

**EXECUTIVE
BOARD
MEETING**

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September 2, 2015

To: Members of the Executive Board

From: The Secretary

Subject: **Belize—Staff Report for the 2015 Article IV Consultation—Informational Annex**

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	Wednesday, September 16, 2015
Publication:	Yes*
Questions:	Mr. Bouhga-Hagbe, WHD (ext. 34219) Mr. Ronci, WHD (ext. 38549) Mr. Okwuokei, WHD (ext. 35816)
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***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the document will be published.**



BELIZE

STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

September 1, 2015

Prepared By

Western Hemisphere Department

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FUND RELATIONS

(As of July 31, 2015)

Membership status. Joined: March 16, 1982.

General Resources Account	SDR Million	Percent Quota
Quota	18.80	100.00
Fund holdings of currency (Exchange Rate)	14.56	77.46
Reserve Tranche Position	4.24	22.55

SDR Department	SDR Million	Percent Allocation
Net cumulative allocation	17.89	100.00
Holdings	20.02	111.87

Outstanding Purchases and Loans

None

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	Dec. 03, 1984	May 31, 1986	7.13	7.13

Projected Payments to the Fund (in SDR Million)¹

	<u>Forthcoming</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Principal					
Charges/Interest	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

Implementation of HIPC Initiative: Not Applicable

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

Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

¹ Based on existing use of resources and present holdings of SDRs. When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Exchange Rate Arrangement: Since 1976, the Belize dollar has been pegged to the U.S. dollar, the intervention currency, at the rate of BZ\$2 per U.S. dollar. Belize has accepted the obligations of Article VIII, Sections 2, 3, and 4, and does not maintain exchange restrictions or multiple currency practices.

Last Article IV Consultation: The last Article IV consultation was concluded by the Executive Board on June 23, 2014 (SM/14/149). Belize is on the standard 12-month consultation cycle.

Recent Technical Assistance:

- STA followed up on national accounts, supply and use tables; on price statistics; and on balance of payments and international investment position statistics in July 2009.
- MCM advised on development of bank resolution framework in April 6–12, 2010 and in September 6–9, 2010.
- MCM advised on forensic auditing in January and March 2011.
- LEG advised on improvements to the Banks and Financial Institutions Act in February 2011.
- MCM and WB conducted the first FSAP in July 2011.
- MCM/LEG advised on contingency planning in March 2012.
- MCM conducted workshop on network analysis in April 2012.
- MCM advised on debt management strategy development in November 2012.
- FAD advised on tax policy in February 2013.
- LEG advised on structures and tools for AML/CFT supervision in April 2013.
- MCM advised on bank resolution, and crisis preparedness and management in May 2014.
- Joint MCM-LEG advised on developing a medium-term debt management strategy and reviewed drafting of amendments to the Public Debt Legal Framework in July 2014.
- FAD advised on revenue administration in October 2014.
- MCM advised on loan loss provisioning under IFRS in April 2015.
- MCM advised on debt management in April 2015.

BANK-FUND COLLABORATION UNDER THE JMAP AND RELATIONS WITH THE WORLD BANK²

(As of July 2015)

A. Bank-Fund Collaboration Under the JMAP

1. **The World Bank's program in Belize is guided by a four-year Country Partnership Strategy (CPS) for FY 2012–2015.** Under the CPS, the focus is on assisting Belize to achieve inclusive and sustainable natural resource-based growth and enhanced climate resilience. The CPS builds on lessons learned from the implementation of the Interim Strategy Note (ISN) for FY 2009–11.
2. **The overall size of the envelope during the CPS period is around US\$45 million.** Activities include a US\$15 million municipal development loan and a US\$30 million climate resilient infrastructure loan, approved by the World Bank Board on September 16, 2010 and August 27, 2014 respectively.
3. **The IMF and World Bank teams agree that Belize's main macroeconomic challenges are to enhance the economy's resilience to shocks and strengthen inclusive growth and social prospects.** In particular, the teams agree on the need to enhance banking system stability, to bring debt back to a sustainable path, and to strengthen the policy framework, while reinforcing the implementation capacity of the Belizean authorities.
4. **The teams of the Fund and the World Bank meet on a regular basis to coordinate the work on Belize. Going forward, the work of the teams will be organized along the following lines:**
 - **Public Financial Management (PFM).** The Fund is assisting in the reform of PFM processes and institutions by optimizing the use of available information technology to ensure that future ICT is geared to sound and best practice business processes.
 - **Medium-Term Debt Management.** The Fund will continue assisting the authorities in building analytical capacity for developing a debt management strategy and enhancing the domestic public debt market.
 - **Banking Sector.** The Fund, through CARTAC, plans to continue assisting the authorities in the preparation of guidance on corporate governance, internal controls, operational risks, and valuation of collateral. CARTAC also plans to assist the central bank to develop its financial stability framework and preparation of its first financial stability report. The Fund is ready to assist

² Updated in August 2015.

the authorities in updating the crisis management plan, as well as bank restructuring and resolution framework. The Fund is also assisting in the enhancement of the regulatory and supervisory framework of the central bank to support the proper adoption, development, and implementation of a risk-based approach to AML/CFT.

