Belize: 2024 Article IV Consultation-Press Release; and Staff Report

INTERNATIONAL MONETARY FUND

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BELIZE

May 2024

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Belize, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse-of-time basis, following discussions that ended on February 22, 2024, with the officials of Belize on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 24, 2024.
- An **Informational Annex** prepared by the IMF staff.

The document listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR24/163

IMF Executive Board Concludes 2024 Article IV Consultation with Belize

FOR IMMEDIATE RELEASE

Washington, DC – May 15, 2024: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Belize and endorsed the staff appraisal without a meeting on a lapse-of time basis.

Real GDP growth and inflation moderated in 2023. After growing by 8.7 percent in 2022, real GDP grew by 4.7 percent in 2023, led by tourism, construction, retail and wholesale trade, transport, and business process outsourcing. Inflation declined from 6.3 percent in 2022 to 4.4 percent in 2023, driven by lower prices of transport and utilities, partly offset by higher food inflation. The fiscal position remained strong, but debt dynamics have become more challenging. The overall fiscal deficit widened due to a narrowing of the primary surplus and higher interest payments on the blue loan and other external debt. Consequently, after the acquisition of the Port of Belize and the settlement of outstanding litigations with a foreign investor, public debt declined slightly from 67 percent in 2022 to 66 percent of GDP in 2023.

Real GDP growth and inflation are expected to moderate further going forward. Growth is projected at 3.4 percent in 2024 and 2.5 percent from 2025 onwards as the output gap closes, while inflation is expected to fall to 1.3 percent over the medium term in line with the expected decline in commodity prices and global inflation. The primary balance is projected to remain at 1.2 percent of GDP from FY2024 onwards under current policies, but public debt is projected to decline slowly and remain above 50 percent of GDP through 2034 due to slower nominal GDP growth and high global interest rates. Important risks to the outlook remain, including higher global food and fuel prices, higher-for-longer global interest rates, and climate related disasters.

Executive Board Assessment[2]

Belize's key policy priorities include reducing public debt to 50 percent of GDP by FY2030 by raising the primary fiscal balance to 2.0 percent of GDP from FY2025 onwards; increasing priority spending on infrastructure, targeted social programs, and crime prevention, financed with additional revenues and expenditure reprioritization; implementing structural reforms to boost growth and make it more inclusive and resilient to natural disasters; and remaining vigilant to financial stability risks.

Reducing public debt to 50 percent of GDP by 2030 would entrench debt sustainability and help build sufficient fiscal buffers. This debt level would be consistent with that in investment-

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

grade emerging market economies and would keep it below the 70 percent of GDP target in the authorities' 2021 Medium-term Recovery Plan with 95 percent probability over the medium-term given historical shocks. Reaching this debt target requires implementing 0.8 percent of GDP of fiscal consolidation to raise the primary balance to 2 percent of GDP from FY2025 onwards. Anchoring this plan in a well-defined medium-term fiscal strategy and preparing for the adoption of a Fiscal Responsibility Law with well-designed fiscal rules would enhance its credibility.

Revenue and expenditure measures can raise the primary surplus and fund additional spending on infrastructure, social programs, and crime prevention. Broadening the GST base, raising excise taxes, rebalancing manufacturing taxes, and strengthening revenue administration can raise revenue by 2.2 percent of GDP, while reforming the PPPO could lower government spending by 0.1 percent of GDP. Using these savings to increase the primary surplus (0.8 percent of GDP) and expand priority spending (1.5 percent of GDP) would boost medium term growth and make it more inclusive and resilient to natural disasters. Priority spending includes enhancing roads, water, and sewer systems; expanding renewable energy generation and storage; subsidizing childcare and training for vulnerable women to enhance female labor force participation; expanding targeted transfers to protect against food insecurity; and investing in climate-resilient infrastructure.

Improving the business climate and developing a disaster resilience strategy (DRS) are also key to increasing medium-term growth. Priority areas to improve the business environment include easing access to affordable credit for SMEs, including by establishing a credit bureau and a collateral registry; advancing the digitalization of the land and business registries; and improving the firms and government services. Developing a DRS that focuses on strengthening structural, financial, and post-disaster resilience and is based on a consistent macroeconomic framework would help unlock funding for climate mitigation and adaptation and reduce output volatility.

Increasing the level of international reserves would strengthen the currency peg. Belize's external position is assessed as stronger than implied by medium term fundamentals and desirable policies. However, international reserves are projected to remain below the ARA metric. Increasing the level of international reserves by implementing fiscal consolidation and structural reforms would strengthen the currency peg, especially given the projected rise in external financing needs when the repayment of the blue loan starts in 2032.

Limiting central bank financing of the government, preserving financial stability, and strengthening the AML/CFT framework are important priorities. Gradually reducing central bank financing of the government would reduce excess liquidity and help develop the local capital market. The central bank must remain vigilant to financial stability risks, keeping vulnerable institutions under enhanced supervision and requesting recapitalization when needed. The authorities should continue strengthening the AML/CFT framework and its enforcement, especially in the IFS.

Table 1. Belize: Selected Social and Economic Indicators

I. Population and Social Indicators

Area (sq.km.)	22,860	Human development index (rank), 2022	118
Population (thousands), 2022	444.8	Under-five mortality rate (per thousand), 2021	11.2
GDP per capita, (current US$), 2023	6,855	Unemployment rate (percent), October 2023	3.4
Life expectancy at birth (years), 2021	70.5	Poverty (percent of total population), 2023	26.4

II. Economic Indicators

			Projections						
	2021	2022	2023	2024	2025	2026	2027	2028	2029
National income and prices			(Annual percentage changes, calendar year)						
GDP at constant prices	17.9	8.7	4.7	3.4	2.5	2.5	2.5	2.5	2.5
Consumer prices (end of period)	4.9	6.7	3.7	2.6	1.3	1.3	1.3	1.3	1.3
Consumer prices (average)	3.2	6.3	4.4	3.1	2.3	1.3	1.3	1.3	1.3
Central government 1/			(In percent of fiscal year GDP)						
Revenue and grants	22.5	22.8	22.9	23.2	23.2	23.2	23.2	23.2	23.2
Current non-interest expenditure	17.3	16.0	15.7	15.7	15.7	15.7	15.7	15.7	15.7
Interest payment	1.3	1.7	2.2	2.1	2.3	2.3	2.3	2.2	2.2
Capital expenditure and net lending	5.2	5.1	6.0	6.3	6.3	6.3	6.3	6.3	6.3
Capital expenditure	5.1	5.1	6.0	6.2	6.2	6.2	6.2	6.2	6.2
Net lending	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Primary balance	0.0	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Overall balance	-1.3	-0.1	-1.0	-0.9	-1.1	-1.1	-1.1	-1.1	-1.0
Public debt			(In percent of calendar year GDP)						
Public debt 2/	82.3	67.1	66.2	62.9	61.1	60.0	58.9	57.8	56.7
Domestic debt	27.1	23.2	24.4	22.6	22.0	21.6	21.3	21.5	21.9
External debt	55.2	43.8	41.8	40.3	39.2	38.4	37.5	36.3	34.8
Principal payment	8.6	5.8	6.6	6.5	7.2	7.1	6.5	5.7	5.6
Domestic	6.4	4.6	5.0	4.7	5.2	5.2	4.7	3.9	3.9
External	2.1	1.3	1.6	1.8	2.0	1.9	1.8	1.8	1.7
Money and credit			(Annual percentage changes, calendar year)						
Private sector credit by commercial banks	2.5	4.4	5.9	4.2	3.2	3.0	3.0	3.0	3.0
Money and quasi-money (M2)	12.3	4.7	7.1	5.2	4.1	3.8	3.8	3.8	3.8
External sector			(Annual percentage changes, unless otherwise indicated)						
External current account (percent of GDP) 3/	-6.5	-8.3	-2.9	-2.5	-2.5	-2.4	-2.4	-2.4	-2.4
Real effective exchange rate (+ = depreciation)	-3.3	2.1	0.8	…	…	…	…	…	…
Gross international reserves (US$ millions)	420	482	474	515	539	550	567	585	601
In months of imports	3.2	3.7	3.4	3.5	3.5	3.5	3.5	3.4	3.4
Memorandum items									
Output gap (percent of potential output)	-7.3	-1.9	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP (BZ$ millions)	4,849	5,661	6,187	6,592	6,913	7,177	7,453	7,738	8,035

Sources: Belize authorities; UNDP Human Development Report; World Development Indicators; and staff estimates and projections.
1/ Fiscal year (April to March).
2/ Public debt includes central government debt as well as external financial and non-financial public sector debt.
3/ Including official grants.

BELIZE

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

April 24, 2024

KEY ISSUES

Outlook and Risks. Real GDP growth and inflation moderated in 2023 and are projected to decline further over the medium term as the output gap closes and global commodity prices fall. The fiscal position remains robust, but debt dynamics have become more challenging due to the increase in the interest rate – growth differential, with public debt projected to remain above 50 percent of GDP over the next decade. Risks to the outlook include further increases in commodity prices and climate-related disasters.

Policy Advice. Belize's key policy priorities include raising the primary balance with revenue mobilization and expenditure rationalization to lower public debt to a level that provides sufficient buffers, increasing expenditure in priority areas, adopting growth-enhancing structural reforms, and building resilience to climate change and related disasters. These policies would boost growth and make it more inclusive.

- *Fiscal Policy*. Reducing public debt to 50 percent of GDP by 2030 would entrench debt sustainability and be in line with debt level in investment-grade emerging market economies. This requires raising the primary balance to 2 percent of GDP from FY2025 onwards, while expanding priority expenditure on infrastructure, targeted social programs, and crime prevention.

- *Structural Reforms*. Boosting medium-term growth requires increasing female labor force participation, enhancing access to affordable credit for small and medium size enterprises, reducing crime, improving the business climate, and adopting a disaster resilience strategy that strengthens structural, financial, and post-disaster resilience and is based on a multi-year macro-fiscal framework.

- *Monetary Policy*. Strengthening the currency peg requires increasing international reserves by reducing public debt, implementing structural reforms and limiting government financing by the Central Bank. The latter would also reduce excess liquidity and help develop the domestic capital market.

- *Financial Sector Policy*. Keeping vulnerable financial institutions under enhanced supervision and requesting recapitalization when needed is important to maintain financial stability. Efforts to strengthen the AML/CFT framework and enforcement should continue, especially in the international financial services sector.

Approved By
Patricia Alonso-Gamo (WHD) and Boileau Loko (SPR)

Discussions took place in Belize City and Belmopan during February 12–22, 2024. The IMF team was comprised of: Jaime Guajardo (Head), Ziad Amer, Shane Lowe, Rafael Machado Parente (all WHD) and Ke Chen (LEG). Ziana Ahmed and Philip Jennings (both OED) attended some of the meetings. The team met with the Honorable Mr. John Briceño, Prime Minister and Minister of Finance; Mr. Kareem Michael, Governor of the Central Bank of Belize; Mr. Christopher Coye, Minister of State of the Ministry of Finance, Mr. Joseph Waight, Financial Secretary; and other senior government officials, representatives of the opposition, and the private sector. Siyao Chen and Sheng Tibung contributed with excellent research assistance and administrative support.

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ANNEXES

CONTEXT

1. **Economic activity recovered strongly from the pandemic**. After declining by 13.7 percent in 2020, real GDP grew by 17.9 percent in 2021 and 8.7 percent in 2022 led by tourism, construction, retail and wholesale trade, transport, and business process outsourcing. The unemployment rate fell from 13.7 percent in the second half of 2020 to 5 percent in the second half of 2022, while inflation rose from near zero in 2020 to 6.3 percent in 2022 led by higher food and fuel prices. The primary fiscal balance improved markedly from –8.3 percent of GDP in FY2020 to 1.6 percent in FY2022, in line with the strong economic recovery and a large fiscal consolidation.[1] As a result of this and two debt operations, a debt for marine protection swap with The Nature Conservancy in 2021 and a discount in Belize's Petrocaribe debt with Venezuela in 2022, Belize's public debt declined sharply from 103 percent of GDP in 2020 to 67 percent in 2022.

2. **The policies implemented by the authorities have been broadly in line with staff advice and technical assistance but have not been as ambitious in some cases**. The authorities kept primary surpluses in FY2022-23 by containing current spending but have not yet broadened the tax base nor reformed the Pension Plan for Public Officials (PPPO) as recommended by staff (Annex I). They have continued to invest in climate-resilient infrastructure and crops but have not developed a comprehensive disaster resilience strategy focused on enhancing structural, financial, and post disaster resilience. The Central Bank has kept vulnerable financial institutions under enhanced supervision and has requested recapitalization when needed, while the AML/CFT framework and enforcement have been strengthened. However, central bank financing of the government has not been reduced as external financing has become more expensive and the government has had to rely more on domestic financing. CARTAC and the IMF have supported the authorities' policies with technical assistance in the areas of tax policy, revenue administration, public financial management, financial sector regulation and supervision, and statistics (Annex II).

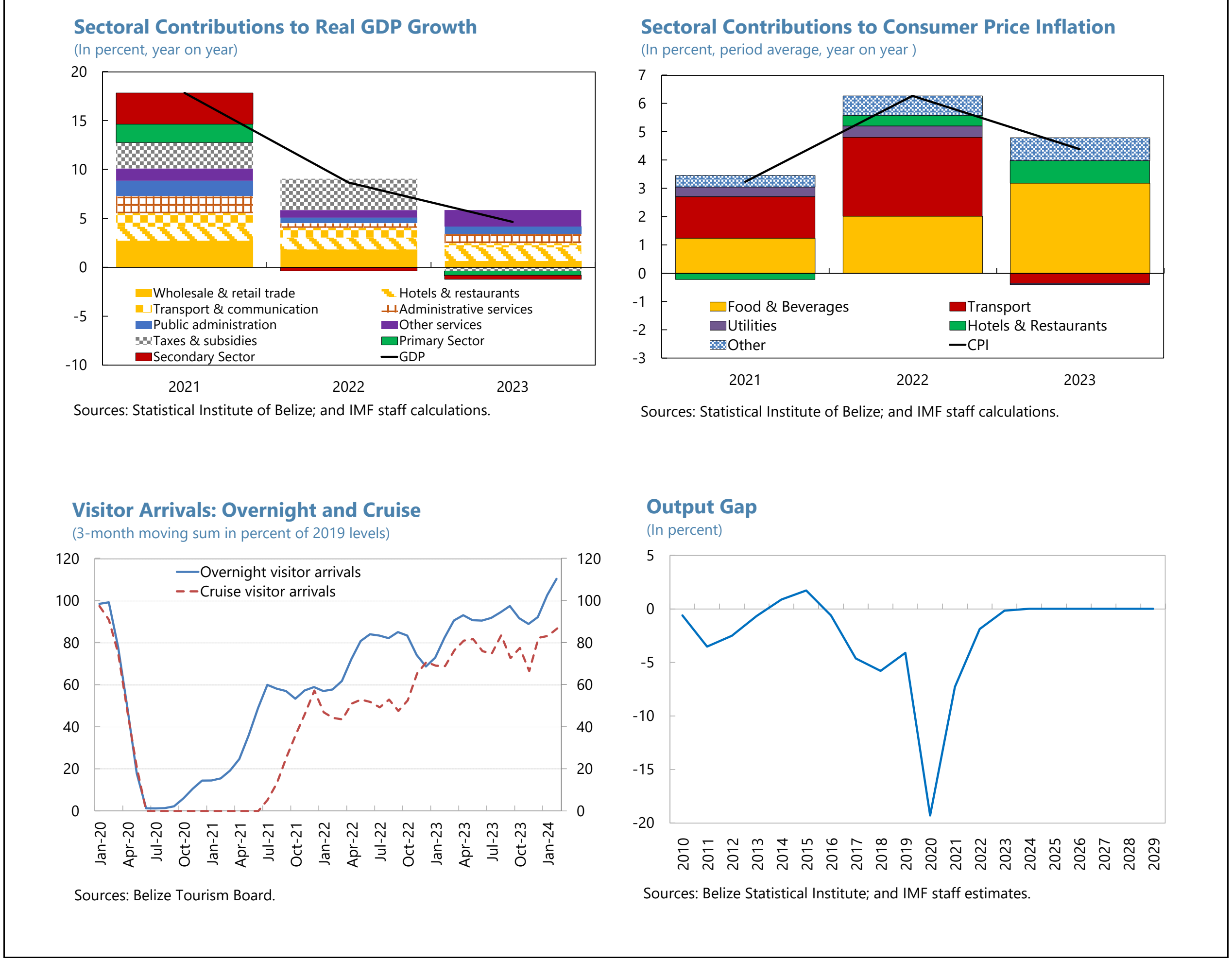
RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

3. **Real GDP growth and inflation moderated in 2023 and are projected to decline further going forward**. Real GDP growth slowed to 4.7 percent in 2023 due to contractions in the primary and secondary sectors and a slowdown in the tertiary sector as tourist arrivals neared pre-pandemic levels. Growth is projected to fall further to 3.4 percent in 2024 and 2.5 percent from 2025 onwards as the output gap closes. The unemployment rate declined to 3.4 percent in 2023 and is expected to stay there as the economy remains at full employment. Inflation declined to 4.4 percent in 2023 led by lower prices of transport and utilities, partly offset by higher food inflation (Annex III and 2024 Selected Issues Paper, Chapter 1).[2] Inflation is projected to decline further to 1.3 percent over the medium term in line with the expected fall in commodity prices and global inflation.

[1] Belize's fiscal year runs from April 1st to March 31st.

[2] Food inflation increased from 7.8 percent in 2022 to 12.4 percent in 2023 driven by higher prices of imported food items from Guatemala and Mexico, higher costs of production (labor and fertilizers), and dry weather conditions.

Figure 1. Belize: Real GDP Growth, Tourist Arrivals, and Inflation

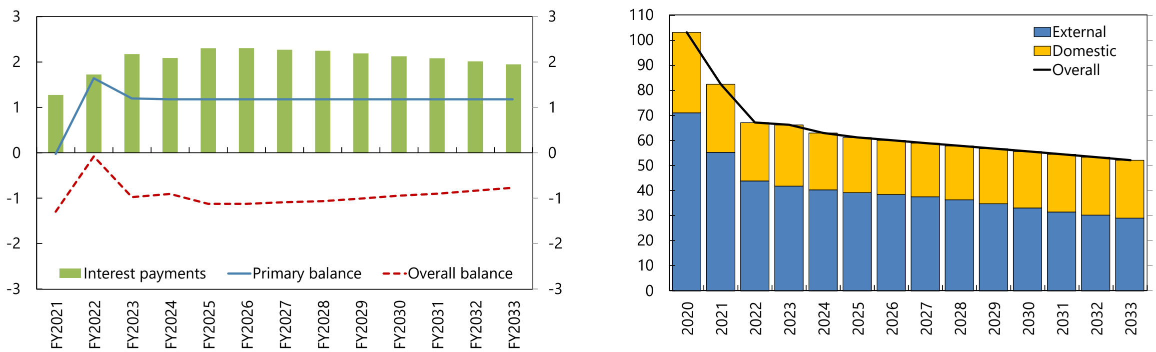


4. The fiscal position is projected to remain robust, but debt dynamics have become more challenging. The primary balance declined to 1.2 percent in FY2023 due to lower nontax revenues and grants, and higher capital expenditure and spending on goods and services, the latter partly due to higher prices of healthcare inputs. The primary balance is projected to remain at 1.2 percent of GDP in FY2024 under current policies—above the 0.5 percent of GDP projected by the authorities under very cautious revenue assumptions—and stay there over the medium term. However, the overall deficit is projected to rise from 0.1 percent of GDP in FY2022 to 1.0 percent in FY2023-25 due to higher interest payments on the blue loan and other external debt despite the government's efforts to secure concessional external financing. The higher real interest rate – growth differential has made debt dynamics more difficult. Public debt declined more slowly in 2023 to 66.2 percent of GDP as the impact of the primary surplus and still high nominal GDP growth was partly offset by a US$98.7 million (3.2 percent of GDP) payment for a settlement with foreign investor.[3] Public debt is projected to continue to fall slowly going forward given the projected growth slowdown and still high global interest rates, remaining above 50 percent of GDP over the next decade (Annex IV).

Figure 2. Belize: Fiscal Balance and Public Debt

Overall and Primary Fiscal Balance
(In percent of GDP)

Public Debt
(In percent of GDP)

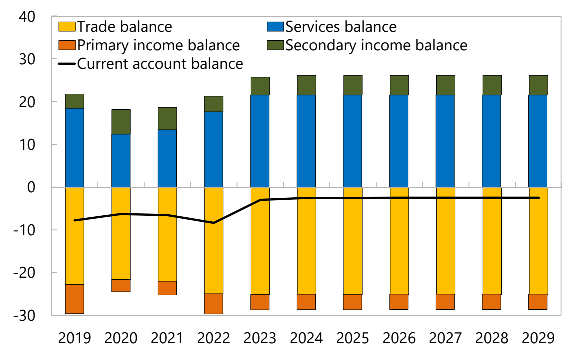


Sources: Ministry of Finance of Belize; and IMF staff projections.

Sources: Central Bank of Belize; and IMF staff projections.

5. The current account deficit fell sharply in 2023 and is projected to remain contained in the medium term. The current account deficit fell from 8.3 percent of GDP in 2022 to 2.9 percent in 2023 led by a rise in the services balance due to lower shipping costs and higher tourism receipts, and a fall in the primary income deficit. The current account deficit is projected to stabilize at near 2.5 percent of GDP over the medium term, with international reserves staying above 3 months of imports and external financing needs.

Current Account Balance and Components
(In percent of GDP)

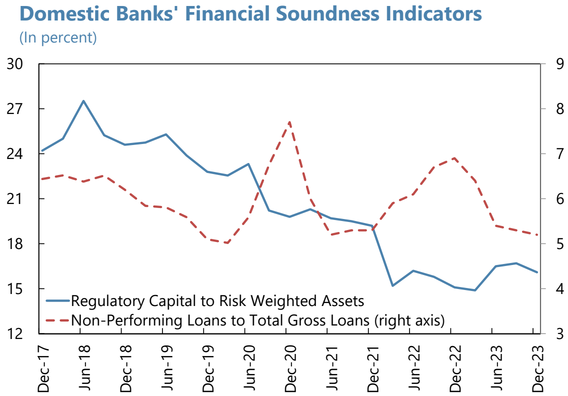


Sources: Central Bank of Belize; and IMF staff estimates.

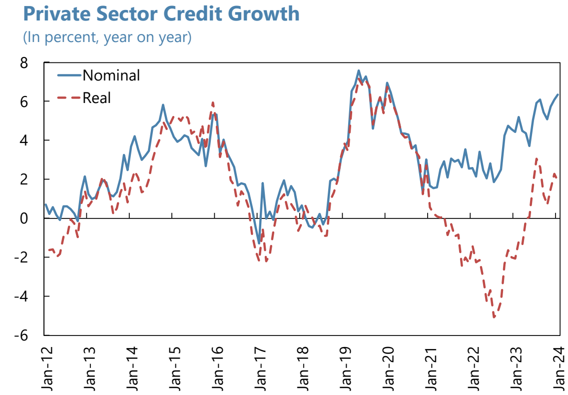
6. The financial soundness indicators improved in 2023 but remain weaker than before the pandemic. Between December 2022 and December 2023, the domestic banks' regulatory capital increased from 15.1 percent of risk weighted assets to 16.1 percent; nonperforming loans fell from 6.9 percent of total loans to 5.2 percent; and returns on assets rose from 0.3 percent to 1.5 percent. However, still high nonperforming loans, low capital buffers, and tight liquidity in some banks compared to the pre pandemic period are constraining real private sector credit growth, which may limit private sector investment and real GDP growth going forward.

[3] The settlement includes US$83.4 million to purchase the Commercial Port in Belize City and US$15.3 million to resolve long-outstanding judgment awards and the withdrawal of all existing claims and cases against Belize.

Figure 3. Belize: Financial Soundness Indicators and Private Sector Credit Growth



Sources: Central Bank of Belize.



