

Accessing Co-Funding Support Report for:
**BUILDING THE ADAPTIVE CAPACITY OF SUGARCANE
FARMERS IN NORTHERN BELIZE (BAC-SUF)**



Submitted to: Caribbean Community Climate Change Centre
(CCCCC)

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April 2022

Contract Number: Contract#101/2020 GCF/Belize PPF/CCCCC

Report for: CCCCC



1. Co-Funding Report

As per the No-Cost Extension amendment to the Principle contract, an additional deliverable was developed for the consultants to support the Caribbean Community Climate Change Centre (CCCCC) in accessing the commitments for co-funding from the various project stakeholders as per the project budget. This report outlines and describes the actions taken by the consultants to support the CCCCC in obtaining the required letters of Co-Funding support.

2. Activities Delivered

The consultants used a third and final site visit as the opportunity to engage the various project stakeholders regarding their co-funding requirements. The consultants, with the support of the CCCCC, developed an agenda for the trip which included workshop sessions with each of the project stakeholders, as can be seen in the table below:

Date	Event	Requested Attendance	Comment
4 March 2022 (AM)	- Kick-off meeting - Project Validation, Co-Funding, and Transformation Discussion	- BSI - SIRDI - 5Cs	- Technical Co-implementers meeting - 2-3 hours
5 March 2022 (AM)	- Project Validation, Co-Funding, and Transformation Discussion	- NSCGA - 5Cs	- Co-implementers meeting - 2-3 hours
5 March 2022 (PM)	- Project Validation, Co-Funding, and Transformation Discussion	- PSCGA - 5Cs	- Co-implementers meeting - 2-3 hours
6 March 2022 (AM)	- Project Validation, Co-Funding, and Transformation Discussion	- BSCFA - 5Cs	- Co-implementers meeting - 2-3 hours
6 March 2022 (PM)	- Project Validation, Co-Funding, and Transformation Discussion	- CSCFA - 5Cs	- Co-implementers meeting - 2-3 hours
7 March 2022 (AM/PM)	- Project Validation, Co-Funding, and Transformation Discussion	- DFC - Ministry of Economic Development - Ministry of Agriculture - 5Cs	- Financier meetings to discuss co-funding - 1 hour per financier
8 March 2022 (AM)	- Final Project Development Workshop with a strong focus on securing co-finance	- BSI - SIRDI - NSCGA - PSCGA - Ministry of Economic Development BSCFA - CSCFA	- Final questions relating to financing requirements - Steering Committee discussion - Co-funding signing - 3 hours



		- DFC - 5Cs	
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During these meetings, the engagement on co-financing was the main point of discussion. The consultants prepared the co-financing requirements of each stakeholder in an easy-to-understand format and presented it within their presentation (Workshop Presentation - Individual Sessions - FAs_BSI_SIRDI).

In order to maintain transparency and ensure the governmental stakeholders are included in the discussion, a separate session to inform the government was held. Financial requests, specifically to DFC was made, requesting co-financing in the form of a commercial loan of US\$ 1 500 000.00 and a letter of comfort to provide access to credit to the farmers for their co-financing requirements¹. The consultant again prepared the co-financing requirements of each stakeholder in an easy-to-understand format and presented it within their presentation (Workshop Presentation - Government CEOs). DFC also requested a formal letter from CCCCCC to initiate the process of providing the necessary letters of support, which the consultants drafted (Letter of Intent (DFC)).

Finally, the consultants delivered a final workshop with all of the project stakeholders on the final day of the site visit. This workshop enabled any final questions to be answered by the consultants about the co-funding requirements and the project design. The consultants then prepared the GCF co-Funding commitment letters for each of the project stakeholders where a signing of the letters of Co-Funding commitment was done (see GCF Co-Funding FAs/BSI)².

3. Conclusion

As a result of the thorough engagement and the risk mitigating measures within the project design, each of the project stakeholders agreed in principle to sign the letters of Co-Funding support.

¹ See Annex 1 for a description of the replanting fund that farmers will access, through DFC, as part of their co-funding requirements