- **Infrastructure.** Through the ongoing Municipal Development Project, the Bank supports improved access to basic municipal infrastructure and enhanced municipal management in selected town and city councils of Belize.
- **Natural Resource Management.** The Bank will continue to support Belize in adopting a sustainable natural resources based economic model while enhancing its resilience to climate change and natural hazards. A range of activities include: i) policies and strategies for mainstreaming of natural resources and climate resilience; ii) institutional capacity strengthening for natural resource management and climate change; and iii) investments to strengthen climate resilience.

Belize: Bank and Fund Ongoing and Planned Activities, 2015–2016			
Title	Products	Provisional Timing of Missions	Expected Delivery Dates
Bank Work Program	Municipal Development Project		November 2016
	Improving Children’s Health		January 2016
	Climate Resilience Infrastructure		August 2019
	Marine Conservation and Climate Adaptation		March 2020
	Management and Protection of Key Biodiversity Areas		September 2019
	Promoting Sustainable Natural Resource-based Livelihoods		November 2016
Fund Work Program	Staff Visit	January 2016	
	Article IV Consultation	April/May 2016	June 2016

B. Financial Relations with the World Bank Group

(As of June 2015)

IBRD Operations

(In U.S. dollars)

	IBRD
Original Principal	131,200,000.00
Cancellations	5,703,327.73
Disbursed	91,401,934.63
Undisbursed	34,094,737.64
Repaid	77,585,011.10
Due	13,816,923.53
Exchange Adjustment	0.00
Borrower Obligation	13,816,923.53

Gross Disbursements and Debt Service During Fiscal Year (July 1–June 30)

(In millions of U.S. dollars)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Disbursements	0.7	0.0	0.0	0.0	0.0	1.1	0.7	4.5	1.0	3.4
Repayments	4.5	4.9	4.9	4.7	4.3	4.5	2.0	1.7	1.8	1.1
Net	-3.8	-4.9	-4.9	-4.7	-4.3	-3.3	-1.3	2.8	-0.8	2.2
Interest	1.7	1.8	1.6	1.0	0.4	0.2	0.1	0.1	0.3	0.3
Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
* Estimated Debt Service.										

RELATIONS WITH THE INTER-AMERICAN DEVELOPMENT BANK

(As of July 31, 2015)

1. Country Strategy with Belize (2013–2017). The Country Strategy aims to support the Government of Belize in improving public expenditure efficiency and effectiveness and promoting private sector development and sustainable export-led growth, by concentrating on four priority areas: (i) education; (ii) tourism; (iii) transport; and (iv) trade and tax policy. There have been two approvals to date under this strategy: (i) Education Quality Improvement Program for US\$10 million; and (ii) George Price Highway Rehabilitation Program for US\$27 million. One new US\$15 million investment loan, Sustainable Tourism Program II, is in the 2015 pipeline.

2. Technical cooperation operations (grants) in execution include efforts to advance the implementation of the Tourism Master Plan, to finance feasibility studies for several transportation and solid waste projects, to develop a Crime Information System for Belize, to support trade and tax policy reform and to support teacher training and improved education governance, credit unions, cocoa farmers, competitiveness and investment promotion, and natural disaster risk management.

3. Strategy results: The strategy is in an early stage of implementation; initial results are expected in the coming year.

4. Recent and ongoing analytical work

- Rekindling Economic Growth in Belize
- Belize's Regional Integration Options
- Belize's Taxation and Trade Policy: Impact on Agriculture
- Belize's Taxation and Trade Policy: Assessment of Reform Options
- Labor Market Performance in Belize
- Challenges and Opportunities in the Belize Education Sector
- Public-Private Partnerships in Belize
- Public Employment and Pay Policy in Belize
- Citizen Security in Belize
- Water and Sanitation in Belize
- Transport Sector in Belize
- Efficiency of Public Expenditure on Health in Belize

5. **2015 program.** One lending operation, Sustainable Tourism Program II, is in the pipeline for 2015. The Bank will support Belize through new technical assistance in the following areas: transportation master plan; transport prefeasibility studies; taxation and trade policy review; agricultural trade and food safety; and sustainable growth of Belize City.