Sources: Central bank of Belize.

7. **Important risks to the outlook remain**. While the risk of a sharp slowdown in the United States—Belize's main tourism source market—has receded, the risk of higher global food and fuel prices due to armed conflicts in Ukraine and the Middle East remains elevated, which could increase inflation, food insecurity, and the current account deficit in Belize (Annex V). Global interest rates could stay high for longer, complicating debt dynamics despite the authorities' efforts to secure concessional financing. Belize is also vulnerable to climate change and related disasters, which can cause severe damages to the agriculture, energy, and tourism sectors. A sharp economic slowdown could also exacerbate existing vulnerabilities in the banking sector.

Authorities' Views

8. **The authorities agreed with staff's views on the outlook and key risks**. They highlighted the strong real GDP growth outturn in 2023 and expect growth to gradually slow down to 2 percent over the medium term. They also expect inflation to continue to decline, converging to 2 percent over the medium term. The authorities intend to maintain primary surpluses and keep public debt on a downward trajectory from FY2024 onwards. They are also optimistic about the outlook for the current account deficit and expect it to narrow to less than 1 percent of GDP over the medium-term due to slower import growth and higher tourism receipts. The authorities agree that higher global food and fuel prices, elevated global interest rates, and climate related disasters pose important risks to inflation, growth, and the fiscal balance.

POLICY DISCUSSIONS

Belize's key policy priorities include reducing public debt to 50 percent of GDP by FY2030 by raising the primary fiscal balance to 2.0 percent of GDP from FY2025 onwards; increasing priority spending on infrastructure, targeted social programs, and crime prevention, financed with additional revenues and expenditure reprioritization; implementing structural reforms to boost growth and make it more inclusive and resilient to natural disasters; and remaining vigilant to financial stability risks.

A. Fiscal Policy

9. The authorities should capitalize on the large reduction in public debt achieved since 2020 and target a reduction of public debt to 50 percent of GDP by 2030. This target is in line with the debt level in emerging market economies with investment grade sovereign credit ratings and it would ensure that public debt stays below the 70 percent of GDP target in the authorities' 2021 Medium-term Recovery Plan with 95 percent probability over a six-year period given historical shocks (Annex VI and 2024 Selected Issues Paper, Chapter 2). This requires implementing 0.8 percent of GDP of fiscal consolidation over two years to increase the primary balance to 2 percent of GDP from FY2025 onwards (Text Table 1). Anchoring this plan in a medium-term fiscal strategy with clear targets and measures and preparing the groundwork for the adoption of a well-designed Fiscal Responsibility Law (FRL) with specific fiscal rules would enhance its credibility (Annex VII).

10. Expanding spending in infrastructure, targeted social programs, and crime prevention would help mitigate the adverse effects of fiscal consolidation on vulnerable households while boosting growth and making it more inclusive and resilient to climate shocks. This includes:

- Increasing infrastructure spending in logistics, utilities, and energy by 0.8 percent of GDP from FY2025 onwards to enhance road connectivity, improve the water and sewer systems, expand renewable energy generation and storage, build social housing, and make infrastructure more resistant to rising sea levels and natural disasters. These efforts also require strengthening public investment management by enhancing and harmonizing public investment strategies with sound costing and performance frameworks to guide future decisions; revising appraisal and selection processes and methods; strengthening oversight of major risks and coordination between public entities; and improving the follow-up and recording of existing liabilities and guarantees. The authorities have made efforts to strengthen public investment management, including by containing the cost of project execution within budgeted estimates, improving the prioritization and selection of projects, and centralizing the coordination of key activities across public entities and with external stakeholders within the Ministry of Infrastructure. Well-designed Public Private Partnerships can help further expand and maintain infrastructure.

- Expanding targeted transfers by 0.3 percent of GDP from FY2025 onwards, 0.1 percent of GDP to protect vulnerable households facing severe food insecurity and 0.2 percent of GDP to support those with moderate food insecurity but at highest risk of facing severe food insecurity (Annex III and 2024 Selected Issues Paper, Chapter 1) and to partially offset the effects of the proposed broadening of the base of the General sales Tax (GST) . These transfers should be temporary and require the beneficiaries to take training and seek employment. They should be also accompanied by an awareness campaign on food prices across retailers to enable informed consumer choice. The latest census can help strengthen the targeting of social spending.

- Introducing 0.3 percent of GDP in subsidies for childcare, after-school programs, and training for vulnerable women from FY2025 onwards to raise female labor force participation, which stood at 45.2 percent in 2023, well below the 71.5 percent for males (Annex VIII).

- Raising spending to prevent and address crime by 0.1 percent of GDP starting in FY2025 to enhance the capacity of existing personnel and purchase equipment.

11. The recommended increase in the primary balance and the expansion in priority spending should be financed by revenue mobilization and expenditure reprioritization. Belize has space to increase revenue by broadening the tax base, raising excise taxes, rebalancing taxes on manufacturing to level the playing field, and strengthening revenue administration. On expenditure, reforming the Pension Plan for Public Officials (PPPO) could free up resources, depending on the depth and timing of the reforms. In particular,

- Tax measures could raise 2 percent of GDP in revenue by FY2025. The GST has several items taxed at a zero rate, including non-prescription drugs, processed foods, utilities, appliances, household items, business inputs, and government purchases. Taxing some non-first necessity items at the 12.5 percent GST rate could raise 1.6 percent of GDP in revenue, while the expansion of targeted transfers would mitigate the impact on food insecurity. Standardizing personal income tax exemption thresholds could raise 0.2 percent of GDP, while raising excises on fuel and fees on vehicle registrations and driver licenses could also raise 0.2 percent of GDP.

- Strengthening revenue administration could raise 0.2 percent of GDP in revenue. This includes (i) creating a unified tax department to enhance efficiency and reduce costs, incorporating the collection of stamp duties and land taxes within the Belize Tax Service Department (BTSD), (ii) increasing tax arrears collection by improving the accuracy of tax accounts and developing enhanced standard operating procedures for arrears collection, (iii) ensuring greater autonomy on human resources issues for the BTSD, (iv) implementing a risk-based approach for audit case selection, and (v) enacting the draft customs law.

- Reforming the PPPO could reduce government spending by 0.1 percent of GDP over two years and cut the PPPO's long-run deficit by two-thirds (2023 Selected Issues Paper, Chapter 2). The PPPO is a non-contributory defined-benefits pension system with a low retirement age and a generous replacement rate. The recommended reforms include gradually introducing a contribution rate of 10 percent; increasing the retirement age from 55 to 65; and reducing the replacement rate from 67.5 percent to 50 percent. The sooner these reforms are introduced, the more gradual their implementation can be.

- The government should continue its efforts to secure concessional external financing to fund its pipeline of infrastructure projects and keep the interest bill manageable.

Text Table 1. Belize: Recommended Fiscal Consolidation Measures
(In percent of GDP, Deviations from the Unchanged Policies Scenario)

	Annual Yields		Cumulative Yields	
	FY2024	FY2025	FY2024	FY2025
Expenditure measures	**-0.7**	**-0.7**	**-0.7**	**-1.4**
Public pensions /1	0.1	0.1	0.1	0.1
Infrastructure investment	-0.4	-0.4	-0.4	-0.8
Social expenditure 2/	-0.3	-0.3	-0.3	-0.6
Crime prevention 3/	-0.1	-0.1	-0.1	-0.1
Revenue Measures	**1.1**	**1.1**	**1.1**	**2.2**
Personal income taxes (PIT)	0.1	0.1	0.1	0.2
Taxes on goods and services	0.9	0.9	0.9	1.8
Gross sales tax (GST)	0.8	0.8	0.8	1.6
Excises and fees	0.1	0.1	0.1	0.2
Revenue administration	0.1	0.1	0.1	0.2
Total Fiscal Consolidation	**0.4**	**0.4**	**0.4**	**0.8**
Memorandum items				
Primary balance (baseline scenario)			1.2	1.2
Primary balance (active scenario)			1.6	2.0

Source: IMF staff estimates.
1/ Savings from gradually reforming the pension plan for public officials.
2/ Expansion of targeted social programs such as subsidized childcare, after-school programs, and training for vulnerable women.
3/ Expenditure on initiatives to strengthen law enforcement and support youth at risk.

12. **The authorities should have contingency plans in case public debt does not decline as expected**. Adverse shocks may increase public debt, while some measures recommended above may prove difficult to implement, because of political economy considerations (Annex I). In this context, it will be important to have contingency measures that could be implemented promptly if public debt does not fall as expected, including taxing more zero-rated items at the 12.5 percent GST rate, raising the GST rate, and reducing nonpriority expenditure.

13. **Further improvements to Public Financial Management (PFM) systems and procedures are needed**. Areas to strengthen include multi-year budget preparations, fiscal risk assessment, public investment management, coverage of government accounts, accounting and fiscal reporting, and internal audit. Progress in these areas would facilitate future implementation of an FRL with well-designed fiscal rules to strengthen fiscal discipline and enhance the credibility of fiscal policy. Publishing procurement contracts and beneficial ownership information of awardees would ensure transparency and accountability.

Authorities' Views

14. **The authorities confirmed their commitment to continue reducing public debt and broadly agree with staff's recommendations on the debt target and required fiscal measures**. The FY2024 budget targets a primary surplus of 0.5 percent of GDP based on conservative revenue

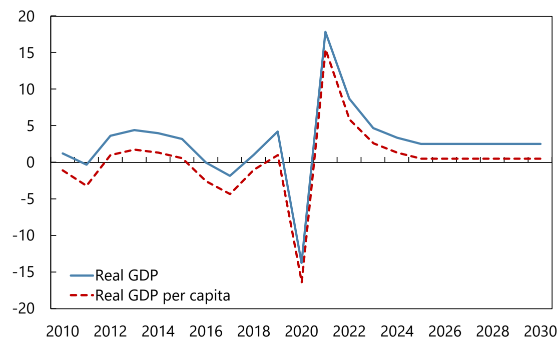
projections, and places greater emphasis on social spending. The authorities' revenue plans focus on improving tax administration and widening the tax base, including by consolidating revenue collection within an autonomous and unified tax department. They have also approved the upgrade of the ASYCUDA system; are working on improving the collaboration between the BTSD and Customs to reduce tax evasion; are reviewing the number of zero-rated items under the GST; and intend to digitize the process for property transactions to improve the efficiency of land transfers. The authorities increased the excise taxes on fuel to recoup some of the revenue lost in FY2022 and intend to amend the environmental tax on manufacturing imports to level the playing field with local producers. The authorities have also prepared a draft customs bill which they intend to bring to Congress for approval in the coming fiscal year. Negotiations on reforms to the PPPO for new hires are advanced and those for existing employees are expected to be concluded in FY2024. The authorities are also considering adopting a more rules-based approach to fiscal policy.

B. Structural Reforms and Climate Change

15. Real GDP growth is projected to remain subdued in the medium term. Growth averaged 2.1 percent in 2010-19, below population growth (2.6 percent), and is projected at 2.5 percent over the medium term, just above population growth (2 percent). Vasilyev (2019) identified constraints to growth in Belize, including high costs of credit, risks to fiscal sustainability, low human capital, crime, infrastructure gaps, and natural disasters.[4] Fiscal and debt sustainability risks have receded since then, but other factors are still at play. Raising medium term growth will require addressing these constraints to boost physical and human capital.

Real GDP Growth

(In percent, year on year)



Sources: Statistical Institute of Belize; and IMF staff projections.

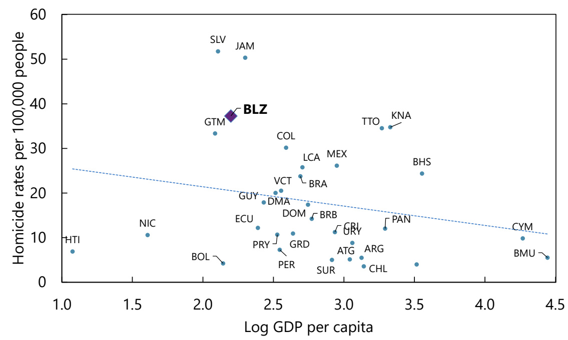
16. Enhancing female labor force participation and the quality of education would boost employment. Belize has one of the largest gaps in labor force participation rates between males and females in the Caribbean. Raising the female labor force participation rate from 45.2 percent in 2023 to the 71.5 percent for males could increase real GDP by over 20 percent in the long run (Annex VIII). To achieve this, the authorities are piloting a subsidized daycare and training program for women in the Cayo district. Further expanding subsidized childcare and after-school programs as well as training for vulnerable women can significantly expand labor force participation and employment. Enhancing the quality of education is another priority. Belize spends more on education than its peers and has high primary school enrollment rates. However, secondary school enrollment rates and educational outcomes could be strengthened (Annex VII). The authorities have recently increased the mandatory school age from 14 to 16; have eliminated copayments for vulnerable households to improve school attendance; and are retraining teachers with the support of the Millennium Challenge Corporation. Additional priorities include expanding conditional cash transfers to promote

[4] https://www.imf.org/en/Publications/WP/Issues/2019/02/04/Reinvigorating-Growth-in-Belize-46496

school attendance, improving school curriculums, and expanding technical and "soft skill" vocational training programs. These measures would complement the authorities' efforts to improve the efficiency of healthcare spending and health outcomes to boost employment through the expansion of primary healthcare across the country (Annex VII).

17. Reducing crime in Belize would boost real GDP growth. Belize had the fourth largest number of intentional homicides per 100,000 people in Latin America and the Caribbean in 2010-19, 60 percent above what could be explained by GDP per capita. Recent efforts from the authorities to deter crime have reduced homicide rates from 37.2 per 100,000 people in 2016-19 to 31.2 in 2021 and 21.2 in 2023. Further reducing crime in Belize to the Caribbean average could increase annual real GDP growth between 0.04 and 0.3 percent.[5] Key policy priorities include enhancing the capacity of the existing police force, using advanced technology to prevent and address crime, and expanding social programs that support the youth at risk.

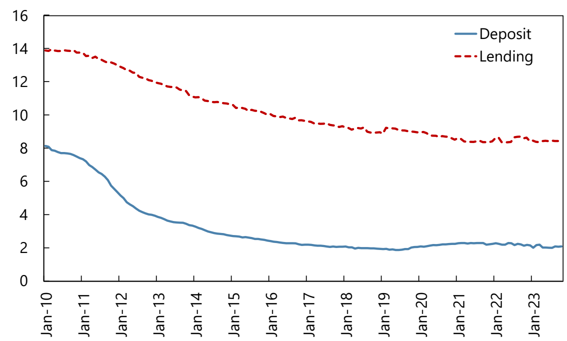
Homicide Rates versus GDP per Capita
(2010-2019 average)



Sources: UNODC, WDI, and IMF staff calculations.

18. Easing access to affordable credit for small and medium size enterprises (SMEs) would boost investment. Lending rates have declined in the last 20 years but remain high. This reflects lack of competition and high operational costs in the banking system due to low population density and borrower riskiness, many of which are SMEs. The authorities are incentivizing the formalization of SMEs with tax incentives, which should also help their access to credit. Additional priorities to enhance SME access to affordable credit include helping SME prepare business plans and setting up a credit bureau and a collateral registry.

Domestic Banks Deposit and Lending Rates
(In percent)



Sources: Central Bank of Belize.

19. Improving the business climate and the rule of law would boost business confidence. The authorities have continued their efforts to digitalize the land and business registries, the single investment window, and the firms and government services. Further advancing these digitalization projects and easing the registration of new businesses would enhance the business environment. Replacing the ministerial discretion allowed in business-related processes with a more predictable and rules-based system, enhancing the technical capacity of the judiciary, and promoting greater access to legislation and judicial decisions would also reduce business uncertainty.

[5] See Annex 4 of the October 2023 Regional Economic Outlook: Western Hemisphere.

20. Strengthening resilience to climate change and related disasters would reduce volatility and boost growth. Belize is highly vulnerable to climate change and related disasters (sea level rise, hurricanes, floods, droughts, coastal erosion), which have adverse economic effects, especially in agriculture, energy, and tourism. The authorities are investing in climate resilient infrastructure and crops, and are protecting forests, mangroves, and coral reefs which shield against storm surges and coastal erosion. The main priority going forward is to implement a Disaster Resilience Strategy (DRS) that focuses on improving structural, financial, and post-disaster resilience and is based on a multi-year macro-fiscal framework that incorporates climate change and related disasters. A DRS would also improve access to climate finance. The authorities are also making efforts to reduce greenhouse gas emissions by protecting the marine environment that works as carbon sinks in line with the commitments under the blue loan, investing in renewable energy generation, and electrifying public transportation. However, significant financing gaps for mitigation initiatives remain.

Authorities' Views

21. The authorities broadly shared staff views on the policy priorities to boost growth. They are targeting a growth rate of 5 percent over the medium term and have established a committee to identify the necessary reforms to achieve it. In this context, they are piloting a subsidized daycare and training program in the Cayo district to raise female labor force participation, which will be expanded to other parts of the country if successful. They also increased the mandatory school age from 14 to 16, have eliminated copayments for vulnerable households to improve high school attendance, and are retraining teachers and improving the quality of education with the support of the Millennium Challenge Corporation. The authorities increased the number of policemen in 2023 to address crime and are now training them and buying advanced equipment. They have also extended the deadline for SMEs to formalize and benefit from fiscal incentives, and have a pipeline of infrastructure projects (water, sewer, roads, and renewable energy), for which they are seeking affordable external financing and plan to use Public Private Partnerships where feasible.

C. Monetary and Financial Policies

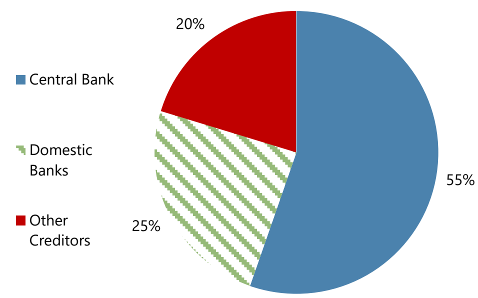
22. Belize's external position in 2023 is assessed as stronger than implied by fundamentals and desirable policies. The current account norm is estimated at –5.6 percent of GDP in 2023 while the cyclically adjusted current account balance reached –3.0 percent, implying a gap of 2.5 percent of GDP (Annex IX). However, international reserves are projected to remain below the ARA metric, although above three months of imports and short-term external debt.[6] Increasing the level of international reserves would strengthen the currency peg, especially given the projected increase in external financing needs when the repayment of the blue loan starts in 2032. Boosting the level of

[6] The high ARA metric in Belize is due to the high level of other liabilities (long-term external debt) and broad money, which measure the risk of capital outflows from nonresidents and residents, respectively. However, these risks are not significant for Belize as most external debt is with multilateral and bilateral creditors, which reduces the risk of capital outflows by nonresidents. In addition, the central bank can use macroeconomic, financial sector, and structural policy adjustment to address capital outflows, and use CFMs to manage disruptive capital outflows in imminent crisis or crisis circumstances, in line with the IMF's Institutional View.

international reserves requires implementing fiscal consolidation and growth-enhancing structural reforms, as well as gradually reducing government financing by the Central Bank.

23. Gradually reducing government financing by the central bank would lower excess liquidity and help develop the local capital market. The central bank held more than half of the government's domestic public debt at end-2023. Gradually reducing these holdings would give more investment opportunities to banks and the social security fund and reduce excess liquidity in the financial sector. While developing the domestic capital market will require a careful roadmap of structural reforms,[7] introducing a market-based auction for Treasury Notes in conjunction with outreach to domestic investors to explain the government's fiscal plans and the low risk of government securities would provide price signals across different maturities, help develop a market-based government securities yield curve and provide a benchmark for other public and private sector issued securities. This may raise domestic interest rates and lower incentives for capital outflows, allowing for a gradual removal of capital controls. Fiscal consolidation would mitigate the adverse impact on public finances.

Holders of Government Securities, 2023
(In percent of total Belizean dollar treasury bills and treasury notes)



Sources: Central Bank of Belize, and IMF staff estimates.

24. The Central Bank must remain vigilant to financial stability risks. Prompt actions by the Central Bank, including keeping vulnerable institutions under enhanced supervision and requesting preemptive recapitalizations above the 9 percent minimum regulatory requirement depending on existing or prospective balance sheet conditions, have reduced financial stability risks. However, vulnerabilities in some systemic institutions remain. The Central Bank should keep these vulnerable institutions under enhanced supervision and request preemptive recapitalizations when needed. The Central Bank has appropriate tools if it needs to intervene, including the provision of liquidity, the imposition of limits on the distribution of dividends, and an adequate bank resolution framework.

25. The authorities have taken welcome steps to enhance financial integrity in the international financial services (IFS) and banking sectors and should continue to strengthen the AML/CFT framework. The Companies Act was amended in 2023 to require registered agents and corporations to file information on the beneficial ownership (BO) of companies with the Belize Companies and Corporate Registry to facilitate access to such information by competent authorities. Reviews conducted by the Financial Services Commission (FSC) indicated that all registered agents have met the requirements on physical presence in Belize under the Economic Substance Law, including those related to BO records. The FSC also stepped-up AML/CFT supervision of registered agents, supported by additional staff, and is developing a risk-based supervisory framework. Such efforts should continue to ensure registered agents' compliance with AML/CFT requirements. The

[7] See "Guidance Note for Developing Government Local Currency Bond Markets (IMF & World Bank, 2021)".

Central Bank issued a penalty to a bank for breaches of AML/CFT requirements and should continue to strengthen the regime for ensuring proportionate and dissuasive sanctions for violations of AML/CFT requirements. A comprehensive assessment of Belize's AML/CFT framework by the Caribbean Financial Action Task Force is ongoing. Its findings should guide the authorities' next steps to strengthen the AML/CFT framework, including in the IFS and banking sectors.

Authorities' Views

26. The authorities broadly agreed with staff's views on monetary and financial sector issues. They remain vigilant to financial stability risks and are improving the size and quality of capital buffers of vulnerable banks. The central bank has continued to conduct stress tests of banks and credit unions to identify potential capitalization needs and noted that the bank resolution framework has been used successfully in the past. The authorities agreed that increasing the level of international reserves by implementing fiscal consolidation and growth-enhancing structural reforms would strengthen the currency peg. They are also open to reducing the level of central bank financing of the government but noted that domestic investors continue to misprice the risk of government securities. They plan to conduct outreach to investors to explain their fiscal plans and low riskiness of government debt. The authorities are optimistic about the outcome of the recent Mutual Evaluation by the Caribbean Financial Action Task Force and are making efforts to further strengthen their capacity to enforce AML/CFT laws and regulations before the final plenary discussion scheduled for November 2024.

D. Illustrative Reform Scenario

27. Implementing the recommended fiscal and structural measures would reduce public debt to 50 percent of GDP by 2030. The illustrative reform scenario presented Text Table 2 assumes an increase in the primary balance to 2 percent of GDP from FY2025 onwards and a rise in spending on infrastructure, targeted social programs, and crime prevention as in Text Table 1. It also assumes the implementation of the structural reforms discussed in Section B, which together with the increase in priority spending, raises real GDP growth by 0.25 percent in 2026-27 and 0.5 percent from 2028 onwards. This increase in growth is conservative, representing one-fourth of the estimated gains in growth in Chapter 2 of the book Unleashing Growth and Strengthening Resilience in the Caribbean, 2017.[8] As a result, public debt in 2030 declines from 55.5 percent in the baseline scenario to 49.4 percent in the illustrative reform scenario.

[8] That chapter shows that lowering crime, debt, and NPLs, enhancing the business climate, human capital, and climate resilience, and deepening trade integration to the level in the top decile of small states would increase Belize's annual real GDP growth by 2 percent over the medium term.