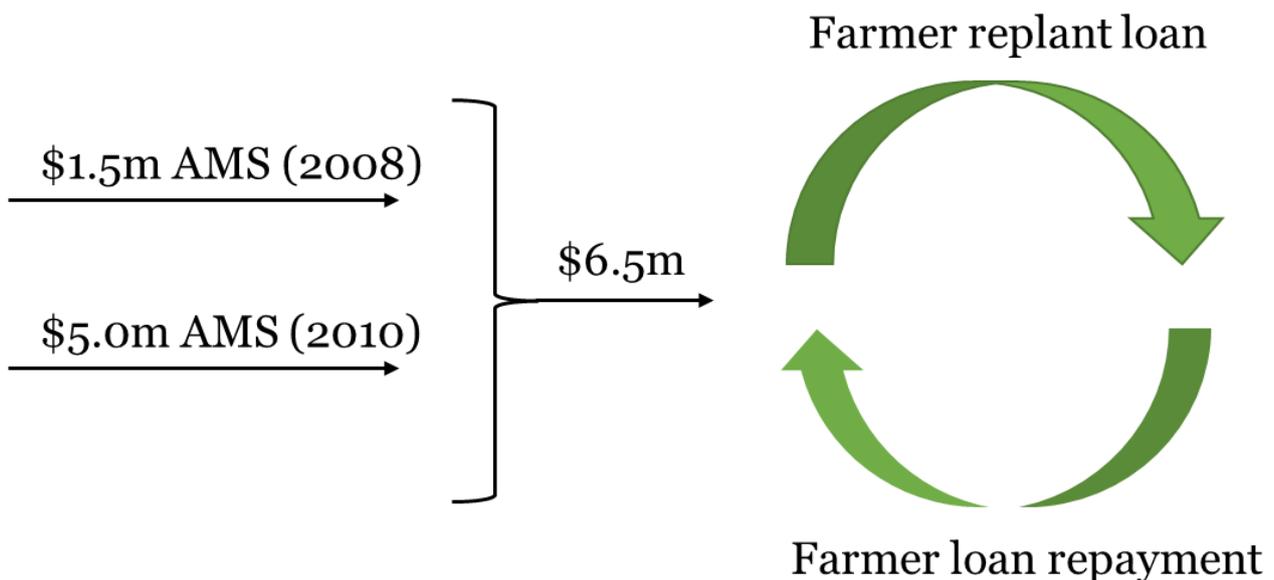
² Note that CCCCCC indicated that the formal request and signing will be dealt with by CCCCCC and that this was merely an in-principle signing for photos

4. Annex 1: DFC Replanting Revolving Loan

Background

The Government of Belize (GOBZ), with the approval of the European Commission (EC) Delegation with responsibility for Belize, formally requested the support of the Caribbean Development Bank (CDB) to develop and administer a revolving credit facility for sugar cane replanting in Belize, utilising funds allocated to Belize under the EC Accompanying Measures for Sugar Protocol (AMS) 2008 and AMS 2010.

Under the AMS 2008 and AMS 2010, the European Union (EU) has allocated a total amount of six million, five hundred thousand Euros (€6,500,000) to assist GOBZ in the establishment of a credit revolving fund in support of sugar cane replanting. Of the allocation, €1,500,000 is from AMS 2008, and €5,000,000 is from AMS 2010.



As shown in the graphic above, the funds granted to GOBZ by the EU established a revolving replanting loan for the sugar cane farmers in Belize. This fund was designed to provide low interest loans to farmers to conduct replanting activities, with favourable tenure terms.

EU resources are channelled through CDB within the framework of a Contribution Agreement (CA) between EC and CDB with respect to AMS 2008 and AMS 2010. The resources of the Contributions will be provided by CDB to GOBZ for the provision of technical assistance and for use by Development Finance Corporation (DFC), a wholly GOBZ-owned development bank, in making loans directly, or indirectly, through approved financial institutions (AFIs) in the form of Credits, to sugar cane farmers for the exclusive purpose of sugar cane replanting.

