

**Innovative Financial Instruments for Public Debt Management in the Caribbean  
Webinar on Debt for Climate Swap  
June 22, 2021**

**Belize Debt for Nature Swap 2001**

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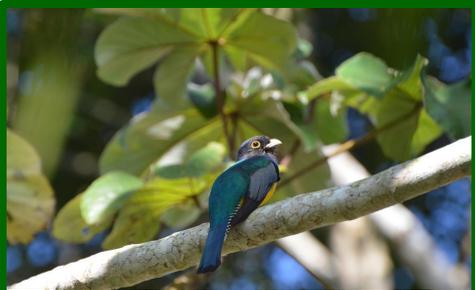
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# Belize Debt for Nature Swap 2001

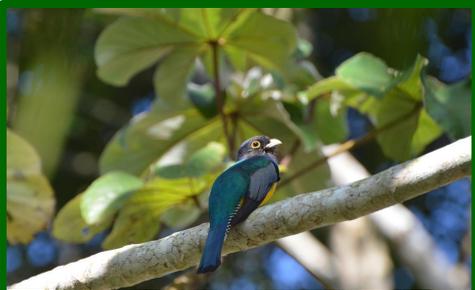
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- Rapid rates of tropical deforestation and forest degradation in the world
- Alleviation of external debt can reduce economic pressures and result in increased protection for tropical forest
- GOB strong record in implementing market-based economic reforms – liberalize investment regime
- Wish that resources free from debt are targeted for the conservation of tropical forest
- Seeks to facilitate the conservation, protection, restoration and sustainable use and management of tropical forest in Belize

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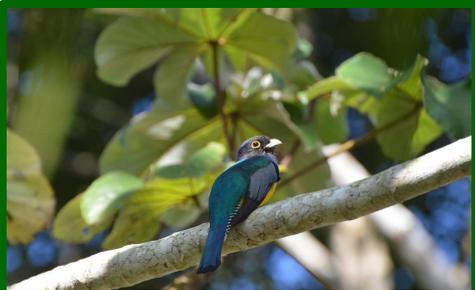
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- TNC's interest in tropical forest protection in Belize
- Success of Belize NGOs in conserving and managing tropical forest lands in Belize.
- Goal of the US Tropical Forest Conservation Act of 1998, Public Law No. 105 – 214
- Foreign Operations, Export Financing, and Related Programs Appropriations Act 2000, Public Law No. 106 – 113.

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I. Agreement between GUSA and the GoB Debt for Nature Swap

II. GUSA and The Nature Conservancy Swap Fee Contractual Agreement

III. Forest Conservation Agreement among GOB, TNC, BAS, PFB, TIDE, PACT.



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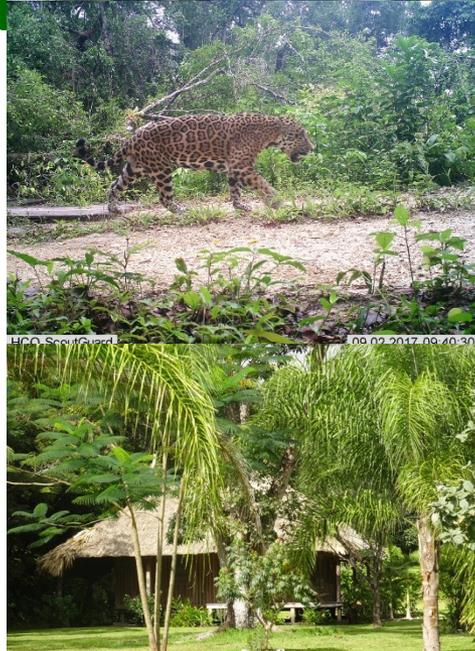
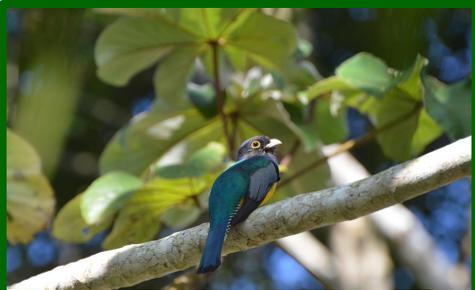


