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GRAY/21/1419

May 27, 2021

**Statement by Mr. Odonye and Mr. Jappah on Belize
(Preliminary)
Executive Board Meeting
June 2, 2021**

We thank staff for the informative report and Ms. Levonian and Mr. Rankin for their helpful Buff Statement. The Belizean economy has been severely hit by the COVID-19 pandemic, resulting to significant output contraction and one of the highest rates of cases and deaths in the Caribbean. The policy intervention by the authorities considerably contained the first wave of the virus. A more impactful second wave reopened the pre-existing vulnerabilities and plunged the economy into a deep recession, worsening the fiscal and external positions. Against this background, we encourage the new administration to continue to contain the pandemic and prepare to implement Belize ambitious *Five-Year Homegrown Recovery Plan* underway to address longstanding imbalances and move towards sustained and inclusive growth.

With public debt ratio at 132 percent of GDP and Belize among the world's largest indebted countries, we support taking steps to rein in rising public debt. While continuing with fiscal measures to support the most vulnerable and mitigate impact on the economy, a credible fiscal strategy is vital to bring public debt to sustainable levels in the medium term. We encourage the authorities to implement the measures in the FY 2021/22 budget to reduce recurrent expenditure by 2 percent of GDP, including the planned freeze on non-interest capital expenditure at FY 2021/22 level for 2 years, beginning FY 2022/23. We support additional plans to roll out a Fiscal Responsibility Law (FRL), expected to be anchored on a modernized PFM framework, as well as efforts to broaden the tax base. We note that the bold steps taken by the authorities to reduce recurrent expenditure in FY 2021/22, including public sector wages could come at a huge political cost. *Could staff elaborate on the debt restructuring process, including the on-going negotiations with external private sector creditors, mentioned in the staff report? To what extent could the debt dynamics change relative to the outlook, should these negotiations become fruitful?*

We welcome the authorities' commitment to strengthen the currency peg to anchor macroeconomic stability and promote private investment and growth. Restoring debt

sustainability and improving competitiveness would enhance the peg. We note that the banking system remains stable underpinned by flexible regulatory policies. As echoed in Ms. Levonian and Mr. Rankin's statement, the Central Bank of Belize would be vigilant in its oversight of the sector. We commend the authorities for the action plan developed to strengthen the AML/CFT framework and enhance compliance preparatory to a comprehensive evaluation by the Caribbean Financial Action Task Force in 2023.

Steadfast implementation of key structural reforms would help address long-standing growth challenges. With the *Five-Year Homegrown Recovery Plan* in the pipeline, we urge the authorities to accelerate the removal of the barriers to business to foster smooth flow of foreign direct investment, encourage local entrepreneurship, promote the resumption in tourism, and boost broader economic growth. We look forward to outcomes of the plans to modernize the laws and fast track the approval of strategic foreign direct investment projects in FY 2021/22, as well as the strategy to invest in surveillance technology and social programs geared to reduce crime rate. An important lever is to prioritize improving education, technical training, the deployment of labor market reforms to help address high unemployment, which has been exacerbated by the COVID-19 pandemic. Further strategic steps toward a comprehensive disaster management strategy would enable the authorities build structural, financial, and post-disaster resilience. All these will help address the country's high susceptibility to natural disasters and climate change, promote the needed stable tourism industry and lay the basis for speedy response in the aftermath of disaster.