Text Table 2. Belize: Baseline and Illustrative Reform Scenario
(In percent of GDP unless otherwise noted)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Baseline Scenario: Current Policies											
Growth (percent)	8.7	4.7	3.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Overall fiscal balance (percent of GDP)	-0.1	-1.0	-0.9	-1.1	-1.1	-1.1	-1.1	-1.0	-0.9	-0.9	-0.8
Primary fiscal balance (percent of GDP)	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Public debt (percent of GDP)	67.1	66.2	62.9	61.1	60.0	58.9	57.8	56.7	55.5	54.4	53.3
Public sector GFN (percent of GDP)	7.7	10.8	7.4	8.3	8.3	7.6	6.8	6.6	7.4	6.8	7.8
Current account balance (percent of GDP)	-8.3	-2.9	-2.5	-2.5	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4
International reserves (percent of external GFN)	326.8	314.9	312.4	324.8	325.0	330.6	335.4	354.3	363.0	372.3	298.2
International reserves (months of imports)	3.7	3.4	3.5	3.5	3.5	3.5	3.4	3.4	3.4	3.3	3.3
Illustrative Reform Scenario: Fiscal Measures and Structural Reforms 1/											
Growth (percent)	8.7	4.7	3.2	2.3	2.8	2.8	3.0	3.0	3.0	3.0	3.0
Overall fiscal balance (percent of GDP)	-0.1	-1.0	-0.5	-0.3	-0.3	-0.2	-0.1	0.0	0.1	0.2	0.3
Primary fiscal balance (percent of GDP)	1.6	1.2	1.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public debt (percent of GDP)	67.1	66.2	62.6	60.1	58.0	55.9	53.7	51.6	49.4	47.2	45.0
Public sector GFN (percent of GDP)	7.7	10.8	7.0	7.5	7.5	6.8	6.0	5.8	6.6	6.0	7.0
Current account balance (percent of GDP)	-8.3	-2.9	-2.2	-2.0	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9
International reserves (percent of external GFN)	326.8	314.9	319.2	339.3	341.7	347.5	352.5	366.2	375.3	385.1	308.7
International reserves (months of imports)	3.7	3.4	3.7	3.8	3.9	3.9	4.0	3.9	3.9	3.8	3.8

Source: IMF Staff estimates.

1/ This scenario assumes the implementation of 0.8 percent of GDP in fiscal consolidation over two years, which raises the primary balance to 2 percent of GDP from FY2025 onwards, and a fiscal multiplier of -0.5 in the year of consolidation as in Chapter 4 of the April 2018 Regional Economic Outlook: Western Hemisphere. The scenario also assumes a rise in spending on infrastructure, targeted social programs, and crime prevention as in Text Table 1, and the implementation of the structural reforms discussed in Section B, which increase real GDP growth by 0.25 percent in 2026-27 and 0.5 percent from 2028 onwards. This rise in growth is conservative at one fourth of the estimates in Chapter 2 of Unleashing Growth and Strengthening Resilience in the Caribbean, 2017, which estimates that reducing crime, debt, and NPLs; enhancing the business climate, human capital, and climate resilience; and deepening trade integration; to the top decile of small states would increase real GDP growth in Belize by 2 percent in the medium term.

STAFF APPRAISAL

28. Economic activity and inflation moderated in 2023. Real GDP grew by 4.7 percent led by the tourism, construction, retail and wholesale trade, transport, and business process outsourcing sectors, while the unemployment rate reached 3.4 percent. Inflation declined to 4.4 percent driven by lower prices of transport and utilities, partly offset by higher food inflation. The primary fiscal balance remained in surplus at 1.2 percent of GDP in FY2023, but public debt fell more slowly from 67 percent of GDP in 2022 to 66 percent in 2023 in part due to a payment for the acquisition of the Port of Belize and the settlement of outstanding litigations with a foreign investor.

29. Real GDP growth and inflation are projected to moderate further going forward, while the fiscal position is expected to remain robust. Real GDP growth is projected to slow to 3.4 percent in 2024 and 2.5 percent over the medium term as the economy remains at full employment, while inflation is projected to decline to 3.1 percent in 2024 and 1.3 percent over the medium term in line with the expected fall in commodity prices and global inflation. The primary surplus is projected to remain at 1.2 percent of GDP from FY2024 onwards under current policies, with public debt projected to drop slowly given lower growth and high global interest rates, remaining above 50 percent of GDP over the next decade. Overall, staff assesses the risk of sovereign stress as moderate (Annex IV).

30. Reducing public debt to 50 percent of GDP by 2030 would entrench debt sustainability and help build sufficient fiscal buffers. This debt level would be consistent with that in investment-grade emerging market economies and would keep it below the 70 percent of GDP target in the authorities' 2021 Medium-term Recovery Plan with 95 percent probability over the medium-term given historical shocks. Reaching this debt target requires implementing 0.8 percent of GDP of fiscal consolidation to raise the primary balance to 2 percent of GDP from FY2025 onwards. Anchoring this plan in a well-defined medium-term fiscal strategy and preparing for the adoption of a Fiscal Responsibility Law with well-designed fiscal rules would enhance its credibility.

31. Revenue and expenditure measures can raise the primary surplus and fund additional spending on infrastructure, social programs, and crime prevention. Broadening the GST base, raising excise taxes, rebalancing manufacturing taxes, and strengthening revenue administration can raise revenue by 2.2 percent of GDP, while reforming the PPPO could lower government spending by 0.1 percent of GDP. Using these savings to increase the primary surplus (0.8 percent of GDP) and expand priority spending (1.5 percent of GDP) would boost medium term growth and make it more inclusive and resilient to natural disasters. Priority spending includes enhancing roads, water, and sewer systems; expanding renewable energy generation and storage; subsidizing childcare and training for vulnerable women to enhance female labor force participation; expanding targeted transfers to protect against food insecurity; and investing in climate-resilient infrastructure.

32. Improving the business climate and developing a disaster resilience strategy (DRS) are also key to increasing medium-term growth. Priority areas to improve the business environment include easing access to affordable credit for SMEs, including by establishing a credit bureau and a collateral registry; advancing the digitalization of the land and business registries; and improving the firms and government services. Developing a DRS that focuses on strengthening structural, financial, and post-disaster resilience and is based on a consistent macroeconomic framework would help unlock funding for climate mitigation and adaptation and reduce output volatility.

33. Increasing the level of international reserves would strengthen the currency peg. Belize's external position is assessed as stronger than implied by medium term fundamentals and desirable policies. However, international reserves are projected to remain below the ARA metric. Increasing the level of international reserves by implementing fiscal consolidation and structural reforms would strengthen the currency peg, especially given the projected rise in external financing needs when the repayment of the blue loan starts in 2032.

34. Limiting central bank financing of the government, preserving financial stability, and strengthening the AML/CFT framework are important priorities. Gradually reducing central bank financing of the government would reduce excess liquidity and help develop the local capital market. The central bank must remain vigilant to financial stability risks, keeping vulnerable institutions under enhanced supervision and requesting recapitalization when needed. The authorities should continue strengthening the AML/CFT framework and its enforcement, especially in the IFS.

35. It is recommended that the next Article IV consultation take place on the standard 12-month cycle.

Figure 4. Belize: Real Sector Indicators

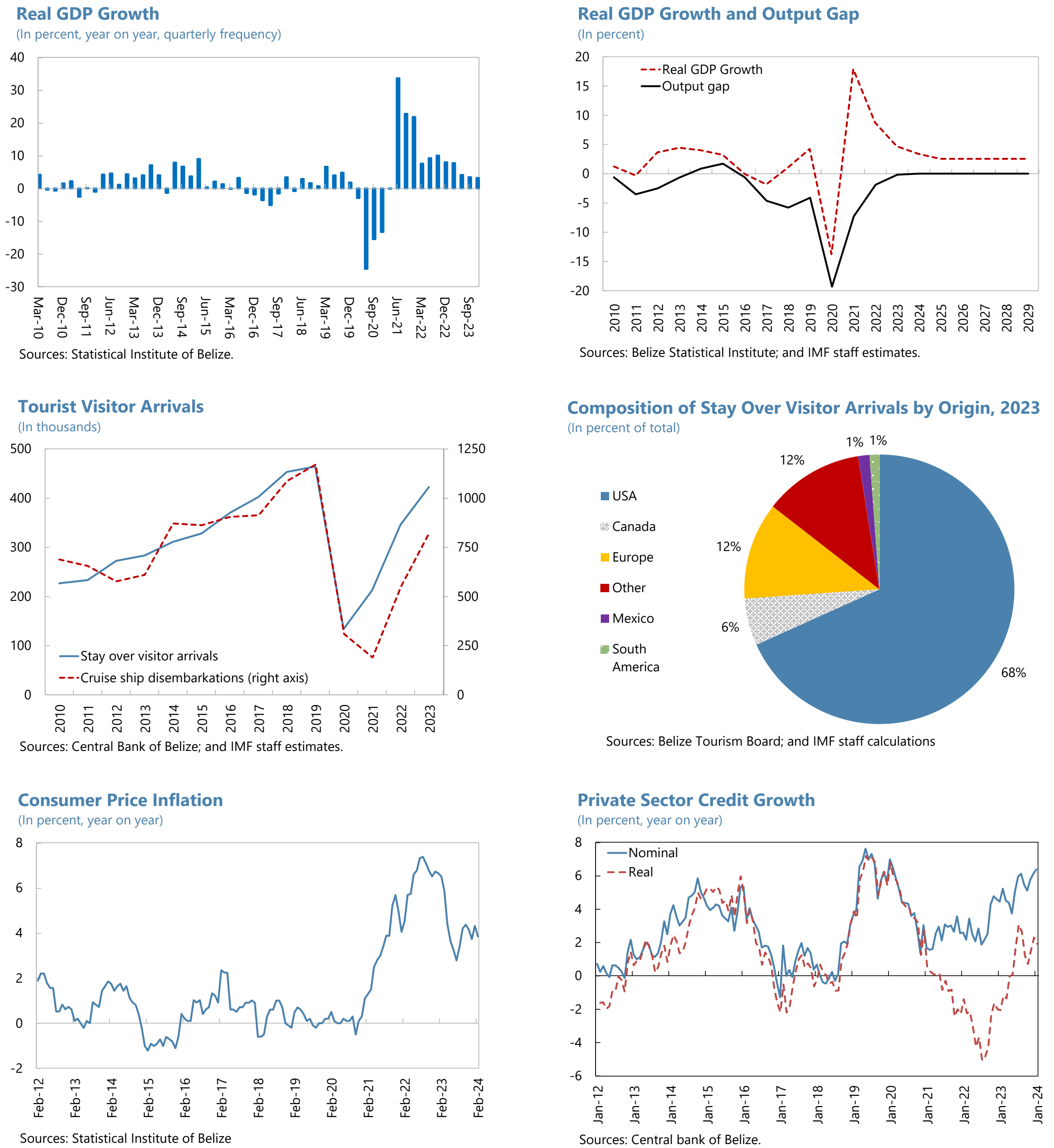
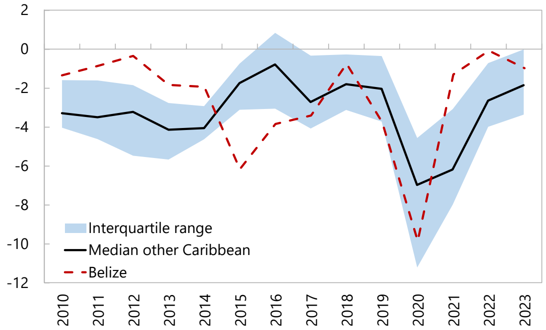


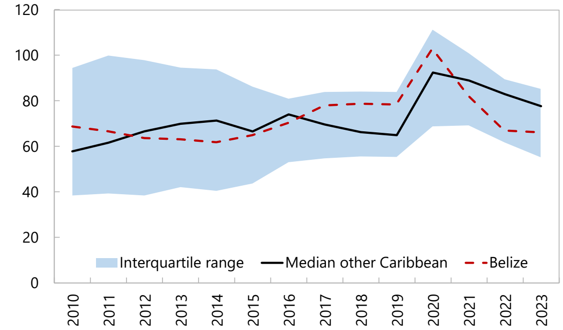
Figure 5. Belize: Public Sector Indicators 1/

Government Balance
(In percent of GDP)



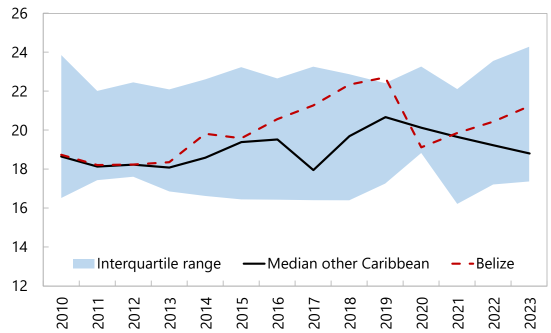
Sources: Country authorities and IMF staff estimates.

Public Sector Debt
(In percent of GDP)



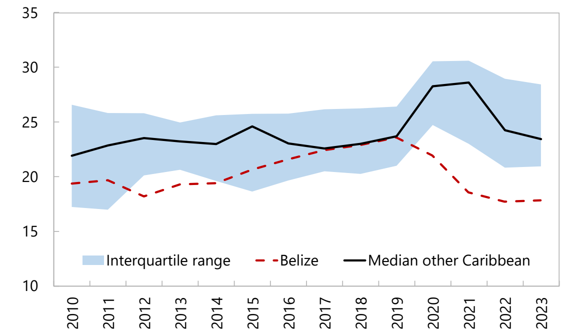
Sources: Country authorities and IMF staff estimates.

Government Tax Revenue
(In percent of GDP)



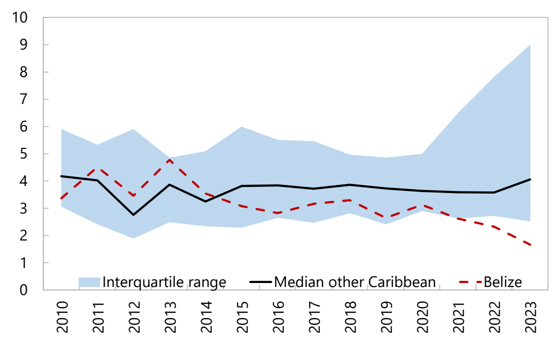
Sources: Country authorities and IMF staff estimates.

Government Current Expenditure
(In percent of GDP)



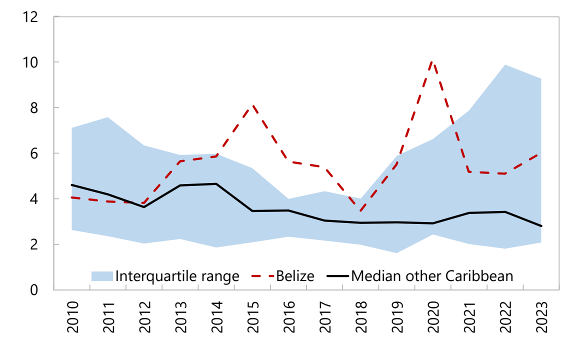
Sources: Country authorities and IMF staff estimates.

Government Nontax Revenue plus Grants
(In percent of GDP)



Sources: Country authorities and IMF staff estimates.

Government Capital Expenditure
(In percent of GDP)

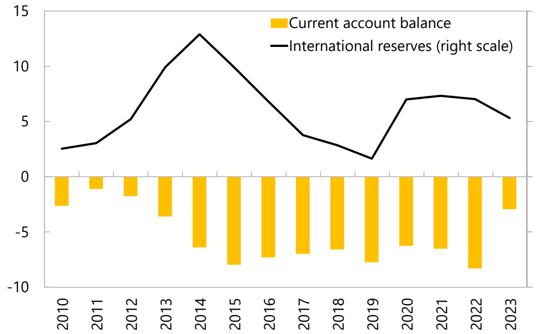


Sources: Country authorities and IMF staff estimates.

1/ The other Caribbean group includes Antigua and Barbuda, Aruba, The Bahamas, Barbados, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

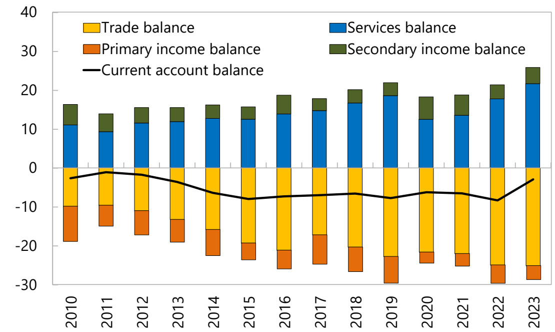
Figure 6. Belize: External Sector Indicators

Current Account Balance and International Reserves
(In percent of GDP)



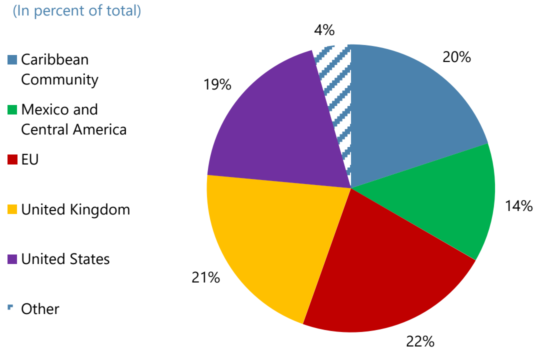
Sources: Ministry of Finance and Central Bank of Belize.

Current Account Balance and Components
(In percent of GDP)



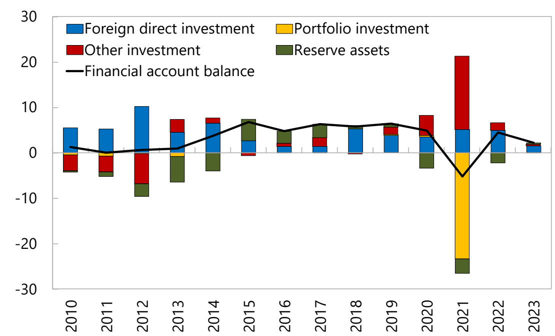
Sources: Central Bank of Belize; and IMF staff estimates.

Destination of Domestic Merchandise Exports in 2023
(In percent of total)



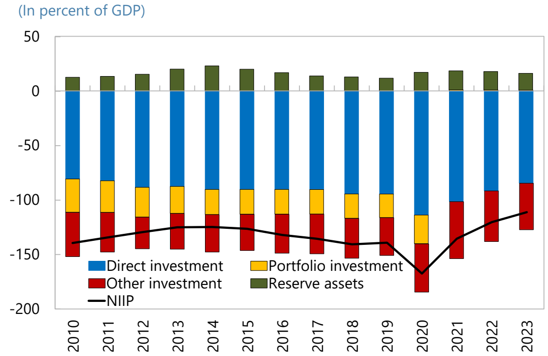
Sources: Central Bank of Belize; and IMF staff estimates.

Financial Account Balance and Components
(In percent of GDP)



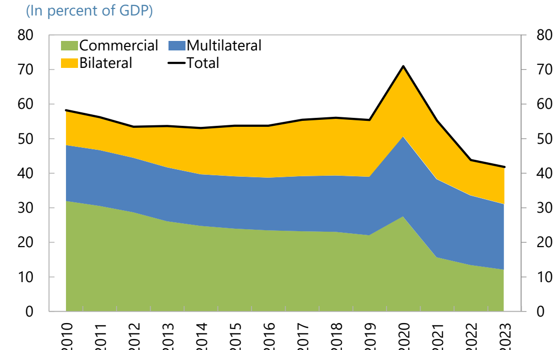
Sources: Central Bank of Belize; and IMF staff estimates.

Net International Investment Position and Components
(In percent of GDP)



Sources: Central Bank of Belize; and IMF staff estimates.

External Public Debt by Creditor
(In percent of GDP)



Sources: Central Bank of Belize; and IMF staff calculations.

Table 1. Belize: Selected Social and Economic Indicators

I. Population and Social Indicators

Area (sq.km.)	22,860	Human development index (rank), 2022	118
Population (thousands), 2022	444.8	Under-five mortality rate (per thousand), 2021	11.2
GDP per capita, (current US$), 2023	6,865	Unemployment rate (percent), 2023	3.4
Life expectancy at birth (years), 2021	70.5	Poverty (percent of total population), 2023	26.4

II. Economic Indicators

				Projections						
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
National income and prices	(Annual percentage changes, calendar year)									
GDP at constant prices	-13.7	17.9	8.7	4.7	3.4	2.5	2.5	2.5	2.5	2.5
Consumer prices (end of period)	0.3	4.9	6.7	3.7	2.6	1.3	1.3	1.3	1.3	1.3
Consumer prices (average)	0.1	3.2	6.3	4.4	3.1	2.3	1.3	1.3	1.3	1.3
Central government 1/	(In percent of fiscal year GDP)									
Revenue and grants	22.2	22.5	22.8	22.9	23.2	23.2	23.2	23.2	23.2	23.2
Current non-interest expenditure	20.4	17.3	16.0	15.7	15.7	15.7	15.7	15.7	15.7	15.7
Interest payment	1.5	1.3	1.7	2.2	2.1	2.3	2.3	2.3	2.2	2.2
Capital expenditure and net lending	10.1	5.2	5.1	6.0	6.3	6.3	6.3	6.3	6.3	6.3
Capital expenditure	9.8	5.1	5.1	6.0	6.2	6.2	6.2	6.2	6.2	6.2
Net lending	0.3	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Primary balance	-8.3	0.0	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Overall balance	-9.9	-1.3	-0.1	-1.0	-0.9	-1.1	-1.1	-1.1	-1.1	-1.0
Public debt	(In percent of calendar year GDP)									
Public debt 2/	103.0	82.3	67.1	66.2	62.9	61.1	60.0	58.9	57.8	56.7
Domestic debt	32.1	27.1	23.2	24.4	22.6	22.0	21.6	21.3	21.5	21.9
External debt	71.0	55.2	43.8	41.8	40.3	39.2	38.4	37.5	36.3	34.8
Principal payment	7.5	8.6	5.8	6.6	6.5	7.2	7.1	6.5	5.7	5.6
Domestic	5.2	6.4	4.6	5.0	4.7	5.2	5.2	4.7	3.9	3.9
External	2.3	2.1	1.3	1.6	1.8	2.0	1.9	1.8	1.8	1.7
Money and credit	(Annual percentage changes, calendar year)									
Credit to the private sector by commercial banks	3.1	2.5	4.4	5.9	4.2	3.2	3.0	3.0	3.0	3.0
Money and quasi-money (M2)	10.7	12.3	4.7	7.1	5.2	4.1	3.8	3.8	3.8	3.8
External sector	(Annual percentage changes, unless otherwise indicated)									
External current account (percent of GDP) 3/	-6.2	-6.5	-8.3	-2.9	-2.5	-2.5	-2.4	-2.4	-2.4	-2.4
Real effective exchange rate (+ = depreciation)	-0.3	-3.3	2.1	0.8	...	...	...	...	...	...
Gross international reserves (US$ millions)	348	420	482	474	515	539	550	567	585	601
In months of imports	3.3	3.2	3.7	3.4	3.5	3.5	3.5	3.5	3.4	3.4
Memorandum items										
Output gap (percent of potential output)	-19.3	-7.3	-1.9	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP (BZ$ millions)	4,095	4,849	5,661	6,187	6,592	6,913	7,177	7,453	7,738	8,035

Sources: Belize authorities; UNDP Human Development Report; World Development Indicators; and staff estimates and projections.

1/ Fiscal year (April to March).

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

3/ Including official grants.

