



MISSION CONCLUDING STATEMENT



ANNUAL
MEETINGS
2019 | WASHINGTON DC
WORLD BANK GROUP
INTERNATIONAL MONETARY FUND
OCTOBER 14-20, 2019

Related Links

[Belize and the IMF ►](#)[IMF Surveillance -- A Factsheet ►](#)[Mission Concluding Statements ►](#)

Press Center

The IMF Press Center is a password-protected site for working journalists.

[PRESS CENTER ►](#)

EMAIL NOTIFICATION SIGN-UP

Sign up to receive free e-mail notices when new series and/or country items are posted on the IMF website.

[MODIFY YOUR PROFILE ►](#)

Belize: Staff Concluding Statement of the 2019 Article IV Mission

October 7, 2019

A Concluding Statement describes the preliminary findings of IMF staff at the end of an official staff visit (or 'mission'), in most cases to a member country. Missions are undertaken as part of regular (usually annual) consultations under Article IV of the IMF's Articles of Agreement, in the context of a request to use IMF resources (borrow from the IMF), as part of discussions of staff-monitored programs, or as part of other staff monitoring of economic developments.

The authorities have consented to the publication of this statement. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF Executive Board for discussion and decision.

An International Monetary Fund team led by Daniel Leigh visited Belize from September 23–October 4 to conduct the discussions for the 2019 Article IV consultation. The team met with the Rt. Honorable Mr. Dean Barrow, Prime Minister; Amb. Joy Grant, Governor of the Central Bank of Belize; Mr. Joseph Waight, Financial Secretary; and other senior government officials, representatives of the opposition, private sector, and public sector unions.

A Continuing but Slower Recovery

Belize's economic recovery continues but the pace is slowing. Real GDP grew by 3.2 percent in 2018 and by an estimated 4 percent (y/y) in 2019Q1. [1] The unemployment rate reached a historic low of 7.6 percent in April 2019, with inflation near zero. Tourist arrivals grew by double digits in 2018, reflecting marketing initiatives, more flights from major cities, and strong trading-partner growth. However, recent data indicate a slowdown in economic activity, with a minor contraction in 2019Q2, reflecting a severe drought. Growth for 2019 as a whole is projected at 1½ percent. The current account deficit widened to 7.9 percent of GDP in 2018 from 7.7 percent in 2017, despite higher tourism earnings, reflecting increased imports of construction materials, including for large foreign-financed projects.

The government implemented significant fiscal consolidation over the past two years, but the pace of adjustment has slowed. The primary fiscal surplus reached 2.1 percent of GDP in FY2018/19—-a 4 percent of GDP rise from two years ago. The approved FY2019/20 budget targeted a primary fiscal surplus of just above 2 percent of GDP, but recent data indicate more spending on wages and public investment and weaker revenue than expected, putting the budget's target at risk. The authorities increased pension contribution rates in July 2019 to shore up the sustainability of the social security scheme.

A Range of Risks to the Outlook

The medium-term outlook remains challenging. Real GDP growth is projected at just below 2 percent over the medium term, in line with recent trends. The current account deficit is projected to remain large, reflecting structural weaknesses, with international reserves projected at about 3 months of imports of goods and services over the medium term. A primary fiscal surplus that is larger than targeted in the FY2019/20 budget is needed to reduce public debt from its end-2018 level (94 percent of GDP) to prudent levels over the long term and build buffers against shocks. [2]

Downside risks remain substantial. External risks include weaker U.S. growth, which would impact tourism; higher oil prices; and natural disasters to which Belize remains highly vulnerable. Elevated rates of crime pose risks to growth and competitiveness. Reputational risks from potential financial misuse of the international financial services sector's entities, and governance concerns, could weaken investor confidence and renew pressures on correspondent banking relationships (CBRs). Belize's inclusion on the European Union list of non-cooperative tax jurisdictions, and uncertainty regarding standard setters' expectations, could disrupt investment and trade flows. The government continues to contest legacy claims which could lead to large public and external financing needs. On the upside, an intensification of structural reforms could further raise investment, income, and employment.

Strengthening the Foundation for Durable and Inclusive Growth

Reinforcing Belize's economic growth hinges on improving the business environment. Reform priorities include facilitating access to credit by establishing a credit bureau and collateral registry; streamlining regulations for starting a business; expanding technical and vocational training programs; fighting corruption by implementing and enforcing the asset declaration regime through the Integrity Commission and strengthening the rules on conflict of interest; and ensuring public safety, including through community programs that steer youth toward formal employment and away from crime. Easing supply-side constraints is especially important for sustaining growth of tourism and diversification into new products.

To support the authorities' poverty alleviation strategy, enhancing social programs merits consideration. Belize's last poverty assessment is almost 10 years old and an update is needed for improving the targeting and effectiveness of social policies. Campaigns to increase awareness of Belize's flagship targeted social protection programs, such as Building Opportunities for Our Social Transformation (BOOST), Food Pantry, and the Conditional Cash Transfer (CCT) Program, and amplifying support for them, are warranted. Belize's recently launched National Financial Inclusion Strategy is a step toward making growth inclusive by increasing the share of the population with access to financial services.