## I. Agreement between GUSA and the GOB Debt for Nature Swap

1. Prepay and Cancel three Outstanding USAID Loans totaling US \$8.5M
  - US \$6.3 M
  - US \$1.9M
  - US \$0.3M

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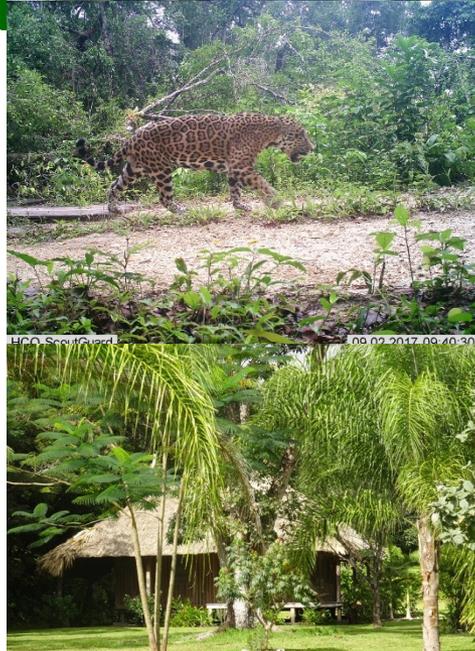
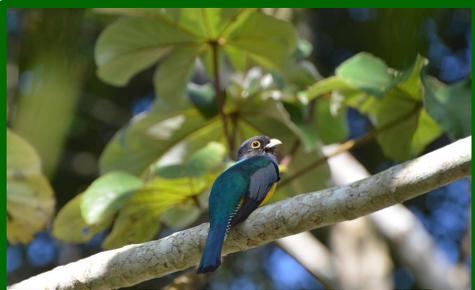


## 1. Conditions:

- Execution of GUSA & TNC Swap Fee Contractual Agreement
- Payment of Swap Fee by TNC – US \$800,000.
- Execution of the FCA Agreement
- Escrow Account Deposit by GOB of First Year Payment – US \$710,152.
- Forest Lands for Protection
- GOB to make payments to the beneficiaries as per payment schedule under the Forest Conservation Agreement.
- GOB agrees to take no action including imposition of taxes that would interfere or reduce payments.

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## II. GUSA and The Nature Conservancy Swap Fee Contractual Agreement

- USA makes the US Debt Reduction payment, prepaying and cancelling all amounts due by GOB
- Debt Reduction Payment = US \$5.542M
- TNC Pays Debt Swap fee of US \$800,000 to induce the US to enter the GUSA-GOB Debt for Nature Swap and to make the US Debt Reduction Payment.
- TNC to provide documentation of Forest Lands
- TNC to provide executed Forest Conservation Agreement

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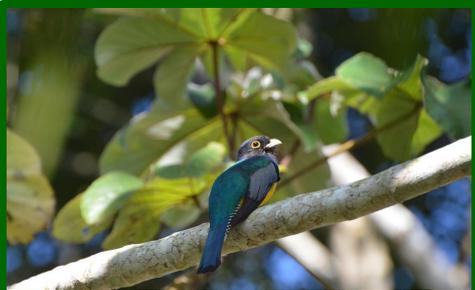


## III. Forest Conservation Agreement among GOB, TNC, BAS, PFB, TIDE, PACT.

- To promote activities designed to conserve, maintain, or restore the tropical forest in Belize, including the Forest Lands.
- Beneficiaries: Belize Audubon Society, Programme for Belize, TIDE, PACT Foundation (now Belize Forest Conservation Foundation).
- Programme for Belize: US \$2,375,494 up to 2028
- Belize Audubon Society: US \$2,375,494 up to 2028
- Toledo Institute for Development and Environment (TIDE): US 2,244,988 up to 2028.