Table 2a. Belize: Operations of the Central Government 1/ 2/

(In millions of Belize dollars, unless otherwise indicated)

				Projections						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Revenue and grants	**953**	**1,136**	**1,319**	**1,439**	**1,547**	**1,618**	**1,680**	**1,745**	**1,812**	**1,881**
Revenue	**922**	**1,097**	**1,290**	**1,425**	**1,517**	**1,587**	**1,648**	**1,711**	**1,776**	**1,845**
Current revenue	906	1,092	1,284	1,418	1,511	1,581	1,641	1,704	1,769	1,837
Tax revenue	819	1,003	1,184	1,334	1,416	1,481	1,538	1,597	1,658	1,721
Income and profits	239	225	311	351	373	390	405	420	437	453
Goods and services	447	585	641	761	808	845	877	911	946	982
General Sales Tax	244	306	381	422	448	468	486	505	524	545
Taxes on international trade	127	185	224	215	228	239	248	257	267	277
Nontax revenue	87	89	100	84	95	100	103	107	112	116
Capital revenue	16	5	7	6	6	6	7	7	7	7
Grants	**31**	**39**	**28**	**14**	**30**	**31**	**33**	**34**	**35**	**36**
Total expenditure	**1,375**	**1,201**	**1,323**	**1,500**	**1,608**	**1,697**	**1,762**	**1,827**	**1,895**	**1,963**
Current expenditure	940	939	1,027	1,122	1,187	1,257	1,305	1,352	1,402	1,451
Wages and salaries	452	413	449	466	477	499	518	538	558	580
Pensions	89	98	97	103	110	115	120	124	129	134
Goods and services	179	210	211	244	281	294	305	317	329	341
Interest payments	66	64	100	137	139	161	167	171	175	178
Transfers	154	153	170	173	180	188	196	203	211	219
Capital expenditure and net lending	434	262	296	378	421	440	457	474	493	511
Capital expenditure	421	256	295	376	413	432	449	466	484	503
Domestically financed expenditure (Capital II)	210	149	185	248	267	280	291	302	314	326
Foreign financed expenditure (Capital III)	211	104	101	119	137	143	148	154	160	166
Net lending	13	7	1	2	7	8	8	8	9	9
Primary balance	**-356**	**-1**	**95**	**75**	**79**	**82**	**85**	**89**	**92**	**96**
Overall balance	**-422**	**-66**	**-5**	**-61**	**-61**	**-79**	**-82**	**-82**	**-83**	**-82**
Financing	**422**	**66**	**5**	**61**	**61**	**79**	**82**	**82**	**83**	**82**
Privatization (net)	0	0	-77	-197	0	0	0	0	0	0
Domestic	18	-614	3	157	-6	28	34	49	78	104
Of which: Amortization	239	299	271	310	323	361	367	339	307	326
External	404	679	78	101	67	51	48	33	6	-22
Disbursements	500	775	157	207	191	189	186	171	143	111
Amortization	96	96	79	105	124	139	138	137	137	133
Memorandum items:										
Primary balance (excluding one-off capital transfer) 3/	-356	-1	95	75	79	82	85	89	92	96
Structural primary balance	-128	88	120	78	78	82	85	88	92	95
Nominal GDP (in BZ$ millions)	4,284	5,052	5,793	6,289	6,672	6,979	7,246	7,524	7,812	8,112
Non-interest expenditure	1,309	1,137	1,223	1,363	1,469	1,536	1,595	1,656	1,719	1,785
Public sector debt 4/	4,182	3,954	3,757	4,053	4,108	4,187	4,269	4,352	4,436	4,520
Domestic	1,313	1,316	1,316	1,508	1,491	1,518	1,549	1,591	1,661	1,762
External	2,869	2,639	2,441	2,545	2,617	2,669	2,720	2,761	2,775	2,758

Sources: Ministry of Finance; Central Bank of Belize; and Fund staff estimates and projections.

1/ Fiscal year ends in March.

2/ Excludes extrabudgetary funds.

3/ Due to data limitations, the table deviates from the GFSM 2001 methodology.

4/ Calendar year. Public debt includes central government debt and external financial and non-financial public sector debt.

Table 2b. Belize: Operations of the Central Government 1/ 2/

(In percent of GDP, unless otherwise indicated)

				Projections						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Revenue and grants	**22.2**	**22.5**	**22.8**	**22.9**	**23.2**	**23.2**	**23.2**	**23.2**	**23.2**	**23.2**
Revenue	**21.5**	**21.7**	**22.3**	**22.7**	**22.7**	**22.7**	**22.7**	**22.7**	**22.7**	**22.7**
Current revenue	21.1	21.6	22.2	22.6	22.6	22.6	22.6	22.6	22.6	22.6
Tax revenue	19.1	19.9	20.4	21.2	21.2	21.2	21.2	21.2	21.2	21.2
Income and profits	5.6	4.5	5.4	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Goods and services	10.4	11.6	11.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1
General Sales Tax	5.7	6.1	6.6	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Taxes on international trade	3.0	3.7	3.9	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Nontax revenue	2.0	1.8	1.7	1.3	1.4	1.4	1.4	1.4	1.4	1.4
Capital revenue	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	**0.7**	**0.8**	**0.5**	**0.2**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**
Total expenditure	**32.1**	**23.8**	**22.8**	**23.9**	**24.1**	**24.3**	**24.3**	**24.3**	**24.3**	**24.2**
Current expenditure	22.0	18.6	17.7	17.8	17.8	18.0	18.0	18.0	17.9	17.9
Wages and salaries	10.6	8.2	7.8	7.4	7.1	7.1	7.1	7.1	7.1	7.1
Pensions	2.1	1.9	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Goods and services	4.2	4.2	3.6	3.9	4.2	4.2	4.2	4.2	4.2	4.2
Interest payments	1.5	1.3	1.7	2.2	2.1	2.3	2.3	2.3	2.2	2.2
Transfers	3.6	3.0	2.9	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Capital expenditure and net lending	10.1	5.2	5.1	6.0	6.3	6.3	6.3	6.3	6.3	6.3
Capital expenditure	9.8	5.1	5.1	6.0	6.2	6.2	6.2	6.2	6.2	6.2
Domestically financed expenditure (Capital II)	4.9	3.0	3.2	3.9	4.0	4.0	4.0	4.0	4.0	4.0
Foreign financed expenditure (Capital III)	4.9	2.1	1.7	1.9	2.0	2.0	2.0	2.0	2.0	2.0
Net lending	0.3	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Primary balance	**-8.3**	**0.0**	**1.6**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**
Overall balance	**-9.9**	**-1.3**	**-0.1**	**-1.0**	**-0.9**	**-1.1**	**-1.1**	**-1.1**	**-1.1**	**-1.0**
Financing	**9.9**	**1.3**	**0.1**	**1.0**	**0.9**	**1.1**	**1.1**	**1.1**	**1.1**	**1.0**
Privatization (net)	0.0	0.0	-1.3	-3.1	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	0.4	-12.1	0.1	2.5	-0.1	0.4	0.5	0.6	1.0	1.3
Of which: Amortization	5.6	5.9	4.7	4.9	4.8	5.2	5.1	4.5	3.9	4.0
External	9.4	13.4	1.3	1.6	1.0	0.7	0.7	0.4	0.1	-0.3
Disbursements	11.7	15.3	2.7	3.3	2.9	2.7	2.6	2.3	1.8	1.4
Amortization	2.2	1.9	1.4	1.7	1.9	2.0	1.9	1.8	1.8	1.6
Memorandum items:										
Primary balance (excluding one-off capital transfer) 3/	-8.3	0.0	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Structural primary balance	-2.4	1.6	2.0	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Nominal GDP (in BZ$ millions)	4,284	5,052	5,793	6,289	6,672	6,979	7,246	7,524	7,812	8,112
Public sector debt 4/	103.0	82.3	67.1	66.2	62.9	61.1	60.0	58.9	57.8	56.7
Domestic	32.1	27.1	23.2	24.4	22.6	22.0	21.6	21.3	21.5	21.9
External	71.0	55.2	43.8	41.8	40.3	39.2	38.4	37.5	36.3	34.8

Sources: Ministry of Finance; Central Bank of Belize; and Fund staff estimates and projections.
1/ Fiscal year ends in March.
2/ Excludes extrabudgetary funds.
3/ Due to data limitations, the table deviates from the GFSM 2001 methodology.
4/ Calendar year. Public debt includes central government debt and external financial and non-financial public sector debt.

Table 3a. Belize: Balance of Payments

(In millions of US dollars, unless otherwise indicated)

					Projections					
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Current account balance	**-128**	**-158**	**-236**	**-91**	**-81**	**-86**	**-87**	**-91**	**-94**	**-98**
Trade balance	-443	-534	-706	-777	-827	-867	-899	-933	-969	-1,006
Total exports, f.o.b.	289	422	518	488	520	544	565	587	610	633
Of which: Oil	2	4	2	1	0	0	0	0	0	0
Total imports, f.o.b.	731	956	1,224	1,265	1,346	1,412	1,464	1,520	1,579	1,639
Of which: Fuel and lubricants	80	134	211	198	211	211	221	231	240	249
Services	255	328	501	669	712	747	776	805	836	868
Income	-59	-78	-134	-111	-118	-124	-129	-134	-139	-144
Of which: Public sector interest payments	-26	-20	-8	-7	-8	-8	-8	-9	-9	-9
Current transfers	118	127	103	129	151	159	165	171	178	184
Private (net)	112	126	133	142	151	159	165	171	178	184
Official (net)	6	1	-30	-13	0	0	0	0	0	0
Capital and financial account balance	**183**	**192**	**217**	**84**	**122**	**110**	**98**	**108**	**112**	**113**
Capital transfers	14	241	29	25	20	21	22	23	23	24
Public sector	124	481	29	0	49	23	18	9	-3	-18
Change in assets	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Change in liabilities	125	481	30	1	49	24	18	10	-2	-18
Disbursements	175	538	75	121	119	103	97	89	75	59
Central government	169	494	69	106	96	95	94	89	75	59
Amortization	-50	-57	-45	-57	-69	-79	-79	-79	-77	-77
Central government	-47	-52	-36	-50	-60	-69	-69	-69	-69	-68
Private sector 1/	44	-530	158	58	53	66	59	76	91	107
Foreign Direct Investment, net	72	124	140	47	82	83	83	82	81	84
Other private flows	-34	-89	19	11	-29	-17	-24	-6	10	23
Commercial banks	-25	-148	28	4	-15	-8	-13	-1	9	13
Other private nonbanks	-2	-506	-9	6	-14	-9	-11	-5	1	10
Errors and omissions	**14**	**42**	**80**	**-3**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**69**	**77**	**62**	**-10**	**41**	**24**	**11**	**17**	**18**	**16**
Financing	**-69**	**-77**	**-62**	**10**	**-41**	**-24**	**-11**	**-17**	**-18**	**-16**
Memorandum items:										
Gross international reserves	348	420	482	474	515	539	550	567	585	601
In percent of next year's gross external financing needs	162	150	327	315	312	325	325	331	335	354
In percent of next year's total debt service	506	615	477	444	398	407	417	429	447	487
In months of next year's imports	3.3	3.2	3.7	3.4	3.5	3.5	3.5	3.5	3.4	3.4

Sources: Central Bank of Belize; and Fund staff estimates and projections.

1/ Detailed data on private sector flows are not available.

Table 3b. Belize: Balance of Payments
(In percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
				Projections						
Current account balance	**-6.2**	**-6.5**	**-8.3**	**-2.9**	**-2.5**	**-2.5**	**-2.4**	**-2.4**	**-2.4**	**-2.4**
Trade balance	-21.6	-22.0	-24.9	-25.1	-25.1	-25.1	-25.0	-25.0	-25.0	-25.0
Total exports, f.o.b.	14.1	17.4	18.3	15.8	15.8	15.8	15.8	15.8	15.8	15.8
Of which: Oil	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total imports, f.o.b.	35.7	39.4	43.2	40.9	40.8	40.8	40.8	40.8	40.8	40.8
Of which: Fuel and lubricants	3.9	5.5	7.5	6.4	6.4	6.1	6.2	6.2	6.2	6.2
Services	12.5	13.5	17.7	21.6	21.6	21.6	21.6	21.6	21.6	21.6
Income	-2.9	-3.2	-4.7	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6
Of which: Public sector interest payments	-1.3	-0.8	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Current transfers	5.8	5.2	3.6	4.2	4.6	4.6	4.6	4.6	4.6	4.6
Private (net)	5.5	5.2	4.7	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Official (net)	0.3	0.0	-1.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Capital and financial account balance	**8.9**	**7.9**	**7.7**	**2.7**	**3.7**	**3.2**	**2.7**	**2.9**	**2.9**	**2.8**
Capital transfers	0.7	10.0	1.0	0.8	0.6	0.6	0.6	0.6	0.6	0.6
Public sector	6.1	19.8	1.0	0.0	1.5	0.7	0.5	0.3	-0.1	-0.5
Change in assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in liabilities	6.1	19.8	1.1	0.0	1.5	0.7	0.5	0.3	-0.1	-0.4
Disbursements	8.6	22.2	2.6	3.9	3.6	3.0	2.7	2.4	1.9	1.5
Central government	8.2	20.4	2.4	3.4	2.9	2.7	2.6	2.4	1.9	1.5
Amortization	-2.4	-2.3	-1.6	-1.8	-2.1	-2.3	-2.2	-2.1	-2.0	-1.9
Central government	-2.3	-2.1	-1.3	-1.6	-1.8	-2.0	-1.9	-1.8	-1.8	-1.7
Private sector 1/	2.2	-21.9	5.6	1.9	1.6	1.9	1.6	2.0	2.4	2.7
Foreign Direct Investment, net	3.5	5.1	4.9	1.5	2.5	2.4	2.3	2.2	2.1	2.1
Other private flows	-1.7	-3.7	0.7	0.4	-0.9	-0.5	-0.7	-0.2	0.3	0.6
Commercial banks	-1.2	-6.1	1.0	0.1	-0.5	-0.2	-0.4	0.0	0.2	0.3
Other private nonbanks	-0.1	-20.9	-0.3	0.2	-0.4	-0.3	-0.3	-0.1	0.0	0.2
Errors and omissions	**0.7**	**1.8**	**2.8**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**3.4**	**3.2**	**2.2**	**-0.3**	**1.2**	**0.7**	**0.3**	**0.5**	**0.5**	**0.4**
Financing	**-3.4**	**-3.2**	**-2.2**	**0.3**	**-1.2**	**-0.7**	**-0.3**	**-0.5**	**-0.5**	**-0.4**
Change in reserves (- increase)	-3.4	-3.2	-2.2	0.3	-1.2	-0.7	-0.3	-0.5	-0.5	-0.4

Sources: Central Bank of Belize; and Fund staff estimates and projections.

1/ Detailed data on private sector flows are not available.

Table 4. Belize: Operations of the Banking System

(In millions of Belize dollars, unless otherwise indicated)

	2020	2021	2022	2023	Projections 2024	2025	2026	2027	2028	2029
Central Bank of Belize (CBB)										
Net foreign assets 1/	648	726	851	832	914	962	984	1,019	1,055	1,086
Net international reserves	699	848	967	949	1,031	1,079	1,101	1,136	1,171	1,203
Medium-term foreign liabilities 2/	-52	-122	-116	-117	-117	-117	-117	-117	-117	-117
Net domestic assets	404	433	480	602	630	646	686	715	746	783
Credit to the public sector (net)	421	449	512	647	642	660	679	704	743	798
Central government	425	458	529	662	653	666	682	703	738	788
Other public sector	-4	-10	-18	-15	-11	-7	-3	1	5	9
Capital and other assets (net)	-17	-16	-32	-44	-12	-14	7	11	2	-14
Base money	1,052	1,159	1,331	1,434	1,544	1,608	1,670	1,734	1,800	1,869
Currency issue	503	528	604	686	719	773	799	856	885	947
Reserves of commercial banks	548	631	727	748	826	835	871	878	916	922
Commercial banks										
Net foreign assets	301	597	553	651	681	697	723	725	707	681
Net claims on central bank	619	701	804	832	916	943	968	993	1,020	1,046
Of which: cash in vault	71	71	81	99	90	108	97	116	104	124
Net domestic assets	2,628	2,682	2,697	2,789	2,954	3,070	3,189	3,343	3,513	3,701
Credit to the public sector (net)	61	-14	-69	11	7	28	52	81	124	182
Central government	318	249	203	285	277	290	306	327	362	412
Other public sector	-258	-263	-272	-274	-269	-262	-253	-245	-238	-230
Credit to the private sector	2,254	2,312	2,413	2,556	2,663	2,749	2,831	2,916	3,003	3,093
Other assets (net)	313	384	353	222	283	293	306	346	385	426
Liabilities to the private sector	3,548	3,979	4,054	4,272	4,551	4,710	4,880	5,062	5,239	5,429
Monetary survey										
Net foreign assets	949	1,322	1,404	1,483	1,595	1,659	1,707	1,744	1,762	1,767
Medium-term foreign liabilities of CBB	52	122	116	117	117	117	117	117	117	117
Net domestic assets	3,032	3,114	3,177	3,408	3,584	3,716	3,875	4,058	4,258	4,485
Credit to the public sector (net)	481	435	442	658	649	688	732	785	867	979
Central government	743	707	732	947	930	956	988	1,030	1,100	1,200
Other public sector	-261	-272	-290	-289	-280	-268	-256	-244	-232	-221
Credit to private sector (by comm. banks)	2,254	2,312	2,413	2,556	2,663	2,749	2,831	2,916	3,003	3,093
Other items (net)	296	368	322	195	271	279	312	357	388	412
Liabilities to the private sector	3,980	4,437	4,581	4,892	5,179	5,375	5,582	5,802	6,020	6,252
Money and quasi-money (M2)	3,534	3,969	4,155	4,448	4,679	4,873	5,060	5,254	5,455	5,664
Currency in circulation	432	457	523	588	629	665	702	740	781	823
Deposits	3,101	3,512	3,631	3,860	4,051	4,208	4,358	4,513	4,674	4,841
Foreign currency deposits	116	162	149	163	171	178	184	191	198	205
Capital and reserves of commercial banks	447	468	426	444	500	502	522	548	565	588
Memorandum items:										
Private sector local currency deposits (growth, percent)	9.8	13.2	3.4	6.3	4.9	3.9	3.6	3.6	3.6	3.6
Base money (growth, percent)	23.0	10.2	14.9	7.8	7.7	4.1	3.8	3.8	3.8	3.8
Credit to priv. sector by comm. banks (growth, percent)	3.1	2.5	4.4	5.9	4.2	3.2	3.0	3.0	3.0	3.0
Money and quasi-money growth (M2, percent)	10.7	12.3	4.7	7.1	5.2	4.1	3.8	3.8	3.8	3.8
Net international reserves to M2 (percent)	19.8	21.4	23.3	21.3	22.0	22.1	21.8	21.6	21.5	21.2
Required cash reserve ratio (percent)	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Loan-deposit ratio (percent)	70.1	62.9	63.8	63.5	63.1	62.7	62.3	62.0	61.6	61.3

Sources: The Central Bank of Belize; and Fund staff estimates and projections.

1/ Includes Central Government's foreign assets.

2/ Includes SDR allocation.

Table 5. Belize: Baseline Medium-Term Outlook

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
				Projections										
	(Annual percentage change)													
GDP and prices														
GDP at constant prices	-13.7	17.9	8.7	4.7	3.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
GDP at current market prices	-14.2	18.4	16.7	9.3	6.5	4.9	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Prices (GDP deflator)	-0.6	0.5	6.3	4.4	3.1	2.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Consumer prices (end of period)	0.4	4.9	6.7	3.7	2.6	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
	(In percent of GDP, unless otherwise indicated)													
National accounts														
Consumption	80.9	80.2	80.0	80.0	79.3	78.9	78.7	78.5	78.3	78.2	78.0	77.9	77.8	77.6
Gross domestic investment 1/	28.3	28.3	27.3	23.5	24.2	24.5	25.3	24.9	25.1	25.2	25.4	25.5	25.7	25.8
Net exports	-9.1	-8.5	-7.2	-3.5	-3.5	-3.5	-4.0	-3.4	-3.4	-3.4	-3.4	-3.4	-3.4	-3.4
Gross national savings	19.2	17.1	14.9	18.6	18.8	18.7	18.9	19.0	19.2	19.3	19.5	19.6	19.8	19.9
Central government 2/														
Revenue and grants	22.2	22.5	22.8	22.9	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Total expenditure	32.1	23.8	22.8	23.9	24.1	24.3	24.3	24.3	24.3	24.2	24.1	24.1	24.0	24.0
Noninterest expenditure	30.5	22.5	21.1	21.7	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Primary balance	-8.3	0.0	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Interest	1.5	1.3	1.7	2.2	2.1	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.0	1.9
Overall balance	-9.9	-1.3	-0.1	-1.0	-0.9	-1.1	-1.1	-1.1	-1.1	-1.0	-0.9	-0.9	-0.8	-0.8
External sector														
Current account balance	-6.2	-6.5	-8.3	-2.9	-2.5	-2.5	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4
Of which: Exports of goods and services	34.9	43.0	48.4	47.3	47.2	47.2	47.2	47.2	47.2	47.2	47.2	47.2	47.2	47.2
Of which: Petroleum exports	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Imports of goods and services	-44.0	-51.5	-55.6	-50.8	-50.7	-50.7	-51.2	-50.7	-50.7	-50.7	-50.7	-50.7	-50.7	-50.7
Capital and financial account	8.9	7.9	7.7	2.7	3.7	3.2	2.7	2.9	2.9	2.8	2.8	2.8	2.7	2.7
Public sector disbursements	8.6	22.2	2.6	3.9	3.6	3.0	2.7	2.4	1.9	1.5	1.1	1.0	2.2	2.2
Public sector amortization	-2.4	-2.3	-1.6	-1.8	-2.1	-2.3	-2.2	-2.1	-2.0	-1.9	-1.6	-1.5	-2.4	-2.3
Other capital and fin. account transactions 3/	2.8	-11.9	6.6	0.6	2.2	2.5	2.2	2.6	2.9	3.3	3.4	3.3	2.9	2.9
Change in reserves (- increase)	-3.4	-3.2	-2.2	0.3	-1.2	-0.7	-0.3	-0.5	-0.5	-0.4	-0.4	-0.3	-0.3	-0.3
Gross official reserves (in months of imports)	3.3	3.2	3.7	3.4	3.5	3.5	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.2
Public debt 4/	103.0	82.3	67.1	66.2	62.9	61.1	60.0	58.9	57.8	56.7	55.5	54.4	53.3	52.1
Domestic	32.1	27.1	23.2	24.4	22.6	22.0	21.6	21.3	21.5	21.9	22.5	23.0	23.1	23.0
External	71.0	55.2	43.8	41.8	40.3	39.2	38.4	37.5	36.3	34.8	33.1	31.4	30.2	29.0

Sources: Belizean authorities; and Fund staff estimates and projections.

1/ Excludes discrepancy in external savings from the balance of payments.
2/ Fiscal projections are on a calendar year basis.
3/ Includes errors and omissions.
4/ Public debt includes central government debt as well as external financial and non-financial public sector debt.

Table 6. Belize: Domestic Banks—Financial Soundness Indicators
(In percent)

	2018	2019	2020	2021	2022	2023
Capital Adequacy						
Regulatory Capital to Risk Weighted Assets	24.6	22.8	19.8	19.2	15.1	16.1
Primary Capital to Risk-Weighted Assets	23.6	21.7	18.6	18.2	12.4	14.2
Non-Performing Loans (Net of Specific Provisions) to Regulatory Capital	11.7	11.4	23.9	14.9	22.1	14.7
Large Exposure to Capital	96.5	94.5	139.3	153.6	201.6	169.4
Asset Quality						
Non-Performing Loans to Total Gross Loans	6.2	5.1	7.7	5.3	6.9	5.2
Non-Performing Loans (Net of Specific Provisions) to Total Gross Loans	2.7	2.4	4.4	2.8	3.5	2.5
Loan Loss Coverage	72.3	71.9	57.3	66.0	67.1	75.8
Profitability/Efficiency						
Return On Equity (Net Income to Average Capital)	19.8	13.3	3.2	5.7	2.9	14.0
Return On Assets (Net Income to Average Assets)	3.1	2.0	0.4	0.6	0.3	1.5
Interest Margin to Gross Income	66.9	65.5	69.2	66.0	65.5	74.2
Non-Interest Expenses to Gross Income	61.0	63.4	62.1	68.3	61.6	59.5
Liquidity						
Liquid Assets to Total Assets	25.8	24.3	28.1	33.8	34.3	32.9
Liquid Assets to Short-Term Liabilities	38.6	36.1	38.5	46.6	46.3	44.3
Customer Deposits to total (Non-Interbank) Loans	127.8	128.4	138.1	155.1	152.1	152.3

Source: Central Bank of Belize.

