

**Inter-American Development Bank – Global Credit Program for Safeguarding the Productive Sectors and Employment US\$15.0 Million Loan and Guarantee Motion, 2021.**

**WHEREAS**, section 15(1) of the Development Finance Corporation Act, (No. 1 of 2009), Chapter 279, Revised Edition 2011; provides that the Development Finance Corporation (DFC) may, with the approval of the Minister of Finance, and subject to the principles of sound fiscal management, borrow sums domestically or internationally, for meeting any of its obligations or discharging any of its functions;

**AND WHEREAS**, subsection (3) of section 15 of said Act further provides that, in consideration of the resultant contingent liability on the balance sheet of Government, the DFC must obtain the approval of the National Assembly to increase its amount of foreign debt;

**AND WHEREAS**, Belize, as a member of the Inter-American Development Bank (the “Bank”), is eligible for development assistance in the form of loans, grants, and technical assistance from the Bank on such terms and conditions as may be agreed between Belize and the Bank from time to time;

**AND WHEREAS**, the Development Finance Corporation (DFC) having received the prior no objection from the Ministry of Finance, Economic Development and Investment on 30<sup>th</sup> March 2020, approached the Bank for financial assistance for a program to facilitate DFC’s COVID-19 recovery of lending program for Micro, Small and Medium Enterprises (MSME’s), to mitigate other indirect impacts of the COVID-19 pandemic to MSMEs and to finance climate resilient investments for the productive sector in Belize;

**AND WHEREAS**, on 4<sup>th</sup> August 2021, the Bank’s Board of Directors approved a line of credit to Belize in the sum of US\$15.0 million under a Global Credit Program for Safeguarding the Productive Sectors and Employment;

**AND WHEREAS**, the Program will consist of a single component to support Micro, Small and Medium Enterprises’ (MSMEs) access to credit resources, with two specific objectives: (i) to support the short-term financial sustainability of MSME’s; and (ii) to promote the economic recovery of MSME’s through access to production oriented financing;

**AND WHEREAS**, the Credit Line will focus on:

- improving access to financial services to women entrepreneurs;
- financing investments for climate adaptation and mitigation within vulnerable sectors; and
- making MSMEs climate resilient to natural disasters;

**AND WHEREAS**, the lending program will also be accompanied by a Technical Cooperation package that will facilitate DFC's efforts to:

- improve its services to women design products and non-financial services targeting women;
- provide gender awareness trainings for loan officers;
- implement key activities within the DFC's Gender Equality Policy and Action Plan;
- conduct an assessment of MSMEs access to financial services;
- Identify and evaluate Climate Resilient opportunities for MSMEs; and
- conduct Climate Risk Assessment related training for Loan officers;

**AND WHEREAS**, the proposed program will be financed through an IDB direct investment loan to the DFC up to the sum of US\$15,000,000 and a Sovereign Guarantee issued by the Government of Belize up to the sum of US\$15,000,000;

**AND WHEREAS**, the execution of the program shall be carried out by the Development Finance Corporation, acting as the Executing Agency;

**AND WHEREAS**, the Bank has offered financing of up to **US\$15,000,000** to the Development Finance Corporation (the Borrower), for the said Program, under the following terms and conditions:

Loan Principal Amount:	US\$15,000,000;
Disbursement Schedule:	Over a period of two (2) years from the effective date of the Loan Contract but may be extended subject to the consent of the Government of Belize and IDB;
Loan Term:	Twenty-five (25) Years inclusive of a sixty-six (66) months grace period;
Repayment Period:	To be repaid in 15.25 years weighted average loan life with loan repayment semi-annually on the 15 <sup>th</sup> day of the payment month;
Purpose:	To support the sustainability of MSMEs as employment providers in Belize amid the COVID-19 crisis and promote the economic recovery of MSMEs through access to production-oriented finance;
Rate of Interest:	Interest will be charged on the daily outstanding principal balance of the investment loan, as per the LIBOR-Based

Interest Rate, plus the applicable lending spread for the Bank's ordinary capital loans; interest rate is not expected to exceed two per cent (2%) per annum;

Credit Fee:

A Commitment Fee will be charged on the undisbursed balance of the investment loan, at a percentage to be established by the Bank, on a periodic basis, not exceeding 0.75% per annum and accrues commencing sixty (60) days from the execution of the contract;

**AND WHEREAS**, a General Condition of the Bank's lending programs is that the Principal, Interest, Fees, Premiums, and any other loan charge, shall be paid without any deduction or restriction whatsoever, exempt from any tax, fee, duty, or charge established or that may be established by the Borrower;

**AND WHEREAS**, under the provisions of section 7 (6) of the Finance and Audit (Reform) Act, 2005, provides that before the Government offers any guarantee or some other form of security in support of a loan made directly to a private sector entity or a statutory body by any public or private bank, financial institution or capital market in or outside of Belize, the Government shall seek the approval of the National Assembly;

**NOW, THEREFORE, BE IT RESOLVED** that this Honourable House, being satisfied that the Loan proceeds would significantly assist the DFC to improve its capacity to provide affordable financing to support the short-term financial sustainability of MSME's and to promote the economic recovery of MSMEs through access to production oriented financing;

- (i) approves that the DFC may borrow the said sum of US\$15.0 million from the Inter-American Development Bank or IDB on the terms and conditions set out above, and further authorizes the Board of Directors of the DFC to execute and deliver the Loan Agreement and other associated documents;
- (ii) approves that all principal, interest, fees, premiums and other charges under the loan shall be tax, fee, duty or charge exempt as provided for in the loan and guarantee agreements; and

further approves and confirms that the Government may enter into a Guarantee Agreement with the Inter-American Development Bank, on the terms and conditions set out above, and further authorizes the Minister of Finance to execute and deliver the said Guarantee Agreement and all documents associated therewith.