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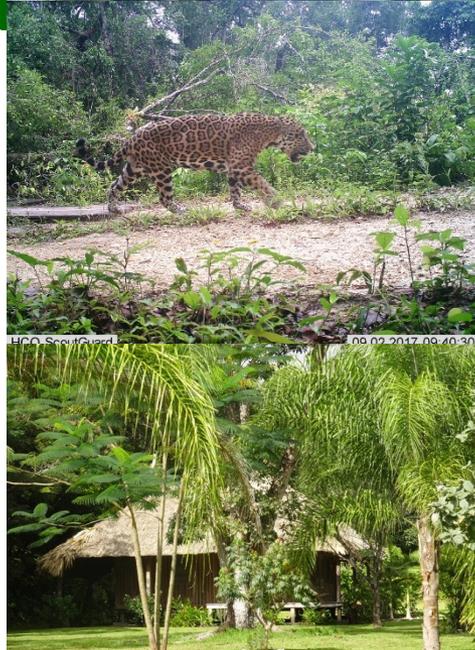
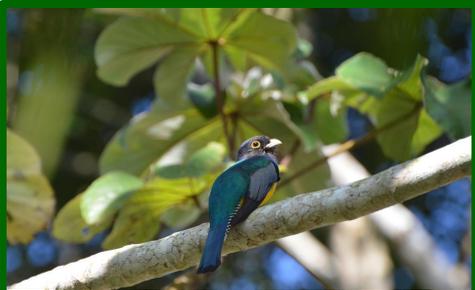


## III. Forest Conservation Agreement among GOB, TNC, BAS, PFB, TIDE, PACT.

- TIDE: an Additional US \$801,000 to secure 23,000 acres of forest lands.
- BAS, PFB and TIDE amounts each included and Endowment Fund of US \$916,836.
- BNCF Foundation: Endowment Fund - US \$1,632,000 up to 2012.
- Maximum disbursement from Endowment Fund is 5%
- Maximum disbursement for BNCF Foundation: Interest earned.

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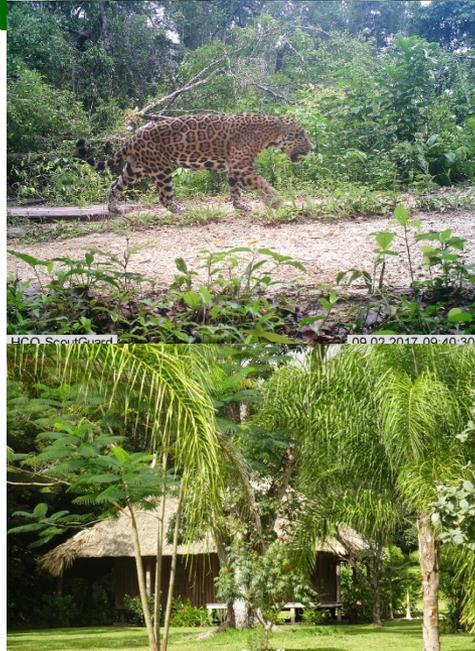


## Governance and Oversight:

- Oversight Committee (7 Members)
- Belize NGOS (3)
- PACT (Protected Areas Conservation Trust)
- GOB
- TNC
- Government of the USA
- Powers as provide within the FCA Agreement
- Approval of Budgets
- Approval of regulations and rules of the Oversight Committee
- Administration of the Oversight Process'
- Approval of the PACT Foundation Establishment

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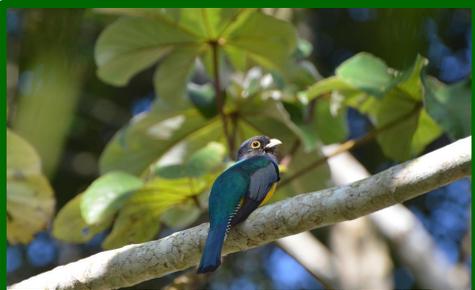


## Challenges:

1. Agreement on the Beneficiaries:
  - PACT Trust vs PACT Foundation
2. Establishment of the PACT Foundation, now Belize Nature Conservation Foundation
  - MoA and AoA
  - Composition of the Board (Majority NGOs vs Government)
  - GUSA and TNC as non-voting Members

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## Challenges:

### 3. Size of the Loan/Complexity of negotiations

- US \$8.5.
- Go for a large amount

### 4. Size of the Endowment Fund

- BNCF Fund: US \$1.6M
- Disbursement of interest earned last year
- 1 – 3 grants.