Annex I. Implementation of 2023 Article IV Consultation Recommendations

2023 Article IV Recommendation	Implementation
Fiscal Consolidation and Debt Reduction Raise the primary balance to 2.0 percent of GDP by FY2025 and keep it unchanged thereafter to reduce public debt to 50 percent of GDP by 2028. Anchor this plan on a medium-term fiscal strategy with clear targets and specific measures to make it more credible. Reform the Pension Plan for Public Officials (PPPO) and increase priority spending on infrastructure, targeted social programs, and crime prevention. Broaden the GST base, standardize PIT exemption thresholds, raise excise taxes, and strengthen revenue administration.	**Some Progress** The fiscal position remained robust in FY2023, but the primary surplus declined to 1.2 percent of GDP and public debt declined more slowly to 66 percent of GDP. There has been slow progress implementing the recommended revenue measures and reforms to the PPPO, because of political economy considerations. The authorities are strengthening revenue administration in line with technical assistance from CARTAC and FAD and remain committed to maintaining primary surpluses. They expect to agree with the labor unions on necessary reforms to the PPPO in FY2024.
Growth Enhancing Structural Reforms Enhance the business climate by ensuring more predictable access to FX to boost FDI, improving access to credit for MSMEs, strengthening the technical capacity of the judiciary, and replacing ministerial discretion in business-related processes with a more predictable rules-based system. Build resilience to climate change and related disasters by elaborating a comprehensive Disaster Resilience Strategy (DRS) that focuses on strengthening structural, financial, and post-disaster resilience and is based on a consistent multi-year macro-fiscal framework.	**Some Progress** There has been a strong uptake of the government's initiative to formalize MSMEs through fiscal incentives, which is expected to enhance access to credit for these firms. Two domestic banks have also expanded credit to MSMEs with the support of the IDB. The credit bureau and collateral registry have been approved by cabinet but are not yet operational. The authorities have continued investing in disaster-resilient infrastructure and crops, but have not yet developed a DRS that focuses on strengthening structural, financial, and post-disaster resilience.
Financial Sector Reform Reduce NPLs and oversee bank recapitalization to preserve financial stability. Remain vigilant about risks in the financial sector.	**Progress** Financial soundness indicators improved in 2023 but are weaker than before the pandemic. Vulnerable institutions requiring recapitalization injected capital in 2023 to ensure that regulatory capital adequacy ratios were in line with those mandated by the Central Bank.
AML/CFT Reforms Test and update the guidelines for imposing penalties for non-compliance with AML/CFT requirements. Enhance the transparency of beneficial ownership (BO) of legal entities and trusts, including by ensuring that all registered agents have a physical presence and keep the BO records in Belize and are subject to adequate AML/CFT supervision. Require BO information to be filed with the registry by agents or corporations to facilitate access by competent authorities.	**Progress** The authorities have submitted the required AML/CFT laws and regulations for the Mutual Evaluation by the Caribbean Financial Action Task Force. The Companies' Act was amended in 2023 to require registered agents and corporations to file information on beneficial ownership of companies with the Belize Companies and Corporate Registry to facilitate access to such information by competent authorities.

Annex II. Integrating Surveillance and Capacity Development

Sector	Surveillance Recommendations	Capacity Development Recent Actions/Plans
Tax Policy and Administration	Increase revenue collection through tax policy measures and improved administration to increase the primary balance and expand priority expenditure by taxing some zero-rated items at the 12.5 percent GST rate, increasing excise taxes and fees, standardizing the personal income tax exemption thresholds, and strengthening revenue and customs administration.	Belize received technical assistance (TA) on tax policy from FAD in 2013, and would benefit from an updated assessment. In 2020, FAD advised on tax reform options and LEG on income taxation. More recently, FAD and CARTAC have provided TA on revenue and customs administration, including on creating a unified, autonomous tax department to enhance efficiency, implementing a tax compliance plan to improve filing and payment, enhancing audit capacity, increasing tax arrears collection, and building capacity. LEG and CARTAC also provided TA on a Property Transactions Tax.
Expenditure Policy	Increase spending on infrastructure, targeted social programs, and crime prevention to boost growth and make it more inclusive and resilient to climate change and related disasters. Reform the pension plan for public officials to cut its long-run deficit and make it sustainable.	The World Bank conducted a Public Expenditure Review in 2023 and provided recommendations in line with staff's advice. The authorities would benefit from a more detailed review of the public wage bill, including a review of the salary scale, a needs assessment to determine which areas of government are under or over staffed, and a strategic review of public employment policies.
Public Financial Management	Strengthen multi-year budget preparations, fiscal risk assessment, public investment management, coverage of government accounts, accounting and fiscal reporting, and internal audit. Publish procurement contracts and beneficial ownership information of awardees to ensure transparency and accountability.	A 2020 public investment management assessment noted some good practices and made recommendations to improve public investment management further. CARTAC and FAD provided TA on the transition to accrual accounting and improving financial reporting and accountability in 2023.
Structural Reforms	Increase female labor force participation and the quality of education; enhance access to affordable credit for MSMEs; strengthen resilience to climate change and related disasters; reduce crime; and improve the rule of law and business climate.	A Climate Change Policy Assessment was completed in 2018, which recommended implementing a Disaster Resilience Strategy that focuses on improving structural, financial, and post-disaster resilience and is based on a consistent multi-year macro-fiscal framework.
Financial Sector	Continue to strengthen financial sector regulation and supervision. Remain vigilant to financial stability risks, including keeping vulnerable institutions under enhanced supervision. Reduce central bank financing of the government.	CARTAC delivered TA on implementing Basel II-III and strengthening risk-based supervision. It also helped develop stress testing tools and helped to support the FSC with TA for the new Securities Act and Insurance Legislation and Regulation. MCM provided TA on bank resolution and NPL management in 2021 and on the FX Regulatory Framework and FX reserve management, most recently in 2023. The authorities could benefit from TA to update the bank resolution framework.

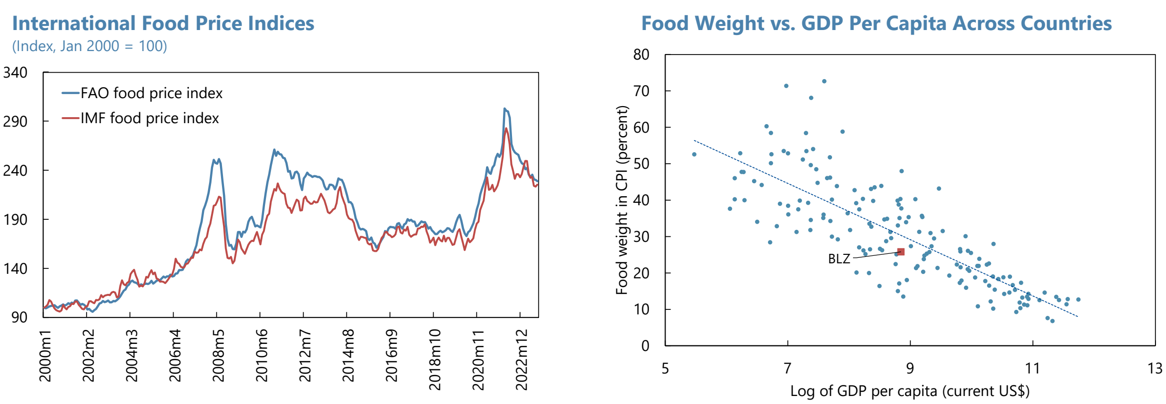
Sector	Surveillance Recommendations	Capacity Development Recent Actions/Plans
AML/CFT	Continue strengthening the AML/CFT framework and implementation, including efforts to ensure registered agents' compliance with AML/CFT requirements and to strengthen the regime for ensuring proportionate and dissuasive sanctions for violations of AML/CFT requirements.	MCM delivered TA on cybersecurity regulation and supervision in 2019.
Statistics	Improve the accuracy and timeliness of statistics.	CARTAC provided TA on rebasing the national accounts and back casting GDP by expenditure in 2020. STA provided TA on producing new Financial Soundness Indicators in line with the FSIs Guide in 2022, and on improving the compilation of the BOP and IIP in 2023.

Annex III. Food Inflation and Food Insecurity in Belize[1]

Several shocks have increased global food prices in recent years, including dislocations caused by the pandemic and Russia's invasion of Ukraine. The poor have been disproportionately hurt, which has prompted policymakers to implement policies to protect them. This annex discusses the recent episode of food inflation and food insecurity in Belize; the policies that Belize and other Caribbean countries announced during the most recent cost-of-living crisis; and Belize's policy options to protect its most vulnerable households against food inflation and food insecurity going forward.

1. Several shocks increased global food prices in recent years. Global food prices started rising in early 2021 due to pandemic related disruptions; low harvests in Europe, South America, and the United States; and strong demand. This trend was fueled further by Russia's invasion of Ukraine in 2022 as both countries are large producers of wheat, maize, and fertilizers (Figure 1). There are also large upside risks to food prices from climate change and related disasters, and the possible spreading of the armed conflicts in Ukraine and the Middle East. The impact of food inflation is not uniform, it hurts poorer countries and, within countries, poorer households more severely. Food accounts for 45.5 percent of the consumption basket in low-income countries, 27.9 percent in emerging market economies, and 16.1 percent in advanced economies. At 25.8 percent, Belize has the fourth largest weight of food in the consumption basket in the Caribbean, which makes it particularly vulnerable to increases in international food prices.

Figure 1. Belize: Food Inflation and Food CPI Weights



Sources: FAO and IMF staff calculations.

Sources: IMF CPI database and WB's WDI. Notes: Data for 2022 or latest available.

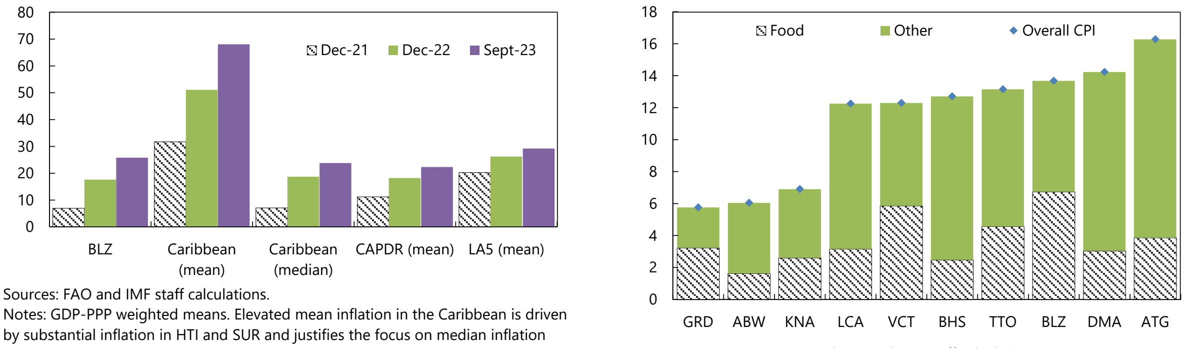
2. Food inflation has contributed substantially to the recent increase in the cost-of-living in Belize. Food and non-alcoholic beverage prices increased by 25 percent in Belize between December 2019 and June 2023, in line with food inflation in the median Caribbean country but lower than in the average LA5 country (Brazil, Chile, Colombia, Mexico, Peru; Figure 2). However, food inflation accounted for over half of headline inflation in Belize, a substantially higher share than the 27 percent contribution for the average Caribbean economy.

[1] This annex summarizes the analysis in 2024 Selected Issues Paper, Chapter 1.

Figure 2. Belize: Food Inflation and Contribution to CPI across the Caribbean

Cumulative Food Inflation: Belize vs. Other Regions
(Increase in food prices since Dec-2020, percent)

Contribution of Food Inflation to Overall Inflation
(Dec-2019 vs. Jun-2023, percent)

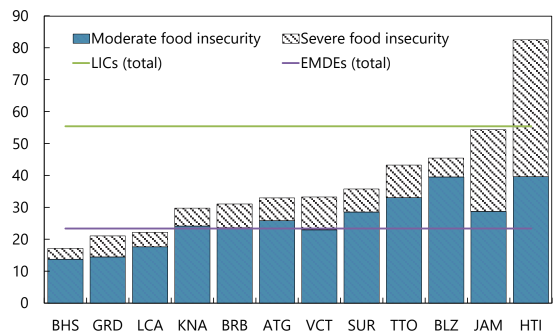


Sources: FAO and IMF staff calculations.
Notes: GDP-PPP weighted means. Elevated mean inflation in the Caribbean is driven by substantial inflation in HTI and SUR and justifies the focus on median inflation for the Caribbean.

Sources: FAO, IMF CPI Database and IMF staff calculations.

3. **Over 40 percent of the Belizean population experienced food insecurity in 2021**. Food insecurity is the share of the population having difficulties accessing food for the development of a normal and healthy life according to the United Nations' Food and Agriculture Organization (FAO). Moderate food insecurity is when people have reduced the quality and/or quantity of their food and are uncertain about their ability to obtain food due to lack of money or other resources. Severe food insecurity is when people have run out of food and, at the most extreme, have gone days without eating. Food insecurity in Belize was among the highest in the Caribbean in 2021, just below Haiti and Jamaica. The share of the population with severe food insecurity (6 percent) was modest, but the share with moderate food insecurity (40 percent) was the largest in the region. This implies a high risk that a large share of Belize's population could suffer severe food insecurity if faced with adverse food price shocks. Indeed, the World Food Program's Caribbean Food Security & Livelihood Survey suggests that 18 percent of the respondents in Belize were experiencing severe food insecurity in 2023, following two years of high food inflation.

Food Insecurity Across the Caribbean, 2021
(Percent of population)



Sources: FAO and IMF staff calculations.

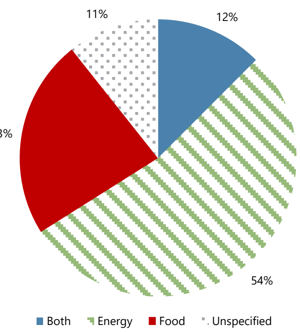
4. **The Caribbean countries adopted measures to mitigate the rise in food and fuel prices in 2022**. The Database on Energy and Food Price Actions (DEFPA; Amaglobeli and others, 2023) show that the average Caribbean country announced five measures with a cost of 0.7 percent of GDP, while the average country in Latin America announced 6 measures with a cost of 0.9 percent of GDP. Around 53 percent of the measures in the Caribbean tackled energy prices, 23 percent food prices, 12 percent both sectors, and 9 percent did not specify the sector (Figure 3). Over 90 percent of these measures were temporary and the policy instruments most used were consumption taxes, price subsidies, and in-kind transfers. In addition, over 60 percent of measures were targeted to specific segments of the economy, with a large share directed to households.

5. Belize also adopted measures to mitigate the rise in prices of energy, food, and other essential goods. In April 2022, the authorities temporarily reduced excise taxes on diesel and regular gasoline prices to fix their prices at the pump, and introduced temporary subsidies for bus operators to limit increases in bus fares.[2] The fuel tax reduction benefitted all firms and households, while the subsidy to bus operators benefited poorer households. In August 2023, the authorities imposed temporary limits on the markup for 32 basic consumption goods, including foodstuff, for wholesalers (15 percent) and retailers (25 percent). The goal of this measure is to limit monopolistic practices and price gouging. It is still too early to assess how effective this measure has been.

6. Targeted support would lower the burden on vulnerable households in a cost-effective manner. Targeted policies that leverage existing social safety nets are less costly than broad based subsidies. Options include emergency food relief, food stamps, or cash transfers. However, the ability to protect the most vulnerable depends on the strength of the social safety nets. Although Belize does not have a strong social safety net, it could support the most vulnerable by expanding existing programs like Building Opportunities for Our Social Transformation (BOOST). If expanding the social safety net is not possible, alternative approaches to targeting such as demographic or geographic targeting, self-selection targeting, or community targeting could be considered. Belize could also leverage the latest Census data to identify geographical areas most in need. Targeted transfers should be temporary and require the beneficiaries to take training and seek employment. Moreover, targeted support should be accompanied by an awareness campaign on food prices across retailers. If targeting benefits is not possible in the short term, Belize could consider temporary tax or tariff reductions for staple foods with clear sunset clauses while the targeting of benefits is improved.

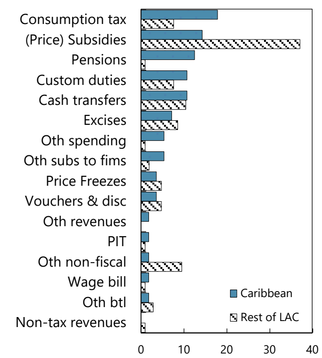
Figure 3. Belize: Policy Actions to Deter Inflation in the Caribbean

Interventions across Sectors, Caribbean
(Percent of total interventions)



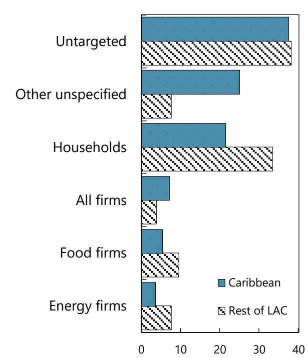
Sources: DEFPA IMF Country Desk Survey, 2022, and IMF staff calculations.

Interventions by Instrument
(Percent of total interventions)



Sources: DEFPA IMF Country Desk Survey, 2022, and IMF staff calculations.

Targeted Segments of the Economy
(Percent of overall interventions)



Sources: DEFPA IMF Country Desk Survey, 2022, and IMF staff calculations.

7. Fully compensating vulnerable households against food inflation in 2022 would have costed the Belizean government between 0.1 and 0.8 percent of GDP depending on the group targeted. The estimations assume that the government can perfectly target vulnerable households and provide them a one-time transfer equal to the increase in the cost of food between

[2] The estimated cost of these measures was 0.6 percent of GDP between April 2022 and March 2023.

2021 and 2022. To calculate the size of the transfer, it is assumed that the level of consumption of vulnerable households in 2021 was the same as for the average Belizean and that the share of food in the consumption basket of the most vulnerable households is the same as that of the average Belizean.[3] The estimations indicate that it would have costed the government 0.1 percent of GDP to protect the population that had severe food insecurity in 2021 and 0.8 percent of GDP to protect those that had any form of food insecurity in 2021.

[3] These two assumptions bias the result in opposite directions, thus mitigating each other.

Annex IV. Debt Sustainability Analysis

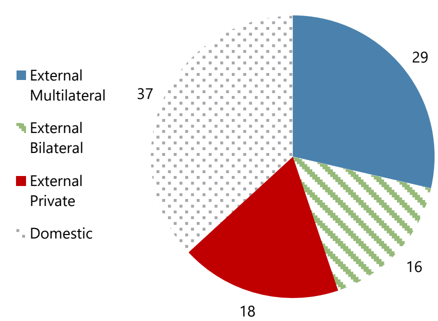
Belize's risk of sovereign stress is assessed as moderate. Belize's public debt remained broadly stable at 66 percent of GDP in 2023 as the settlement with a foreign investor and higher interest rates on some external loans mostly offset the effects of a primary surplus and strong nominal GDP growth. Public debt is projected to fall to 57 percent of GDP in 2029. Medium- and long-term risks are contained, with debt firmly on a downward path and manageable gross financing needs. This assessment is robust to adverse shocks to growth and the fiscal position, including those emanating from natural disasters.

A. Recent Developments and Outlook

1. **Public debt declined slightly in 2023 after falling sharply in 2021-22**. Public debt peaked at 103 percent of GDP in 2020 before falling to 67 percent of GDP in 2022, driven by a strong rebound in real GDP and inflation, a debt for marine protection swap with The Nature Conservancy that reduced public debt by 9 percentage points of GDP, a 4.9 percent of GDP discount in Belize's Petrocaribe debt with Venezuela, and a recovery in the primary balance from –8.3 percent of GDP in FY2020 to 1.6 percent in FY2022 due to sizable fiscal consolidation and a rebound in revenue. Despite a primary surplus and still strong growth, public debt fell only to 66 percent of GDP in 2023 reflecting higher interest expense on external debt, the acquisition of the Port of Belize, and the settlement of outstanding litigations with a foreign investor.

2. **The structure of public debt reflects past reliance on official financing and the results of debt operations and court settlements**. The debt for marine protection swap and the discount on the Petrocaribe debt reduced external commercial and external bilateral public debt. Domestic debt rose by 1.1 percent of GDP in 2023 as the authorities acquired the Port of Belize and settled outstanding claims with a foreign investor. By end-2023, 63 percent of public debt was owed to external creditors: 29 percent to multilateral institutions, 16 percent to bilateral creditors, and 18 percent to private creditors (blue loan). The other 37 percent was denominated in local currency and owed to domestic creditors: 19 percent to the Central Bank, 11 percent to domestic banks, and 7 percent to other domestic creditors.

Composition of Public Debt by Creditor, 2023
(In percent of total public debt)



Sources: Central Bank of Belize, and IMF staff estimates.

3. **Public debt is projected to fall from 66 percent of GDP in 2023 to 52 percent in 2033**. Real GDP growth is projected to slow from 4.7 percent in 2023 to 3.4 percent in 2024 and 2.5 percent over the medium-term, while inflation is expected to moderate to 1.3 percent from 2026 onwards. Staff expects the primary balance to stabilize at 1.2 percent of GDP over the medium-term, but the fiscal deficit is projected to narrow to 0.8 percent of GDP by FY2033 from 1.0 percent in FY2023 in line with the falling debt-to-GDP ratio and global interest rates. Gross financing needs—including short-term securities to be rolled over by domestic financial institutions—are expected to decline

from 10.8 percent of GDP in 2023 to 6.1 percent in 2031, before rising to 7.1 percent of GDP in 2032 when the principal repayments on the blue loan commence.[1] With external borrowing costs higher, staff expects external debt to fall faster than domestic debt over the medium-term, as the authorities rely more on cheaper domestic financing and less on financing from the external sources.

B. Assessment of Sovereign Stress

4. Belize's overall risk of sovereign stress is assessed as moderate. This assessment reflects moderate risks in the medium and long term. Public debt remains high, both in percent of GDP and revenue, and a large share of it is denominated in foreign currency. However, the debt-to-GDP ratio is firmly on a downward path and gross financing needs are manageable. Long-term risks are driven by higher amortization payments starting in 2032 when the blue loan's principal repayments commence and the costs of investing in climate adaptation. Belize's level of sovereign stress could rise if the economy slows faster than expected or shocks to food and fuel prices require additional fiscal support. A worsening situation in the banking sector could also create contingent liabilities to the central government. However, structural reforms that boost growth and enhance resilience to climate change and related disasters could reduce public debt faster than expected, mitigating medium- and long-term risks of sovereign stress.

5. Medium-term risks are assessed as moderate, in line with the mechanical signals.

- The **Debt Fanchart** tool produces a score of 1.7, above the low-risk threshold of 1.1, but below the high-risk threshold of 2.1. Despite uncertainty associated with the debt trajectory given Belize's history of frequent shocks to the debt stock, public debt is expected to stabilize at a relatively moderate level by 2029 with high probability.

- The **GFN financeability** tool produces a score of 8.3, just above the low-risk threshold of 7.6, but below the high-risk threshold of 17.9. Gross financing needs are expected to average 7.5 percent of GDP over the medium-term due to small fiscal deficits, a favorable repayment profile for the blue loan, and modest short-term debt to be rolled over by domestic creditors. Moreover, rollover risks on external debt are contained because of a large share of public debt owed to official creditors, which carries less rollover risk.

- **Stress tests** show that public debt and gross financing needs are robust to natural disasters. A natural disaster that creates 6 percent of GDP in economic damages increases debt to 62 percent of GDP in the medium-term, while gross financing needs rise but remain below 15 percent of GDP over the horizon.[2]

[1] Medium-term gross financing needs are projected to be higher than in the May 2023 Debt Sustainability Analysis (Annex V, IMF Country Report No. 23/164), due to changes in staff's methodology for estimating domestic debt amortization. Higher interest costs account for a very small share of the rise in projected gross financing needs.