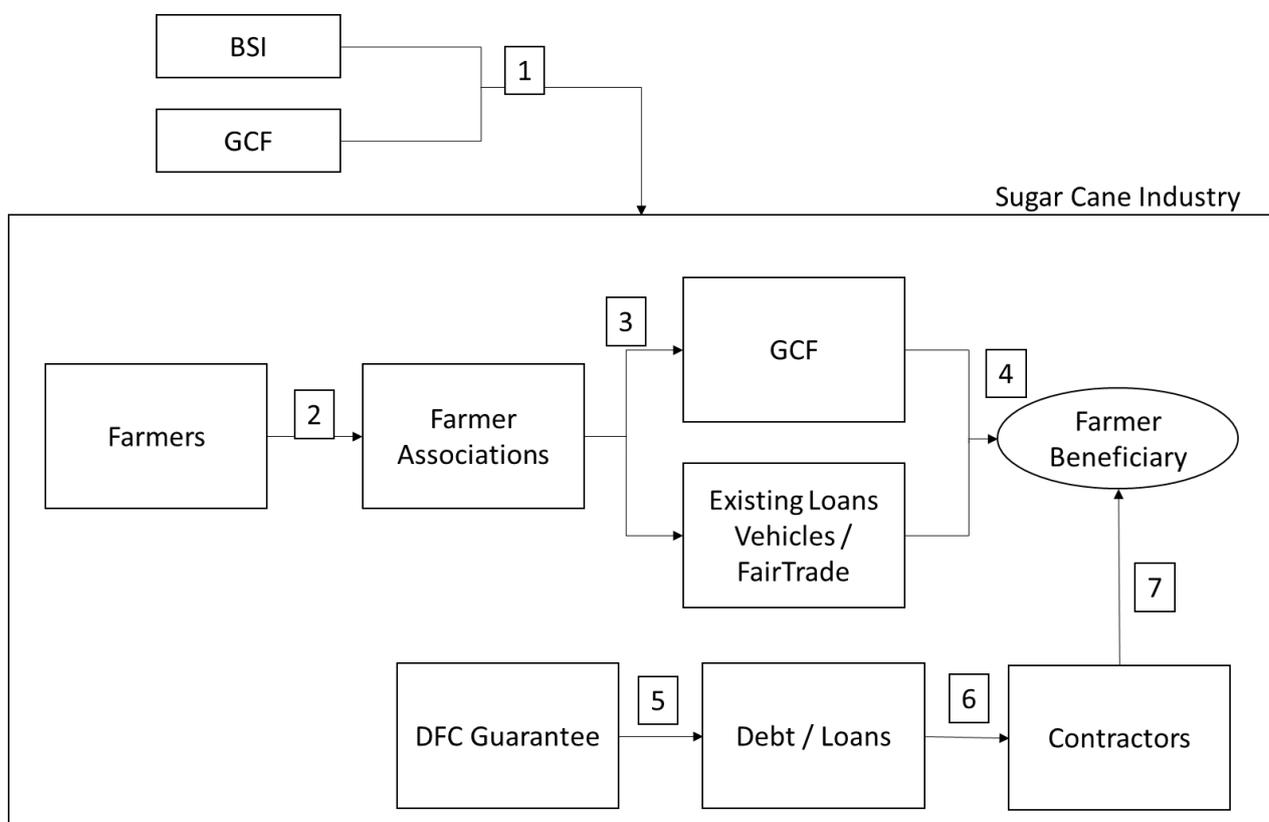
Farmer Co-Funding Collaboration with Revolving Loan

The consultants identified the credit revolving fund as an opportunity to provide a guarantee for the co-financing commitments of the farmers. The farmers, who are ultimately responsible to deliver on the co-funding for the replanting process, has multiple options to access loans to do so.



1. Revolving Replanting Loan
2. Commercial loan
3. Personal finances
4. Fairtrade finances

The financial structure, as seen in Figure 1 below, has been designed to ensure the GCF funding facilitates the industry transformation from its current practices to the new CSA practices to help build resilience in the sugar cane industry and achieve the project's intended impact. The financial structure has been designed in such a way that the grant funding components are catalytic rather than all-encompassing to ensure the sustainability of the activities proposed. The DFC replanting revolving fund plays an important role in ensuring the farmers have the capacity to commit to the co-financing requirements of the project.



Where:

- 1) BSI and the GCF will be financing activities both in-kind (BSI commits to finance research and training activities that will help build the resilience of the industry) and as a grant that has been designed to develop and improve knowledge and knowledge systems that the industry requires. This includes capacitating technical systems, developing industry forums for alignment on CSA practices, training workshops, etc.
- 2) The farmers are the main beneficiaries of the project. The farmers pay membership fees to the farmer associations to help manage operations, gain support in the form of inputs and in the project's case, help facilitate the implementation of project activities. In additions, the farmers have an existing relationship with financial institutions to access loans to conduct replanting activities. Farmers will need to approach their Associations with both land that is ready to be replanted and the required co-financing for the identified area to be replanted.



- 3) The Farmer Associations will use a combination of farmer loans (via the DFC Revolving Loan Facility or alternative commercial loans) and Fairtrade funds from the farmers to submit an application to a Lot to the Project Management Unit. Based on fulfilling the project criteria, and through an independent evaluation process at the steering committee level, GCF grant finance will be released to the Farmers to access full financing for project activities from the identified financial institute. The GCF component will therefore act as a risk reduction mechanism to ensure that farmers (through the farmer associations) are able to access loans. In practice it will mean, for example, if a \$1000 loan is required to replant, GCF will grant \$400 to the farmer.
- 4) Once the loans have been approved and the services have been carried out by the contractors, the grant will convert from a guarantee into a down payment on the loan value, reducing the farmer's debt. In this
- 5) DFC will provide guarantee for new contractors to enter the market and serve the market that is being developed by the project (for example, the preparation of 10 000 acres of land for mechanical harvesting). New contractors will ensure that the capacity is developed to implement activities within the project timeline and post-project.
- 6) The project will assist new and existing contractors to develop business plans and access loans from local financial institutions (this forms part of the grant support in #1). Approved loans will allow contractors to procure equipment to carry out services as required by the farmers.
- 7) Once training has been completed and loans have been accessed to procure the necessary equipment, the contractors will deliver services to farmers and be remunerated through the loans as discussed in #4.

As a result of the DFC Replanting Revolving Loan and either commercial loans or Fairtrade funds, the farmers that will apply for grant funding, will have access to the required finances to supply the required Co-Finance of \$ 7 562 365 over the 5 years of the project, with an estimated co-financing requirement of \$ 2 118 746 per year.