### 5. Growing the fund – challenge but a possibility.

### 6. Development through the reserves – Road Development through the Rio Bravo Conservation and Management Area.

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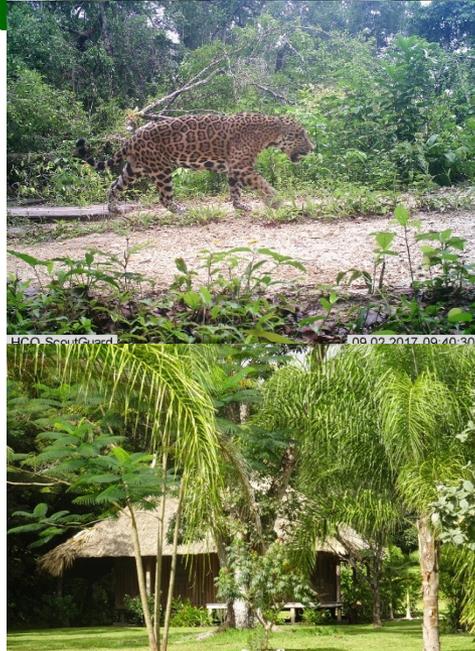
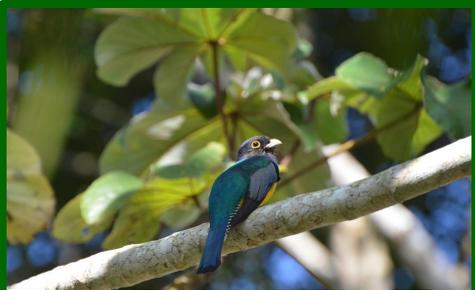


## Results:

- US \$8.5 M forgiven, savings of foreign exchange
- 23,000 acres of tropical forest purchased and protected
- Five (5) protected areas protected (289,000 acres) protected and managed with the DNS funds
- BNCF Foundation: 48 grants for protected areas management – US \$877,067
- Leveraged US \$807,048
- Four (4) Endowment Funds will continue to finance protection and management of protected areas in Belize.

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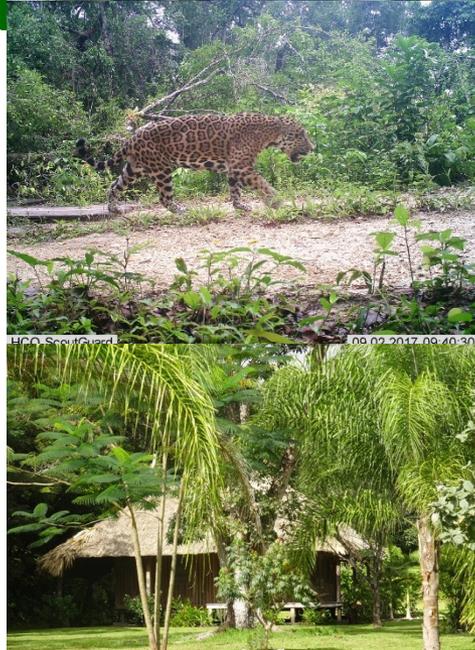
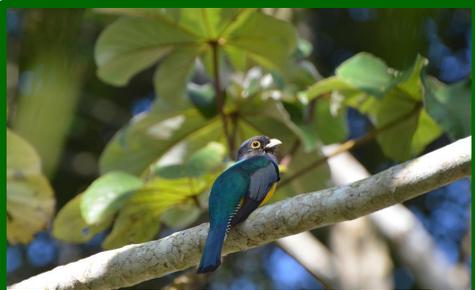


## Lessons Learnt

- Debt for Nature Swap is possible
- Government political will
- Government strong record
- Strong partner like The Nature Conservancy – can raise funds and pay the swap fee
- Government can oversee the use and management of the fund but should not demand control and management of the funds.
- A small DNS result in huge impact on tropical forest conservation
- Should go for a larger Debt for Nature/Debt for Climate Swap.

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## Opportunities

- There is more than 90 protected areas in Belize (36% of Belize)
- Financial Gap of US \$20 Million for adequate management of Belize's protected areas: marine and terrestrial protected areas.
- Prevent deforestation and avoid green house gas emissions
- For larger debt swap, funds may be allocated for sustainable development in communities adjacent to protected areas.

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Thanks

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