[2] The scenario assumes that a hurricane causes 6 percent of GDP in economic damages in 2025. Real GDP growth falls by 3 percent in 2025 and 1 percent in 2026 but increases by 0.5 percent in 2027 and 2028 due to reconstruction. Government spending on reconstruction increases by 2 percent of GDP in 2025 and 1 percent in 2026 and 2027.

6. Long-term risks are assessed as moderate. Principal payments on the blue loan will start in FY2032 and continue until FY2040, increasing gross financing needs in the long-term. Still, even if nominal GDP growth and the primary balance revert to their 10-year historical averages (4.7 percent and –1.0 percent of GDP), public debt and gross financing needs would stabilize through 2053. In a more realistic baseline, where real GDP growth falls to 2 percent and the primary balance declines to 0.6 percent of GDP over the long-term, public debt would continue to fall and gross financing needs would remain below 10 percent of GDP. Public debt and gross financing needs would stabilize over the long-term even after reducing the primary balance by an additional 1 percent of GDP per year relative to the baseline to finance investments in climate adaptation.

C. External Debt Sustainability Analysis

7. External debt has continued to fall but remains vulnerable to external shocks.[3] External debt declined to 42 percent of GDP in 2023 from 44 percent in 2022, due largely to strong real GDP growth and high inflation, and is projected to fall further to 29 percent of GDP by 2033, in line with greater reliance on domestic debt to meet gross financing needs. Gross external financing needs are projected to remain low, falling to 3.8 percent of GDP by 2031, but are expected to rise thereafter as principal payments on the blue loan start. The path of external debt is sensitive to various shocks. A widening of the noninterest current account deficit by 0.8 percent of GDP in 2025 increases external debt to 36 percent of GDP in 2033, while a 30 percent currency depreciation in the same year increases external debt to 43 percent of GDP over the same horizon. Half standard deviation shocks to real GDP growth or interest rates increase external debt to 39 percent and 30 percent of GDP respectively. However, should real GDP growth, the noninterest current account deficit, nominal interest rates, inflation, and nondebt net capital flows all revert to their 10-year historical averages, external debt could rise to 46 percent of GDP in 2033.

[3] Given the lack of data on private external debt, the external DSA covers only external public debt.

Table 1. Belize: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	Belize's overall risk of sovereign stress is assessed as moderate. This assessment reflects moderate risks in the medium and long term.
Near term 1/	...	...	
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate. Gross financing needs are expected to remain below 10 percent of GDP under the baseline but could exceed 15 percent of GDP in a combined stress scenario. The probability of debt stabilization is high, with public debt projected to fall to 57 percent of GDP by 2029 under the baseline.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Nat. Diast.	...	
Long term	...	Moderate	Long-term risks are moderate. GFNs and public debt are resilient to slower growth and a smaller primary balance, even after principal payments commence on the blue loan. GFNs and debt stabilize in the long-term, even with additional spending on climate adaptation.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Belize's overall risk of sovereign stress is assessed to be moderate. On its current trajectory, public debt is projected to fall to 57 percent of GDP by 2029. Consequently, the probability of debt stabilization is high in the medium-term. Gross financing needs (GFNs) are moderate after the debt-for-marine protection swap, with most debt now owed to official creditors and the central bank. Still, debt and GFNs are vulnerable to natural disasters.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 1. Belize: Debt Coverage and Disclosure

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

CPS	NFPS	GG: expected	CG		Subsectors captured in the baseline	Inclusion	Comments
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes	
				2	Extra budgetary funds (EBFs)	No	Not applicable
				3	Social security funds (SSFs)	Yes	
				4	State governments	No	
				5	Local governments	No	
				6	Public nonfinancial corporations	Yes	
				7	Central bank	Yes	IMF SDR allocation included
				8	Other public financial corporations	Yes	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
5. Debt consolidation across sectors:		Consolidated		Non-consolidated	

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

Issuer \ Holder		Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
	Total	0	0	0	0	0	0	0	0	0

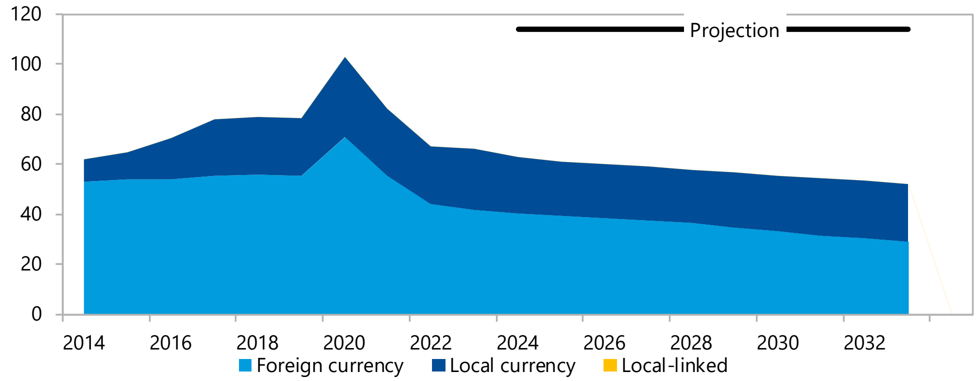
(Rows grouped as CPS / NFPS / GG: expected / CG.)

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

The SRDSA uses public sector debt, including central government debt and external financial and non-financial public sector debt. The Social Security Board is not treated as part of the general government as the Central Bank (CBB) classifies it as other non-financial public corporation. Despite wide coverage of external public sector debt, data on domestic debt and debt service (including SOE debt) needs to be improved.

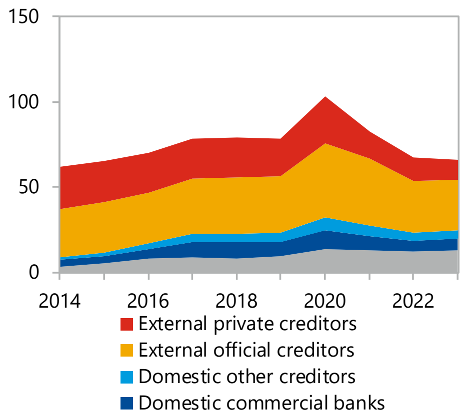
Figure 2. Belize: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



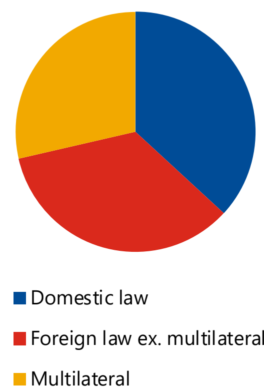
Note: The perimeter shown is consolidated public sector.

Public Debt by Holder (Percent of GDP)



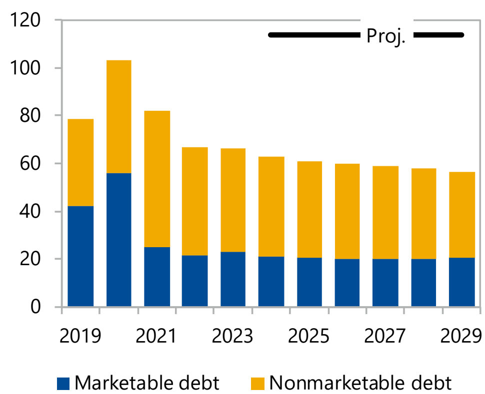
Note: The perimeter shown is consolidated public sector.

Public Debt by Governing Law, 2023 (Percent)



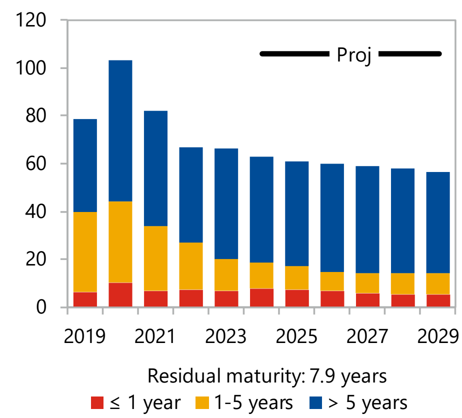
Note: The perimeter shown is consolidated public sector.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is consolidated public sector.

Public Debt by Maturity (Percent of GDP)



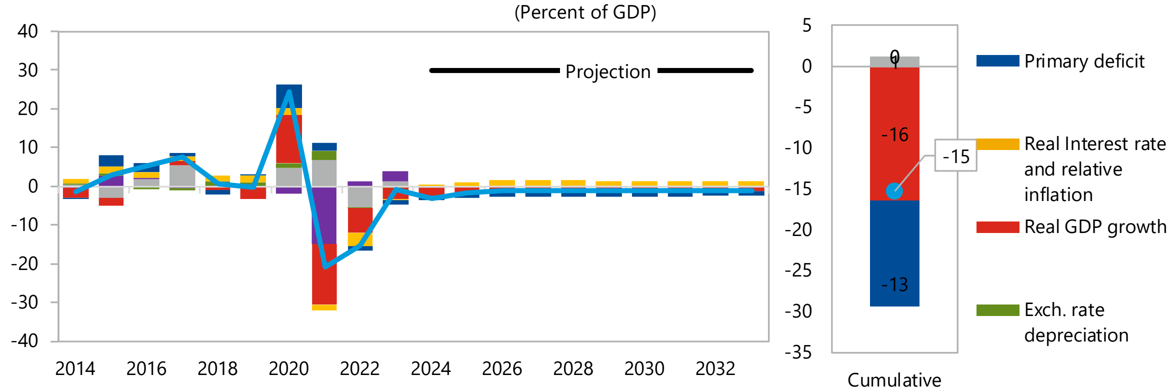
Note: The perimeter shown is consolidated public sector.

After the debt-for-marine protection swap in 2021, the government has relied increasingly more on official sector debt to meet its gross financing needs. This, and more recourse to domestic debt, is likely to continue in the medium-term.

Figure 3. Belize: Baseline Scenario
(Percent of GDP unless indicated otherwise)

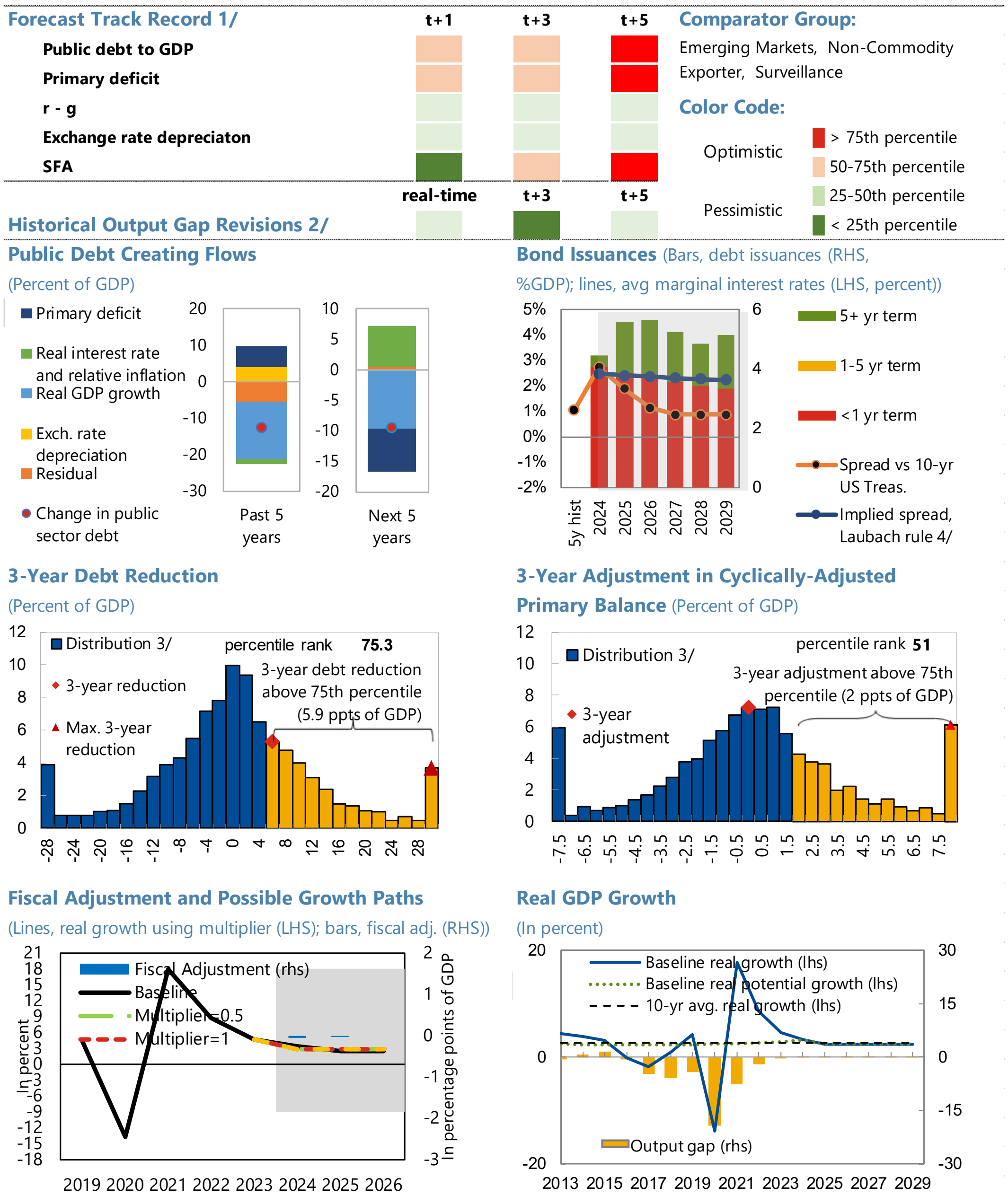
	Actual	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	66.2	62.9	61.1	60.0	58.9	57.8	56.7	55.5	54.4	53.3	52.1
Change in public debt	-0.9	-3.2	-1.8	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.2	-1.2
Contribution of identified flows	-2.4	-2.9	-1.7	-1.4	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.4
Primary deficit	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Noninterest revenues	22.8	23.1	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Noninterest expenditures	21.5	21.9	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Automatic debt dynamics	-3.5	-1.7	-0.5	-0.2	-0.2	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2
Real interest rate and relative inflatioı	-0.2	0.4	1.0	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.1
Real interest rate	-0.5	0.1	0.9	1.6	1.5	1.5	1.5	1.4	1.4	1.4	1.3
Relative inflation	0.3	0.3	0.1	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Real growth rate	-3.0	-2.2	-1.6	-1.5	-1.5	-1.5	-1.4	-1.4	-1.4	-1.4	-1.3
Real exchange rate	-0.3	…	…	…	…	…	…	…	…	…	…
Other identified flows	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	1.5	-0.3	-0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Gross financing needs	10.8	7.4	8.3	8.3	7.6	6.8	6.6	6.8	6.1	7.1	7.0
of which: debt service	8.9	8.5	9.5	9.4	8.8	8.0	7.8	8.0	7.3	8.2	8.2
Local currency	5.7	5.4	5.9	5.9	5.4	4.6	4.6	5.1	4.6	4.7	4.8
Foreign currency	3.2	3.1	3.6	3.6	3.4	3.3	3.2	2.9	2.7	3.5	3.4
Memo:											
Real GDP growth (percent)	4.7	3.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Inflation (GDP deflator; percent)	4.4	3.1	2.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Nominal GDP growth (percent)	9.3	6.5	4.9	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Effective interest rate (percent)	3.6	3.2	3.8	3.9	3.9	4.0	4.0	3.9	3.9	3.9	3.8

Contribution to Change in Public Debt
(Percent of GDP)



Staff projects the primary balance to stabilize at 1.2 percent of GDP from 2024 onwards. Real GDP expanded by 4.7 percent in 2023 and is projected to gradually slow to 2.5 percent over the medium-term from 2025. Together, this will put debt on a downward path. Public debt was little changed at 66 percent of GDP in 2023, and is projected to decline to 57 percent by 2029.

Figure 4. Belize: Realism of Baseline Assumptions



The sharp COVID-related contraction and the subsequent recovery complicate the interpretation of the realism tools. The rise in debt between 2017 and 2021 was due primarily to the economic contraction, the deterioritation in fiscal balances, and low inflation. Nominal GDP growth has been strong since then, and is expected to persist in 2024.

Source: IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates.

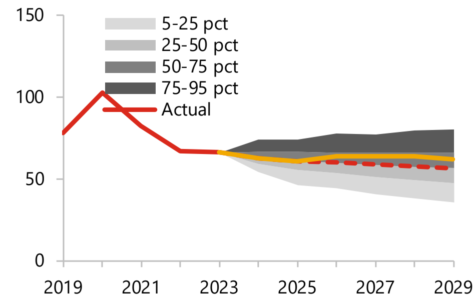
3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

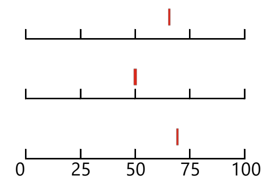
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 5. Belize: Medium-Term Risk Analysis

	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	44.6	0.6	
Probability of debt non-stabilizaiton *(percent)*	18.5	0.2	
Terminal debt-to-GDP x institutions index	40.5	0.9	
Debt fanchart index (DFI)		1.7	
Risk signal: 3/		**Moderate**	

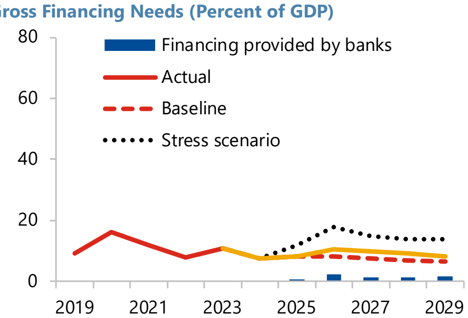
Final Fanchart (Percent of GDP)

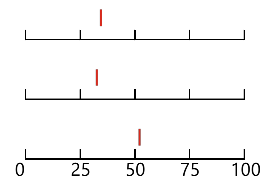




	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	7.5	2.6	
Initial Banks' claims on the gen. govt *(pct bank assets)*	7.2	2.3	
Chg. In banks' claims in stress *(pct banks' assets)*	10.0	3.4	
GFN financeability index (GFI)		8.3	
Risk signal: 4/		**Moderate**	

Gross Financing Needs (Percent of GDP)

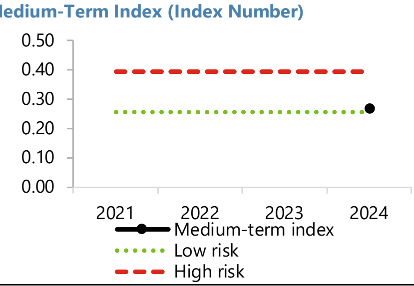




Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fancahrt index	1.7	0.4	0.5	0.2
GFN finaceability index	8.3	0.2	0.5	0.1
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**Moderate**		

Prob. of missed crisis, 2024-2029, if stress not predicted: 18.2 pct.

Prob. of false alarms, 2024-2029, if stress predicted: 38.6 pct.

Medium-term risk is assessed as moderate. This corresponds to moderate assessments of risk for the Debt Fanchart index and the GFN Financeability index. The triggered stress tests suggest that shocks from natural disasters would not increase risks sufficiently to justify a change in the overall assessment.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, non-commodity exporter, surveillance.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 6. Belize: Long-Term Risk Analysis

Belize: Triggered Modules

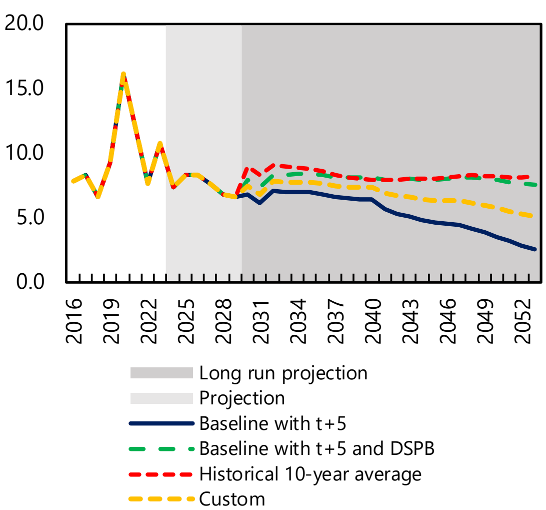
Large Amortizations	Pensions	**Climate Change: Adaptation**	Natural Resources
	Health	Climate Change: Mitigation	

Belize: Long-Term Risk Assessment: Large Amortization Incl. Custom Scenario

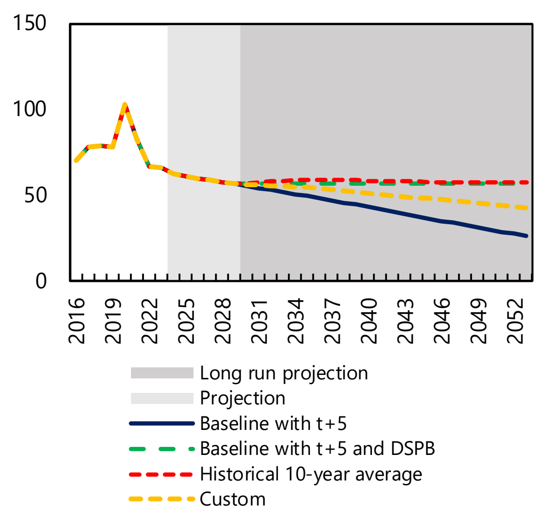
Projection	**Variable**	**Risk Indication**
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

Variable	**2029**	**2033 to 2037 average**	**Custom Scenario**
Real GDP growth	2.5%	2.5%	2.0%
Primary Balance-to-GDP ratio	1.2%	1.2%	0.6%
Real depreciation	-1.2%	-1.2%	-1.2%
Inflation (GDP deflator)	1.3%	1.3%	1.3%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

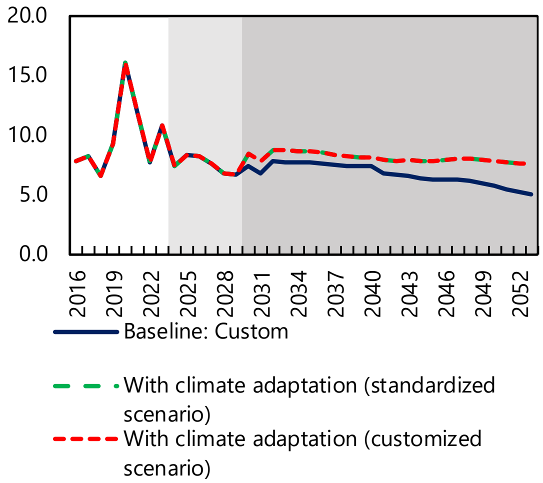


Even assuming slower long-term growth and a smaller primary balance and the commencement of principal payments on the blue loan (which end in 2040), GFNs are expected to remain manageable. The debt-to-GDP ratio is expected to fall more slowly in the long-run, compared to the scenario where growth and the primary balance remain at their 2025-2029 average.

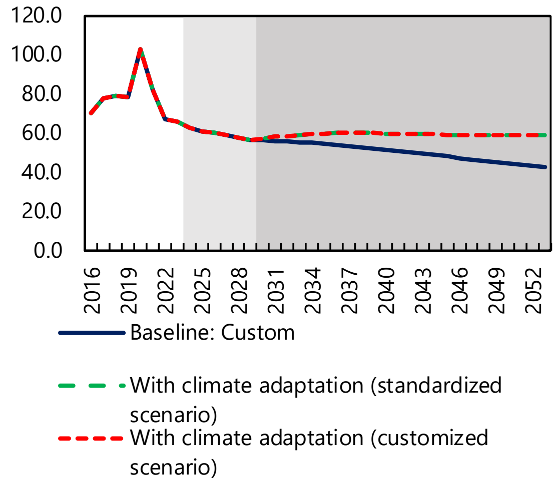
Figure 6. Belize: Long-Term Risk Analysis (Concluded)

Belize: Climate Change: Adaptation

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Both GFNs and public debt are vulnerable to higher investment costs associated with climate adaptation but stabilize over the long-run.

