activities; (1.2) Designing and carrying out of: (a) a communications and information dissemination strategy at the national level, and (b) the Stakeholder Consultation and Participation Plan at the national level; and (1.3) Designing and operationalizing or, if applicable, strengthening existing feedback, grievance and redress mechanisms to meet the needs of people who might be affected by REDD+.

Component 2: Preparation of REDD+ Strategy. This component will support: (2.1) Identifying and analyzing the main direct and indirect causes of deforestation and forest degradation in the Belizean territory; (2.2) Assessing land tenure, natural resource rights and land use patterns as part of Belize's Integrated Planning Framework for Land and Resource Management with a particular focus on Indigenous Peoples, both at the local and national levels; (2.3) Designing of: (a) effective strategic options for REDD+, including the mainstreaming of REDD+ into different sectors of the economy; and (b) an implementation framework for REDD+; (2.4) Preparation of a Strategic Environmental and Social Assessment (SESA) Work Plan and carrying out of SESA in accordance with the terms of such Work Plan, including diagnostic studies to assess the key risks of the strategic options under Component 2.3(a) above; and (2.5) Preparation of an environmental and social management framework (ESMF), including, if applicable, an Indigenous Planning Peoples Framework (IPPF), a Resettlement Policy Framework (RPF) and a Process Framework (RP), all in accordance with the World Bank's Safeguards Policies.

Component 3: Development of a National Forest Reference Emission Level and a Forest Reference Level. This component will support designing a national reference emissions level for the forest sector in the Belizean territory through (3.1) designing and establishing a reference scenario model; and (3.2) developing reference models.

Component 4: Design of National Forest Monitoring and Safeguards Systems. This component will support designing and implementing at the national level: (4.1) a forest monitoring system for the measuring, reporting, and verification (MRV) of greenhouse gases (GHGs) emission reductions; and (4.2) an information system for non-carbon benefits from REDD+ activities, safeguards and governance in relation to REDD+.

Component 5: Design of Monitoring and Evaluation Framework. This component will support designing and implementing a framework to monitor and evaluate the Readiness Preparation Activities under Components 1 through 4 above.

IV. Safeguard Policies that might apply

| Safeguard Policies Triggered by the Project | Yes | No | TBD |
|---|-----|----|-----|
|---|-----|----|-----|

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|--|---|---|--|
| Environmental Assessment OP/BP 4.01 | x | | |
| Natural Habitats OP/BP 4.04 | x | | |
| Forests OP/BP 4.36 | x | | |
| Pest Management OP 4.09 | x | | |
| Physical Cultural Resources OP/BP 4.11 | x | | |
| Indigenous Peoples OP/BP 4.10 | x | | |
| Involuntary Resettlement OP/BP 4.12 | x | | |
| Safety of Dams OP/BP 4.37 | | x | |
| Projects on International Waterways OP/BP 7.50 | | x | |
| Projects in Disputed Areas OP/BP 7.60 | x | | |

V. Financing (in USD Million)

| | | | |
|--|------|-----------------------|---------------|
| Total Project Cost: | 4.08 | Total Bank Financing: | 0.00 |
| Financing Gap: | 0.00 | | |
| Financing Source | | | Amount |
| Borrower | | | 0.28 |
| Readiness Fund of the Forest Carbon Partnership Facility | | | 3.80 |
| Total | | | 4.08 |

VI. Contact point

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