Building Resilience to Natural Disasters and Climate Change

Intensifying efforts to build resilience to natural disasters would reduce economic volatility and raise long-term growth. Belize should continue making

substantial investments into climate-resilient infrastructure, guided by the National Climate Resilience Investment Plan. Costing and prioritizing projects and designing financing strategies with development partners is a priority. Stronger implementation of building codes and land use regulations would further reduce Belize's vulnerability to weather shocks. Belize needs more self-insurance through a natural disaster fund; ex-ante contingent lines of credit; and optimized participation in regional insurance options. To provide development partners with a comprehensive guide to Belize's resilience-building needs and plans, and to facilitate donor coordination, the authorities could benefit from preparing a Disaster Resilience Strategy based on a multi-year macro-fiscal framework, with input from stakeholders.

Balanced and Sustained Medium-term Fiscal Consolidation

Reducing public debt to prudent levels requires additional fiscal consolidation alongside structural reforms that raise growth. Reducing public debt to below 60 percent of GDP in 10 years and building buffers to address weather-related and other shocks requires gradually raising the primary surplus to about 4 percent of GDP. Revenue measures could include further broadening the tax base by phasing out tax exemptions; streamlining tax incentives; and reinforcing tax administration, which the recent merger of the General Sales Tax (GST) and Income Tax departments should support. On the spending side, making space for priority investments requires restraining current spending, including by implementing a 2-5 replacement ratio to gradually reduce the number of public sector employees; limiting salary increments to the rate of inflation; and making the public-sector pension plan contributory.

A rules-based fiscal framework based on a debt anchor could, if underpinned by public consensus, support the fiscal adjustment. Belize could benefit, as a number of Caribbean countries have, from a fiscal responsibility law with rules to guide the debt reduction effort. A public-private forum to monitor the conduct of fiscal policy could strengthen public awareness and consensus regarding fiscal policy goals. A multi-year budget framework would further enhance planning, transparency, and continuity of fiscal policy.

Tax Reform to Enhance Fairness, Efficiency, and Revenues

Reforms to Belize's tax system are needed to make it more equitable, less distortionary, and to mobilize additional revenue. The (turnover-based) business tax is inefficient, discouraging investment, and inequitable, and a more efficient Corporate Income Tax should be introduced over the medium term. Belize's special tax regimes constitute a parallel tax system with much lower tax rates and potential for significant domestic revenue losses. To address risks to domestic revenues, conditions offered in special regimes should be tightened, which is feasible while maintaining an attractive system. Taxation should also be tightened for the importation of goods through digital platforms and the purchase of digital services in Belize.

Keeping the Financial System Safe

The financial system should remain under tight supervision. An asset quality review would help assess banks' capital buffers. The CBB recently implemented a cybersecurity framework, an important step toward strengthening cybersecurity supervision. The CBB took resolute action in 2019 to deal with a troubled international bank and the bank resolution legal framework should be fortified to clearly designate the CBB as the sole resolution authority and enable irreversible actions. The CBB should further strengthen capacity and resources to conduct anti-money laundering and combating the financing of terrorism supervision of banks and take effective enforcement actions.

Intensifying supervision and enforcement in the international financial services sector is needed to bolster investor confidence and prevent a loss of CBRs. An in-depth assessment of the risks and costs associated with the international financial services sector, including regarding virtual assets is needed to inform policy making. Policy priorities include: (i) increasing the resources and capacity of the International Financial Services Commission (IFSC) to properly license, regulate and supervise international financial service providers, and imposing dissuasive and proportionate penalties when breaches are identified; (ii) legal reforms informed by the risk assessment to implement international standards on virtual assets; (iii) identifying and sanctioning IFSC licensees providing virtual asset-related services without authorization; and (iv) ensuring that beneficial ownership information of legal persons and arrangements established by agents is accurate, up-to-date, and available without impediment.

The IMF Executive Board is expected to discuss Belize's Article IV consultation in November 2019. The mission expresses its sincere thanks to the authorities and other Belizean stakeholders for their warm hospitality, cooperation and candor.

[1] The first release of real GDP data for 2019Q1 published on June 26 indicated growth of 5.2 percent (y/y).

[2] Public debt includes central government debt as well as external financial and non-financial public sector debt.

IMF Communications Department

MEDIA RELATIONS

PRESS OFFICER: RANDA ELNAGAR

PHONE: +1 202 623-7100 | **EMAIL:** MEDIA@IMF.ORG

TWITTER: @IMFSpokesperson



ABOUT	VIDEOS	PRIVACY POLICY	العربية
RESEARCH	DATA	CONTACT US	中文
COUNTRIES	PUBLICATIONS	CAREERS	FRANÇAIS
CAPACITY DEVELOPMENT	SOCIAL MEDIA HUB	GLOSSARY	한국어
NEWS	ANNUAL REPORT	SCAM ALERT	РУССКИЙ
EVENTS	COPYRIGHT AND USAGE		ESPAÑOL