Table 2. Belize: External Debt Sustainability Framework 2020–2029
(In percent of GDP, unless otherwise indicated)

	Actual						Projections						
	2020	2021	2022	2023			2024	2025	2026	2027	2028	2029	Debt-stabilizing non-interest current account 6/
Baseline: External debt	71.0	55.2	43.8	41.8			**40.3**	**39.2**	**38.4**	**37.5**	**36.3**	**34.8**	**-1.9**
Change in external debt	15.6	-15.8	-11.4	-2.0			-1.5	-1.1	-0.7	-0.9	-1.2	-1.6	
Identified external debt-creating flows (4+8+9)	11.9	-9.6	-4.5	-2.3			-1.4	-0.9	-0.8	-0.7	-0.6	-0.6	
Current account deficit, excluding interest payments	4.6	5.8	7.2	1.3			1.0	0.8	0.7	0.7	0.8	0.9	
Deficit in balance of goods and services	9.1	8.5	7.2	3.5			3.5	3.5	3.4	3.4	3.4	3.4	
Exports	34.9	43.0	48.4	47.3			47.2	47.2	47.2	47.2	47.2	47.2	
Imports	44.0	51.5	55.6	50.8			50.7	50.7	50.7	50.7	50.7	50.7	
Net non-debt creating capital inflows (negative)	-3.5	-5.1	-4.9	-1.5			-2.5	-2.4	-2.3	-2.2	-2.1	-2.1	
Automatic debt dynamics 1/	10.8	-10.3	-6.8	-2.1			0.1	0.8	0.8	0.7	0.7	0.7	
Contribution from nominal interest rate	1.6	0.7	1.1	1.6			1.4	1.7	1.8	1.7	1.6	1.6	
Contribution from real GDP growth	8.9	-10.7	-4.1	-1.9			-1.3	-1.0	-1.0	-0.9	-0.9	-0.9	
Contribution from price and exchange rate changes 2/	0.3	-0.3	-3.8	-1.8			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	3.7	-6.1	-6.9	0.3			-0.1	-0.2	0.1	-0.2	-0.6	-1.0	
External debt-to-exports ratio (in percent)	203.4	128.3	90.6	88.4			85.3	82.9	81.3	79.5	76.9	73.6	
Gross external financing need (in billions of US dollars) 4/	0.2	0.2	0.3	0.1			0.1	0.2	0.2	0.2	0.2	0.2	
in percent of GDP	8.5	8.7	9.6	4.6	10-Year	10-Year	4.3	4.5	4.4	4.3	4.2	4.1	
Scenario with key variables at their historical averages 5/							**40.3**	**41.8**	**43.2**	**44.3**	**45.0**	**45.2**	**-4.3**
Key Macroeconomic Assumptions Underlying Baseline					Historical Average	Standard Deviation							
Real GDP growth (in percent)	-13.7	17.9	8.7	4.7	2.8	8.0	3.4	2.5	2.5	2.5	2.5	2.5	
GDP deflator in US dollars (change in percent)	-0.6	0.5	7.4	4.4	1.8	2.5	3.1	2.3	1.3	1.3	1.3	1.3	
Nominal external interest rate (in percent)	2.5	1.2	2.3	4.1	3.1	0.9	3.6	4.5	4.7	4.6	4.5	4.5	
Growth of exports (US dollar terms, in percent)	-35.2	45.9	31.3	6.8	5.4	21.6	6.5	4.8	3.8	3.8	3.8	3.8	
Growth of imports (US dollar terms, in percent)	-25.0	38.5	25.9	-0.2	5.0	17.2	6.4	4.9	3.7	3.8	3.8	3.8	
Current account balance, excluding interest payments	-4.6	-5.8	-7.2	-1.3	-5.1	1.6	-1.0	-0.8	-0.7	-0.7	-0.8	-0.9	
Net non-debt creating capital inflows	3.5	5.1	4.9	1.5	3.6	1.8	2.5	2.4	2.3	2.2	2.1	2.1	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

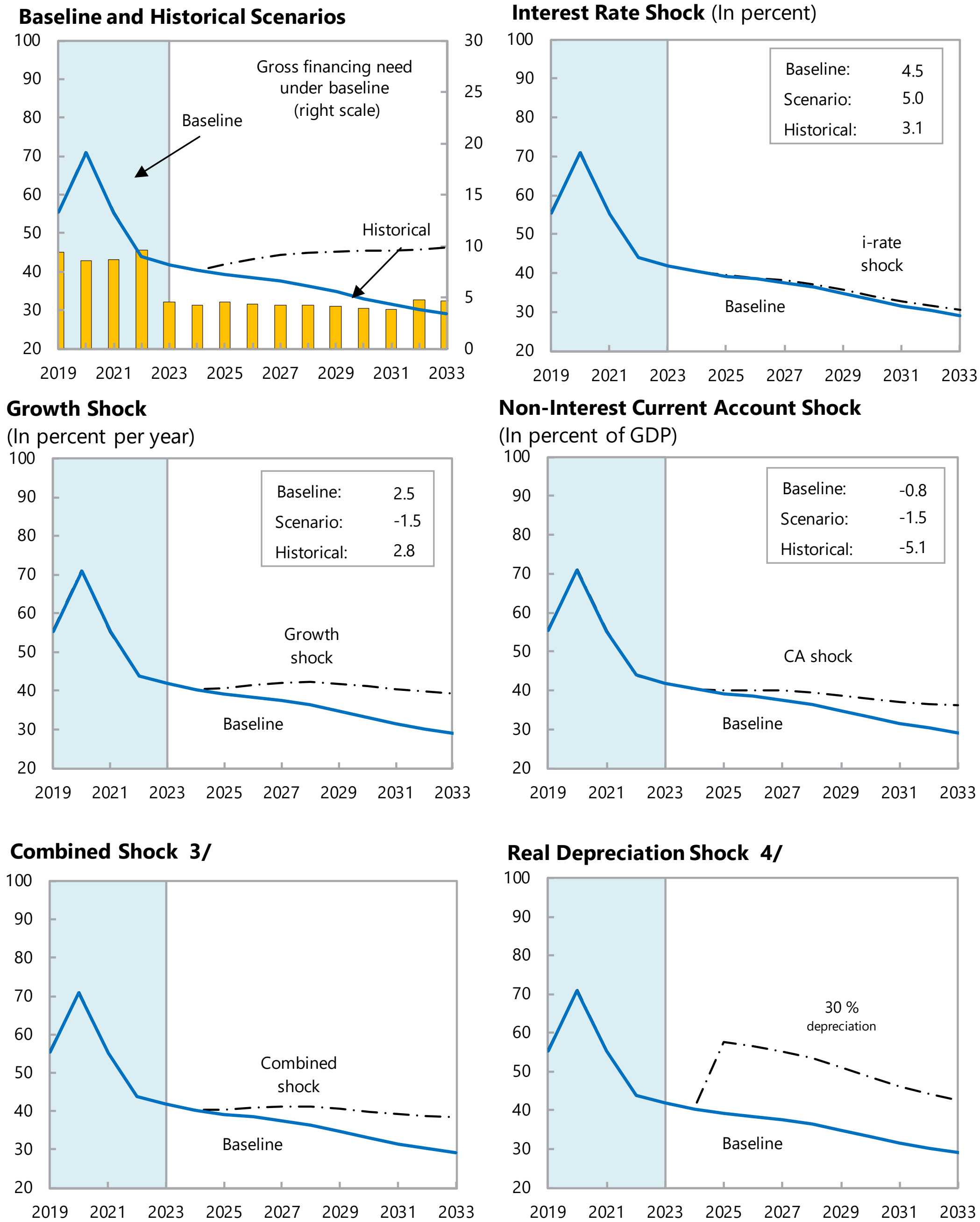
3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 7. Belize: External Debt Sustainability: Boundary Tests 1/ 2/
(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2025.

Annex V. Risk Assessment Matrix[1]

Potential Deviations from Baseline				
Source of Risk	**Up/ Downside**	**Relative Likelihood**	**Impact**	**Policy Response**
Abrupt global slowdown. Global and idiosyncratic factors lead to a synchronized sharp growth downturn, with recessions in some countries and spillovers through trade and financial channels.	↓	Medium	High	Reprioritize government spending to support the most vulnerable; implement structural reforms to reinvigorate growth; monitor closely the banks' balance sheets for potential vulnerabilities.
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza/Israel, Russia's war in Ukraine, and/or other conflicts disrupt trade (energy, food, tourism), remittances, FDI and financial flows, and payment systems.	↓	High	High	Increase targeted support to the most vulnerable and avoid broad based food and fuel subsidies. Reduce the reliance on imported food and fuel over the medium term by investing in renewable energy generation and domestic food production.
Commodity price volatility. Supply disruptions and demand fluctuations cause recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	↓	High	Medium	Reprioritize government spending to support the most vulnerable; avoid broad based subsidies; invest in renewable energy generation and domestic food production; monitor closely the banks' balance sheets.
Country-Specific Risks				
Higher frequency and severity of natural disasters related to climate change	↓	Medium	High	Enhance ex-ante preparedness and risk reduction strategies, invest in resilient infrastructure, strengthen financial and post disaster resilience.
Further pressure on Corresponding Banking Relationships (CBRs)	↓	Medium	High	Strengthen the AML/CFT framework. Monitor CBRs and communicate with global banks and standard setters.
Social discontent and political instability	↓	Medium	Medium	Implement targeted measures to support vulnerable households and businesses.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex VI. Estimating an Appropriate Fiscal Rule for Belize[1]

After decades of macroeconomic imbalances and several debt restructurings, public debt in Belize is on a downward path. However, with lower real GDP growth and higher real interest rates, debt dynamics have become more difficult since 2023. Under current policies, public debt is projected to remain above 50 percent of GDP over the next ten years. Adopting a well-designed fiscal rule would help entrench debt sustainability and build sufficient fiscal buffers. Staff recommends a rule that targets a reduction in public debt to 50 percent of GDP in 2030 by raising the primary balance to around 2 percent of GDP from FY2025 onwards. The rule should include a well-defined escape clause to provide flexibility to respond to large shocks and an automatic adjustment mechanism to ensure the return to the rule targets after the effects of the shock have dissipated.

1. **After years of fiscal imbalances, the authorities' reform program and a strong recovery from the pandemic have reduced public debt significantly**. Despite three debt restructurings, Belize's public debt increased sharply from 30 percent of GDP in 1995 to 78 percent in 2019 driven by persistent fiscal deficits and low nominal GDP growth. Following the deep economic contraction and large fiscal deficit during the pandemic, public debt peaked at 103 percent of GDP in 2020, a level that staff assessed as unsustainable under current policies. Since 2021, the authorities have been implementing a three-pronged reform agenda that includes sizable fiscal consolidation, debt operations, and growth-enhancing structural reforms. This, together with the strong economic recovery from the pandemic, reduced public debt to 67 percent of GDP in 2022.

2. **Debt dynamics have become more challenging since 2023, with public debt expected to stay above 50 percent of GDP through 2034**. Public debt remained broadly unchanged at 66 percent of GDP in 2023 due to higher interest rates on existing and new external debt, slower nominal GDP growth, and the settlement of outstanding claims and the acquisition of the Port of Belize from a foreign investor. With a higher real interest rate – growth differential, public debt is projected to decline more slowly going forward, remaining above 50 percent of GDP until 2034 under current policies. During this period, public debt could breach the 70 percent of GDP debt target presented in the authorities' 2021 Medium-term Recovery Plan with more than 5 percent probability based on simulations of potential shocks.

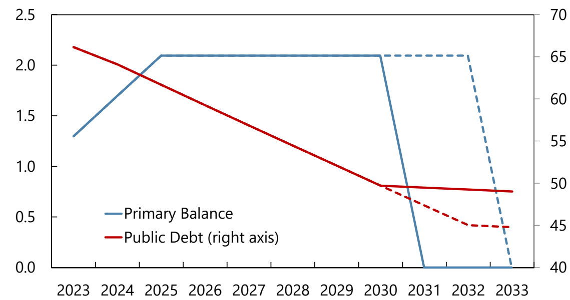
3. **A well-designed fiscal rule would help to entrench debt sustainability**. The rule should be simple; ensure long-term debt sustainability; provide clear guidance in the budget process; not exacerbate economic volatility; not be easily abandoned after a shock; and be easily monitored and enforced. Tradeoffs among these requirements may arise, which should inform the choice of the medium-term and operational targets. Successful implementation of the rule should be supported by a strong legal and institutional framework and buy-in from politicians and the public.

[1] This annex summarizes the analysis in 2024 Selected Issues Paper, Chapter 2.

4. Staff recommends a rule that targets a public debt-to-GDP ratio of 50 percent by 2030 and is operationalized by a primary balance target. Such a rule would prioritize sustainability and simplicity over stabilization. A public debt-to-GDP target of 50 percent is in line with the average for emerging market economies with investment grade sovereign credit ratings and it would keep public debt below 70 percent of GDP with 95 percent probability over the medium-term given the historical distribution of shocks. Reaching this target would require increasing the primary balance from 1.2 percent of GDP in FY2023 to around 2 percent starting in FY2025. More frequent and more severe natural disasters could justify an even lower debt anchor.[2]

Primary Balance and Public Debt Targets

Percent of GDP



Source: IMF staff calculations.
Note: Dashed lines present the scenario where the primary balance is held at 2 percent of GDP for an additonal 2 years.

5. A well-defined escape clause and an automatic adjustment mechanism would allow for flexibility to respond to large shocks while maintaining the credibility of the fiscal framework. Providing relief and reconstruction after large climate related disasters such as hurricanes will likely require a temporary rise in government expenditure, which combined with reduced revenue due to lower tourism and agricultural activity, would reduce the primary balance and increase public debt. This deviation from the fiscal rule could be accommodated by activating an escape clause, but to avoid abuse, it should be triggered only in exceptional circumstances and be accompanied by a clear, time-bound plan to reduce public debt to its medium-term target after the effects of the disaster have passed. An automatic adjustment mechanism which prescribes the required fiscal adjustment depending on the accumulated deviations from the primary balance target (e.g., in the case of Jamaica) would reduce the uncertainty of the future fiscal path and ensure that public debt returns to its target in the required timeframe. This mechanism could allow for short run deviations from the 2 percent primary balance target followed by higher primary balances going forward to ensure that public debt reaches its target of 50 percent of GDP by 2030.

6. Establishing a contingency fund for natural disasters and increasing investment in resilient infrastructure would require additional fiscal efforts in the near to medium term but could justify a higher debt target in the long term. Creating a contingency fund of 1 percent of GDP to respond to high frequency low severity climate related disasters, as recommended in the 2018 Climate Change Policy Assessment for Belize, could justify a 1 percent of GDP higher long-term debt target as part of the fiscal response to natural disasters would be financed by the contingency fund rather than by issuing new debt. The main advantage of setting the contingency fund is that the funds would be available immediately after a shock, thus speeding up the response.[3] Similarly, investing more in resilient infrastructure would mitigate the future damages from large

[2] Staff estimates that more frequent and severe climate related disasters could justify targeting a reduction of public debt to 45 percent of GDP over the medium term.

[3] For more severe events, a mix of contingent credit lines and insurance would help.

climate related disasters, and thus require lower fiscal buffers over the long term. However, the exact mapping from resilient infrastructure investment to reduced fiscal buffers would depend on the type and the location of that investment and would require a careful assessment of the expected impact of natural disasters and appropriate rise in the debt target.

Annex VII. World Bank Public Expenditure Review

This annex summarizes the World Bank's 2024 Public Expenditure Review for Belize.[1]

1. **The World Bank's 2024 Public Expenditure Review highlighted several positive aspects of fiscal policy in Belize**. It notes that Belize has made significant strides in fiscal consolidation and expenditure restraint since the pandemic—driven by a temporary reduction in public sector wages and lower expenditure in goods and services—as well as in debt management, including a debt-for-marine-protection swap with The Nature Conservancy. It also notes the government's transparent budget documentation and effective cost management of capital projects, as well as the significant progress made improving maternal and child healthcare.[2]

2. **The report also notes some deficiencies in public financial management**. This includes large gaps between approved (budgeted) and actual spending which impact fiscal credibility and discipline. This is further complicated by inconsistencies in budget reporting and the absence of a multi-year planning and medium-term fiscal strategy which make it difficult to align policy goals with fiscal envelopes. The wage bill remains high, with a large share of positions at low pay grades and a compressed wage structure that limits incentives for staff to occupy high level positions. In addition, the Ministry of Finance has limited control over other ministries' hiring decisions. There are also some concerns around the management of large capital projects, with delays causing their duration to extend beyond 6 years. Moreover, despite the alignment of overall budgeted costs and actual project spending on aggregate over the duration of the project, annual budgetary allocations are not aligned with projected spending needs.

3. **The report notes that reprioritizing spending in education, health and infrastructure could improve social outcomes and build resilience to external shocks.** The cost of providing secondary education remains high, but educational outcomes have not improved in line with higher spending. Public spending on health care is also high relative to regional peers with similar GDP per capita. However, improving health outcomes—including reducing high mortality rates among male adults due to high homicide rates, road accidents, and diseases—is constrained by disparities in access to healthcare, data gaps that hinder effective policy making, and a low density of physicians and nurses particularly in rural areas due to migration to other countries. Belize also spends too little on initiatives focused on addressing climate change. Public funding for climate change fell short by 39 percent of that required to fund the commitments under the Nationally Determined Contribution in FY2021/22. Budget allocations are more closely aligned with the priorities of the National Climate Change Policy, Strategy and Action Plan (2014), which is now outdated.

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[1] Dobronogov, A. and others, February 2024; Belize Public Expenditure Review Report, World Bank Group.

[2] Infant mortality per 1000 births fell from 16.2 percent in 2010 to 10 percent in 2020, while under-five mortality per 1000 births declined by 40 percent during the same period, placing Belize at the second lowest ranking in Central America after Costa Rica.

4. The review recommends several initiatives to address deficiencies in public financial management and improve social and climate related outcomes:

- Establishing a well-designed fiscal rule within a Fiscal Responsibility Law to guide a transparent and predictable debt reduction. This should be augmented by a mechanism for public oversight and accountability, a well-defined escape clause, and automatic correction mechanisms. Setting a Natural Disaster Reserve Fund and including a reserve allocation in the budget could also help minimize gaps between budgeted and actual spending. A disaster fund of 1 percent of GDP could finance the immediate recovery after a natural disaster without impacting the budget.

- Containing growth in the wage bill (e.g., through early retirement or attrition), reviewing and modernizing the compensation system including by introducing market-based compensation for specialized roles, and enhancing human resource management capacity and planning are key to ensuring fiscal sustainability while improving productivity.

- Bolstering the institutional capacity for effective public investment management would improve the effectiveness of capital spending. This includes aligning strategic planning documents with the government's medium term fiscal strategy, clarifying the roles of various institutions in the project cycle, doing post project assessment, creating a centralized pool of specialists to support project implementation across sectors, and enhancing transparency in capital spending.

- Improving the value for money in education should start with the Education Sector Strategy for 2021-2025. This should include initiatives to review and reform the current funding formula for secondary education; assessing student performance—including by participating in international student assessments—to better understand the core reasons behind learning stagnation and to identify students at risk of retention; and assessing whether higher compensation for highly qualified teachers leads to better outcomes or whether training programs, hiring criteria and promotion processes should be revamped.

- Introducing reforms to improve financing for healthcare, retain health workers, and enhance governance. This includes linking health payments with performance indicators; procurement strategies that consider the quality of care; and allowing hospitals to partially retain user fees instead of channeling all to the Ministry of Finance.[3] Addressing the lack of financial incentives, geographical remoteness, poor communication and infrastructure, and the lack of quality education and appropriate accommodations can help to retain health workers, particularly in rural areas. Strengthening the policy, regulatory, and oversight capacity of the Ministry of Health and Wellness is key to improving governance and ensuring safe and effective care for patients.

- Harmonizing climate related spending with the NDC priorities can enhance climate resilience.

[3] User fees are the second largest source of health financing in Belize after general taxes.

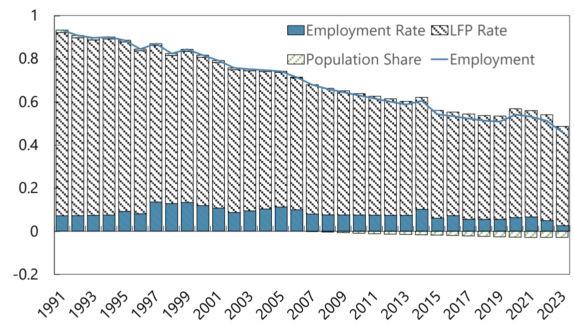
Annex VIII. Gender Gaps in Belize's Labor Market

A key priority for the Belizean authorities is to boost medium-term growth and make it more inclusive. This annex shows that promoting female labor force participation and closing gender gaps in the labor market can significantly contribute to this goal. Policy priorities include enhancing access to education and health for women, subsidizing childcare services, improving parental leave, and easing processes for micro, small, and medium size enterprises (MSMEs).

1. Belize's gender gaps in labor force participation have fallen but remain large. The ratio of male to female employment was 2.5 in 1991, most of which was due to a higher labor force participation rate for men (78 percent) than for women (33 percent), with a small part due to a higher employment rate for men. The ratio of male to female employment fell continuously over the next 30 years to 1.6 in 2023 due to a rise in female labor force participation (to 45 percent in 2023) and a slight fall in male labor force participation (to 72 percent in 2023).[1] More recently, the share of women in Belize's population has risen, helping reduce the employment gender gap further.

Employment Gender Gap Decomposition

(Ratio of men to women in logarithmic units)



Sources: IMF SPR Gender Labor Market Tool, WDI, UN World Population Prospects 2022, the Statistical Institute of Belize and IMF staff calculations.

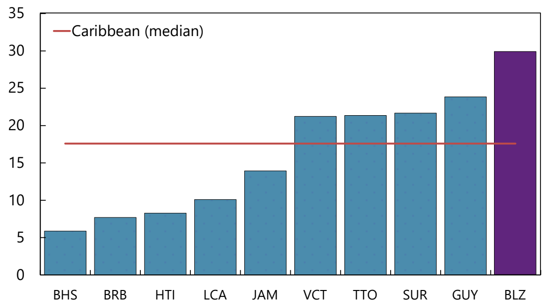
2. Belize's gender gap in labor force participation is one of the largest in the Caribbean. At 30 percent in 2021, the gap between male and female labor force participation rates in Belize was 12 percentage points higher than in the median Caribbean country and 20 percentage points higher than in the Bahamas and Barbados, which have some of the lowest gender gaps in labor force participation in region. Moreover, a regression analysis that correlates gender gaps in labor force participation with GDP per capita shows that Belize's gender gap is about 30 percent higher than what it would be expected according to its level of GDP per capita.

[1] The fall in male labor force participation reflects a break in the series in 2020, when the Statistical Institute of Belize tightened the criteria for inclusion in the labor force, which reduced male labor force participation from 80.5 percent in 2019 to 67.7 percent in 2020. This methodological change also affected female labor force participation, which fell from 55.9 percent in 2019 to 42.4 percent in 2020, but it did not affect much the gap in labor force participation between men and women, which increased slightly from 24.6 percent in 2019 to 25.3 percent in 2020.

Figure 1. Belize: Gender Gaps and Income Per Capita

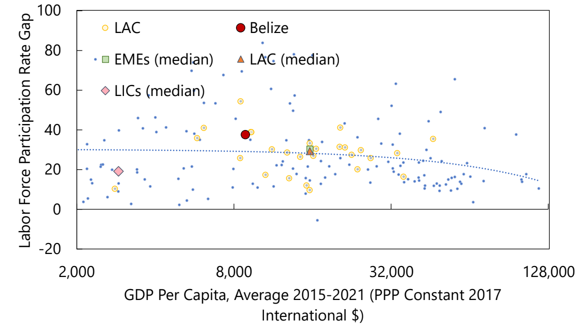
Gender Gaps in Labor Force Participation Rates across the Caribbean, 2021

(In percent, difference in labor force participation rates between men and women)



Sources: IMF SPR Gender Labor Market Tool and IMF staff calculations.

Gender Gaps in Labor Force Participation and GDP Per Capita

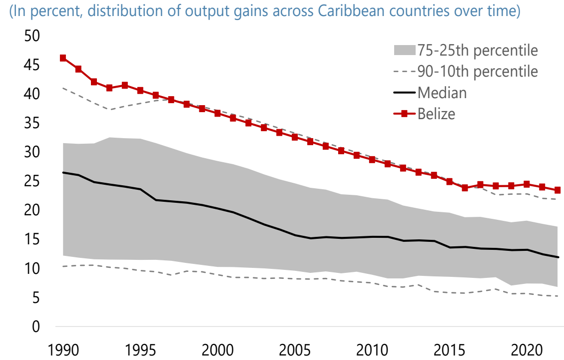


Sources: IMF ICD Gender Inequality Toolkit and IMF staff calculations.

3. **Closing the gender gaps in labor force participation would raise Belize's GDP sharply**. Two approaches are used to estimate the gains in GDP from closing gender gaps in Belize's labor market. The first one follows the analysis in Ostry and others (2018), which estimates the gains in output of raising female labor force participation to the level of males in a partial equilibrium setting where male and female labor are complements in production.[2] Labor is the only factor of production, thus the gains in output are equal to the gains in the labor composite. The results show that fully closing the gender gaps in labor force participation relative to the levels in 2022 could raise GDP in Belize by 23 percent, among the largest gains in the Caribbean and almost twice the gain in the median Caribbean country (12 percent).

Approach 1: Closing Gender Gaps Labor Force Participation

(In percent, distribution of output gains across Caribbean countries over time)



Sources: Ostry, Alvarez and Papgeorgiou (2018) and IMF staff calculations.

4. **Closing gender gaps in unemployment and underemployment would also raise GDP in Belize, but less than raising female labor force participation**. The second approach to estimate the gains in GDP is Belize specific and complements the first approach by looking at other margins of adjustment in the labor market. This approach uses the following equation:

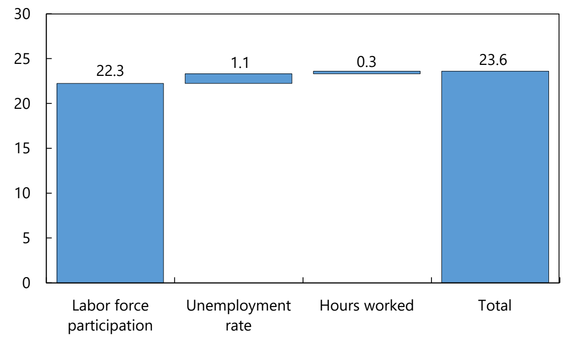
$$THW = WAP_M * LFPR_M * (1 - UR_M) * AH_M + WAP_F * LFPR_F * (1 - UR_F) * AH_F$$

where *THW is* total hours worked, *M* is males, *F* is females, *WAP* is the working age population, *LFPR* is the labor force participation rate, *UR* is the unemployment rate, and *AH* is the average hours worked. The latter assumes that all workers work 45 hours per week except for the underemployed,

[2] Jonathan Ostry, Jorge Alvarez, Raphael Espinoza, and Chris Papageorgiou (2018). "Economic Gains from Gender Inclusion: New Mechanisms, New Evidence," IMF Staff Discussion Notes No. 2018/006.

who work 22.5 hours per week. To map the change in total hours worked to the change in GDP, the analysis assumes that Belize is a small open economy with perfect competition, has a Cobb-Douglas production function, and is fully open to the movement of capital and labor, which implies that the relative cost of labor to capital and the ratio of capital to labor in production is determined abroad. Thus, GDP and capital increase by the same rate as total hours worked. In line with the results above, this approach shows that raising the female labor force participation rate (45.2 percent in 2023) to that of men (71.5 percent in 2023) would yield the largest increase in GDP (22.3 percent).[3] Reducing the female unemployment rate (4.4 percent in 2023) to that of men (2.8 percent in 2023) and the female underemployment rate (6.1 percent in 2023) to that of men (5.2 percent in 2023) would increase GDP by another 1.4 percent.

Approach 2: Gains in GDP from Closing Gender Gaps
(In percent)



Sources: Statistical Institute of Belize; and IMF staff estimates.

5. To tap into this source of growth, the Belizean authorities should implement measures that incentivize female labor force participation and reduce biases against women in the labor market. To promote female labor force participation, the authorities should consider enhancing access to education and health for women, subsidizing childcare services, and improving parental leave policies (both maternal and paternal). Given the fiscal costs involved and uncertain impact of these policies, the authorities could start by implementing pilot programs that could be expanded if they are successful. To reduce gender biases in the labor market, the authorities should analyze whether tax policies distort incentives for secondary income earners, which in many cases are women, and consider improving service and administrative procedures for MSMEs, which are also predominantly owned by women.

6. The estimates of output gains in this annex should be considered as upper bounds of long-run gains from reducing gender gaps rather than immediate gains. Labor market policies that incentivize female labor force participation and enhance female human capital would take time to implement and even longer to yield significant dividends, and they may not fully eliminate the gender gaps in the labor market. Moreover, the estimated output gains assume that the domestic labor market can absorb the increase in the labor force without a rise in unemployment or a fall in the cost of labor relative to capital, which is likely possible in the long run. In the near to medium term, a large increase in the labor force is likely to lead to temporarily higher unemployment and lower wages. The analysis also assumes that the capital stock will increase in line with employment, which may require significantly higher investment over a prolonged period.

[3] This estimate is smaller than under approach 1 because it does not consider complementarities between male and female labor and because the gender gap in labor force participation was slightly smaller in 2023 than in 2021.

Annex IX. External Sector Assessment

Overall Assessment: *Belize's external position in 2023 was stronger than the level implied by fundamentals and desirable policies.* The 2.5 percent of GDP estimated current account gap in 2023 is larger than the gap of –1.1 percent of GDP estimated in 2022 and reflects the sharp improvement in the current account balance in 2023 led by lower shipping costs and higher tourism receipts. International reserves are projected to remain above 3 months of imports and short-term external debt, but below the ARA metric. The risk of capital outflows remains modest as most external debt is with official creditors. The Central Bank can use appropriate tools to manage capital outflows, in line with the Fund's Institutional View (see footnote 6) if needed.

Potential Policy Responses: Increasing the level of international reserves closer to the ARA metric would strengthen the currency peg. This would require implementing fiscal consolidation and structural reforms that increase competitiveness and exports and attract FDI. It would also require investing in infrastructure to improve road connectivity, water and sewage systems, and build resilience to climate change and related disasters, which would help the agriculture and tourism sectors grow and become more interconnected.

Foreign Assets and Liabilities: Position and Trajectory

Background. Belize's net international investment position (NIIP) improved from –167 percent of GDP in 2020 to –111 percent in 2023 reflecting strong economic growth; a decline in public external debt due to fiscal consolidation, a debt for marine protection swap with The Nature Conservancy, and a discount in Belize's Petrocaribe debt with Venezuela; and a fall in foreign direct investment (FDI) liabilities as the stock of FDI did not grow as fast as GDP. Gross liabilities amounted to 139 percent of GDP in 2023, with external debt amounting to 41 percent of GDP and FDI to 85 percent of GDP. Gross assets totaled 28 percent of GDP, with reserve assets amounting to 15 percent of GDP and other investment to 9 percent of GDP.

Assessment. Belize's NIIP is assessed as broadly sustainable as it is projected to continue improving over the medium term in line with the projected decline in public external debt.

2023 (% GDP)	NIIP: -111	Gross Assets: 28	Debt Assets: 9	Gross Liab.: 139	Debt Liab.: 41

Current Account

Background. The current account balance (CAB) is rose from –8.3 percent of GDP in 2022 to –2.9 percent in 2023 led by an increase of 3.9 percent of GDP in the services balance (due to lower shipping costs and higher tourism receipts) and a rise of 1.1 percent of GDP in the primary income balance. Going forward, the CAB is projected to stabilize at around –2.4 percent of GDP as tourist arrivals grow in line with pre-pandemic trends and commodity prices gradually moderate.

Assessment. The current account model estimates a current account norm of –5.6 percent of GDP, while the cyclically-adjusted CAB is –3.0 percent of GDP, implying a current account gap of 2.5 percent of GDP and a real effective exchange rate undervaluation of 7.3 percent. The cyclically adjusted CAB reflects a cyclical adjustment of 0.1 percent of GDP due to a small output gap in line with the broad return of tourist arrivals to pre-pandemic levels in 2023. The current account gap places Belize in the range of [2, 4] percent of GDP, stronger than the level implied by fundamentals and desirable policies.

Belize: Model Estimates for 2023
(In percent of GDP)

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**-2.9**	
Cyclical contributions (from model) (-)	0.1	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**-3.0**	
CA Norm (from model) 2/	**-5.6**	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	**-5.6**	
CA Gap	**2.5**	**0.3**
o/w Relative policy gap	0.1	
Elasticity	-0.4	
REER Gap (in percent)	**-7.3**	**-0.9**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. Belize's real effective exchange rate (REER) appreciated by 0.8 percent in 2023 as a 2.0 percent nominal effective exchange rate appreciation was partly offset by a lower inflation rate in Belize than in its trading partners. As a result, Belize's REER index has broadly returned to its pre-pandemic level.

Assessment. The REER model estimates an undervaluation of 0.9 percent, much smaller than that of the CA approach. Staff gives more weight to the CA model because it imposes multilateral consistency, which is not possible in the REER model due to the normalization of REER indexes.

Capital and Financial Accounts: Flows and Policy Measures

Background. The capital and financial accounts balance declined sharply from 7.4 percent of GDP in 2022 to 2.7 percent in 2023. This reflected declines of 3.4 percent of GDP in FDI flows and 1.3 percent of GDP in other investment flows due in part to the government's purchase of the Belize city port and payment of long-standing disputes as part of a settlement with a foreign investor. Other FDI inflows also fell because of more expensive financing due to higher global interest rates. Although the capital and financial account balance was lower than the current account deficit in 2023, it is projected to be larger going forward, with international reserves increasing in nominal terms and remaining broadly stable at 3.5 months of imports.

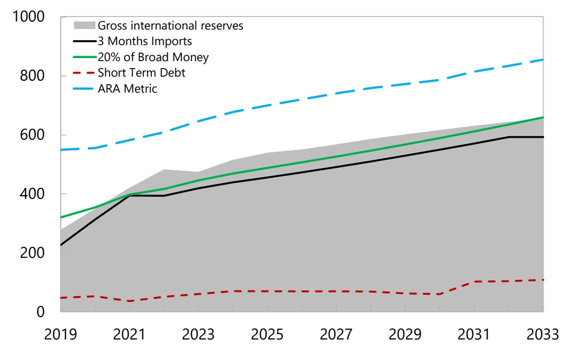
Assessment. There are no major risks of capital outflows from nonresidents as Belize is de facto excluded from the international capital market and the government relies on multilateral and bilateral loans. The risk of capital outflows from residents is also limited because of existing capital controls. Moreover, the Central Bank can use appropriate tools to manage capital outflows, in line with the Fund's Institutional View (see footnote 6) if needed. However, FDI inflows could be lower than in the baseline scenario if adverse shocks hurt the tourism sector or if external financing for FDI projects increases further or remain high for longer than currently expected.

FX Intervention and Reserves Level

Background. Gross international reserves stood at US$474 million or 3.4 months of imports at end-2023, US$196 million above the level in 2019. The increase in reserves since 2019 reflects large official loans to the government, robust FDI inflows, and the IMF SDR allocation in 2021. No intervention data is published by the Central Bank, but the authorities maintain a fixed exchange rate against the US dollar.

Assessment. Raising the level of international reserves closer to the ARA metric would strengthen the currency peg. Reserves are projected to remain above 3 months of imports or short-term external debt, but below the ARA metric, which also considers long term external debt and broad money as proxies of risks of capital outflows by nonresident and residents, respectively.[1] Increasing the level of international reserves requires implementing fiscal consolidation and structural reforms that improve competitiveness, increase exports, and attract FDI. It also requires investing in infrastructure to improve road connectivity, enhance water and sewage systems, and build resilience to climate change and related disasters, which would help the agriculture and tourism sectors grow and become more interconnected.

Gross International Reserves Adequacy Metric
(Millions of USD)



Sources: IMF World Economic Outlook and IMF staff calculations.

[1] The ARA metric overestimates the risk of capital outflows from nonresidents and residents in Belize. The risk of outflows from nonresidents is low because most of Belize's external debt is with multilateral and bilateral creditors, while the risk of outflows by resident is mitigated by existing capital controls and central bank tools.

BELIZE

April 24, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By | Western Hemisphere Department

CONTENTS

FUND RELATIONS

(As of February 29, 2024)

Membership Status: Joined: March 16, 1982; Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	26.70	100.00
IMF's Holdings of Currency (Holdings Rate)	20.49	76.73
Reserve Tranche Position	6.21	23.27

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	43.49	100.00
Holdings	37.32	85.81

Outstanding Purchases and Loans: None

Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	Dec 03, 1984	Jun 01, 1986	7.13	7.13

Overdue Obligations and Projected Payments to Fund 1/

(SDR Million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	2024	2025	2026	2027	2028
Principal					
Charges/Interest	0.19	0.25	0.25	0.25	0.25
Total	0.19	0.25	0.25	0.25	0.25

1/ When a member has overdue financial obligations outstanding for more than three months, the among of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangement: The exchange rate arrangement is a conventional peg. Since 1976, the Belize dollar has been pegged to the U.S. dollar at the rate of BZ$2 per U.S. dollar. Belize has accepted the obligations under Article VIII, Sections 2(a), 3, and 4 of the IMF's Articles of Agreement, and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

Last Article IV Consultation: The last Article IV consultation was concluded by the Executive Board on May 12, 2023 (IMF Country Report No. 23/164). Belize is on the standard 12-month consultation cycle.

Recent Technical Assistance:

- STA advised on financial soundness indicators in January 2019.
- MCM advised on contingency planning in March 2019.
- MCM advised on cyber risk supervision framework in April 2019.
- FAD advised on tax and customs administration reform in April 2019.
- MCM advised on banking supervision and regulation in May 2019.
- FAD advised on mainstreaming international taxation in August 2019.
- FAD conducted a public investment management assessment (PIMA) in January 2020.
- FAD advised on tax reform policy options in May 2020.
- LEG advised on income taxation in May 2020
- FAD advised on tax administration in April 2021.
- MCM advised on bank resolution in April 2021.
- MCM advised on NPL management in July 2021.
- MCM advised on improving the FX Regulatory Framework in February-June 2022.
- MCM advised on FX reserve management in March 2022.
- STA advised on the production of new Financial Soundness Indicators in line with the FSIs Guide in May-June 2022
- FAD advised on modernization of the Belize Tax Service Department (BTSD) and the Belize Customs and Excise Department (BCED) in October-November 2022
- FAD advised on the implementation of accrual accounting in March 2023
- FAD advised on the reform of the stamp duty in June 2023
- STA advised the Central Bank of Belize on external sector statistics in October 2023

CARTAC Technical Assistance to Belize in FY2021-FY2024[1]		
Description	**Start Date**	**End Date**
Customs and Tax Administration		
Tax Administration - Tax	05/01/2021	05/15/2021
Developing Performance Targets and KPI - Customs	06/07/2021	06/11/2021
Strengthening Core Business Function - Arrears Management Program - Tax	06/29/2021	07/13/2021
Strengthening Core Business Functions - Arrears Management Program - Tax	11/01/2021	11/19/2021
Strengthening HQ Function - Strategic Planning and Performance Management - Tax	01/10/2022	01/21/2022
Strengthening Core Business Function - Arrears Management, Enforcement and Collections Training – Tax	01/10/2022	01/21/2022
Strengthening Compliance Risk Management Program - Tax	02/28/2022	04/08/2022
Developing Performance Targets and KPI - Customs	03/28/2022	04/08/2022
Strengthening Risk Management - Customs	01/30/2023	02/10/2023
Strengthening Core Business Function - Building Audit Capacity - Tax	02/13/2023	02/24/2023
Strengthening HQ Function and Performance Management - Tax	02/20/2023	04/14/2023
Developing a Trusted Trader Program for the Informal Sector - Customs	03/20/2023	03/31/2023
Strengthening Governance Arrangements - Implementation of Data Exchange Tool – Tax	05/15/2023	07/21/2023
Strengthening Management & Governance Arrangements - Implementing a Revenue Authority – Tax	09/18/2023	11/30/2023
Developing a Trusted Trader Program for the Informal Sector - Customs	10/09/2023	10/27/2023
Strengthening Management & Governance Arrangements - Implementing a Revenue Authority – Tax	03/11/2024	04/30/2024
Public Financial Management (PFM)		
Developing Performance Targets and KPI	06/07/2021	06/11/2021
Support Development of new PFM Laws & Regulations FY22	05/10/2021	06/03/2021
Accruals Accounting Implementation Plan FY23	09/26/2022	09/30/2022
Improving Treasury Reporting Function FY23	01/09/2023	01/20/2023
Finalizing Government's AFS for FYs 2014/15-2017/18 and Resolving Bank Reconciliation Challenges for FYs 2013/14-2022/23	06/14/2023	06/27/2023
Strengthen capacity for financial reporting at the Treasury	10/09/2023	10/27/2023
Statistics		
Updating CPI	02/06/2023	02/17/2023
Financial Markets		
RBS Implementation	10/25/2021	11/02/2021
Review and Update of Insurance Legislation and Regulation	08/16/2021	01/14/2022
Drafting Regulations Supporting the New Securities Act	02/14/2022	03/25/2022
RBS Implementation (Follow-up)	05/11/2022	05/23/2022
Basel II-III - Implementation of LCR (Follow-up)	07/07/2022	07/15/2022
Scoping Mission	09/12/2022	09/16/2022
Development of Liquidity and Capital Standards for Registrants	10/12/2022	11/23/2022
Basel II-III - Implementation of Capital Buffers	10/12/2022	10/24/2022
RBS Implementation (Follow-up)	11/02/2022	11/14/2022
Macro Stress Testing	05/11/2022	06/14/2022
Basel II-III - Implementation of LCR and Liquidity Monitoring Tools	02/13/2023	02/17/2023
Interactive Learning Capacity Development (CD) Activity on the Implementation of RBS	02/20/2023	02/24/2023
FSC – Organizational Framework & Roadmap	02/27/2023	03/03/2023

[1] Sources: https://www.cartac.org/content/CARTAC/Home/WorkPlans.html and internal IMF TA Reports.

COLLABORATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

As of March 28, 2024, Belize has collaborations with The World Bank Group, Inter-American Development Bank, and Caribbean Development Bank.

Further information can be obtained from the following hyperlinks:

Institution	**Link**
The World Bank Group	https://www.worldbank.org/en/country/belize/overview
Inter-American Development Bank	https://www.iadb.org/en/who-we-are/country-offices/belize
Caribbean Development Bank	https://www.caribank.org/countries-and-members/borrowing-members/belize

STATISTICAL ISSUES

(As of March 28, 2024)

I. Assessment of Data Adequacy for Surveillance

General: Data provision has some shortcomings but is broadly adequate for surveillance.

Real sector: The Statistical Institute of Belize (SIB) publishes several real sector statistics (GDP, CPI, population, labor force and employment statistics, and social indicators). The timeliness and frequency of the statistics is generally adequate for surveillance – except for the labor force statistics released twice a year, and poverty and literacy-related social indicators available with large lags. There is room to strengthen the compilation of GDP on an expenditure basis, which is only available at annual frequency and with a significant lag.

In 2022, the Statistical Institute of Belize (SIB), with support from CARTAC, the IMF, and Statistics Canada, rebased the national accounts. This involved updating the statistical business registry by conducting an economy wide industrial survey to improve the coverage of activity of small and medium sized enterprises and updating the base year's price structure and weights from 2000 to 2014. The new data is also more granular. The national accounts series with base 2014 have a total of 34 industry groupings and subgroupings, while the national accounts series with base 2000 only had 18 groupings. The SIB also upgraded the manual used for compiling the statistics from the 1993 System of National Accounts (SNA) to the 2008 SNA. In the revised series, nominal GDP rose by an average of 30 percent relative to the old series between 1993 and 2020 (see Annex I for more details). While the new series is an improvement over the previous sources and methods, Belize can benefit from continued support from STA.

Fiscal accounts: Data on the consolidated operations of the public sector are unavailable. Priorities for the period ahead include preparing a comprehensive list of institutions that comprise the central government, general government, and the public sector including extra budgetary units. The Social Security Board is not treated as part of the general government. Instead, the Central Bank classifies the entity as other non-financial public corporation and includes its claims (deposits) on the banking system as part of broad money. Also, difficulties persist in the compilation of capital expenditure as several Capital II (government-funded capital and project expenditures) items that started life as fixed-term project contributions have become permanent funding allocations. In addition, the current accounting practices follow neither a cash basis nor an accrual basis of accounting, which contributes to an inconsistent accounting and reporting of assets, liabilities, revenues, and expenses. Finally, data on domestic debt and domestic debt service needs to be improved, particularly regarding amortization.

Monetary and financial statistics: The monetary and financial statistics are reported by CBB in the standardized report forms (SRFs) 1SR for central bank and 2SR for other depository corporations for publication in the *International Financial Statistics* with a lag of approximately one month.

Financial soundness indicators: Individual banks' financial soundness indicators (FSI) are available on quarterly basis. However, there is limited data on non-bank financial institutions, especially the offshore sector.

Financial access survey: Belize reports data on several series indicators of the Financial Access Survey (FAS) including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

Balance of payments: The SIB publishes trade data at monthly frequency on its website with a one-month lag, together with press releases that discuss key trends and driving factors. The data, however, do not cover services, which constrains the assessment of the overall external position as tourism revenue represents a large share of total exports. The usefulness of the data for surveillance could be improved if it is expanded to cover also trade in services. The Central Bank of Belize is responsible for producing the Balance of Payments and International Investment Position statistics, which is compiled on quarterly and annual frequencies in BPM6 format. Efforts should be made to improve the timeliness of the balance of payments and international investment position data, which are published with a significant lag.

II. Data Standards and Quality

Belize began participating in the IMF's General Data Dissemination System (now the enhanced GDDS) in 2006 providing only metadata. It has not yet implemented the e-GDDS, which would imply dissemination of its data on a National Summary Data Page, but it is in process of doing it with support from the IMF's Statistics Department. No data ROSC is available.

Belize: Table of Common Indicators Required for Surveillance

(As of March 28, 2024)

	Date of Latest Observation	Date Received	Frequency of Data 7/	Frequency of Reporting 7/	Frequency of Publication 7/
Exchange Rates	3/28/2024	3/28/2024	D	D	D
International Reserve Assets and Liabilities of the Monetary Authorities 1/	3/13/2024	3/21/2024	W	W	W
Reserve/Base Money	3/13/2024	3/21/2024	W	W	W
Broad Money	3/13/2024	3/21/2024	W	W	W
Central Bank Balance Sheet	1/31/2024	3/13/2024	M	M	M
Banking System Balance Sheet	1/31/2024	3/13/2024	M	M	M
Interest Rates 2/	1/31/2024	3/13/2024	M	M	M
Consumer Price Index	2/29/2024	3/27/2024	M	M	M
Revenue, Expenditure, Balance, and Composition of Financing — Central Government 3/	9/30/2023	12/29/2023	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt 4/ 5/	1/31/2024	3/13/2024	M	M	M
External Current Account Balance	2023Q4	3/19/2024	Q	Q	Q
Exports/Imports of Goods and Services	2023Q4	3/19/2024	Q	Q	Q
GDP/GNP	2023Q4	3/27/2024	Q	Q	Q
Gross External Debt (Public sector only)	1/31/2024	3/13/2024	A, M	A, M	NA
International Investment Position 6/	2022Q4	9/25/2023	A, Q	Q	Q
Revenue, Expenditure, Balance, and Composition of Financing — General Government	NA	NA	NA	NA	NA

1/ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

2/ Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

3/ Foreign, domestic bank, and domestic nonbank financing.

4/ Consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

5/ Including currency and maturity composition.

6/ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

7/ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).