6. **Current portfolio (in US\$ million).** The loan portfolio consists of four investment loans for US\$52 million, of which US\$38.7 million (74 percent) remain undisbursed. One of the four loans is expected to exit the portfolio in 2015.

Loan	Approved	Undisbursed
Belize City Flood Mitigation Infrastructure Program	10.0	2.9
George Price Highway Rehabilitation Program	27.0	27.0
Community Action for Public Safety	5.0	1.1
Education Quality Improvement Program	10.0	7.7
Total	52.0	38.7

7. **Loan transactions (in US\$ million)**

	2009	2010	2011	2012	2013	2014	2015*
Net flows	4.9	-2.0	2.9	4.7	1.4	-1.8	-1.2
Gross disbursements	12.9	5.7	10.2	12.8	9.7	7.4	8.2
Amortization	4.2	4.3	4.3	6.0	6.6	7.4	7.8
Interest and charges	3.8	3.1	1.8	1.9	1.7	1.8	1.6

*Projected.

RELATIONS WITH THE CARIBBEAN DEVELOPMENT BANK

(As of July 31, 2015)

A. Loan Portfolio Under Implementation and Transactions

Loan Portfolio Under Implementation

(In millions of U.S. dollars)

Loan	Approved	Undisbursed
Bridge Rehabilitation – Tropical Storm Arthur	8.8	2.0
Sixth Consolidated Line of Credit	10.0	0.1
Belize River Valley Rural Water Project	3.5	0.2
The Belize Social Investment Fund II	15.0	6.7
Fourth Road Project – Santa Elena – San Ignacio Bypass	24.7	15.7
Detailed Designs – Expansion of Water and Sewerage Facilities Ambergris Caye	0.7	0.6
TA - Education Sector Reform	2.0	1.6
Road Safety Project	7.2	2.0
Youth and Community Transformation Project	5.2	5.2
Fifth Road project – Philip S. W. Goldson Highway Upgrading	29.7	29.6
Seventh Consolidated Line of Credit	10.5	10.5
Road Safety Project – Add Loan	4.6	4.6
Belize Education Sector Reform Program II	35.0	35.0
TOTAL	168.2	124.9

Loan Transactions

(In millions of U.S. dollars)

	2009	2010	2011	2012	2013	2014	Jan–Jul 2015
Net flows	10.0	1.5	(3.8)	(15.7)	(3.2)	(3.5)	(5.6)
Gross disbursements	21.0	15.0	8.7	6.4	10.7	10.6	4.9
Amortization	6.4	7.6	7.8	16.0	9.8	9.8	7.1
Interest and charges	4.8	5.4	4.7	6.1	4.1	4.3	3.4

B. Economic and Sector Work

7. The Caribbean Development Bank (CDB) has continued to support the government of Belize (GOB) in pursuing its development goals within the context of the Bank's country strategy for Belize for the period 2011 to 2015. New loan and grant approvals have closely mirrored the indicative project pipeline identified in the country strategy. In addition, despite a relatively slow disbursement rate that has seen net (loan) flows to Belize turn negative since 2011, satisfactory progress has been made in implementing these and other projects in the portfolio under implementation.

8. The bulk of this portfolio reflects CDB's efforts to expand, rehabilitate or reconstruct critical transportation and water infrastructure. In terms of transportation, work has progressed on the reconstruction of the Kendall (Sittee River) and Mullins River bridges, which were destroyed by floods generated from the passage of tropical storm Arthur. Work has already been completed on the Kendall Bridge, with the Mullins River Bridge set for completion in July 2016. Meanwhile, completion of the Fourth Road project, which commenced construction in 2012, has been delayed until early 2017. The Fifth Road loan for upgrading of the Philip S. W. Goldson (formerly Northern) Highway was approved in May 2014 and work should commence in the last quarter of 2015. The intervention seeks to reduce congestion and climate change vulnerability and improve road safety on this economically important road, while also enhancing the capacity of GOB and Belizean contractors to address gender equality and social inclusion in current and future projects. Complementing its investments in transportation infrastructure, CDB approved a loan in 2012 to assist GOB in enhancing road safety along a demonstration corridor on the Western Highway from Belize City to Belmopan. With positive initial results from implementation to date, an additional loan was approved in October 2014 to expand the scope of the project.

9. With respect to water sector infrastructure, construction activity is complete on a potable water supply system to serve nine villages in the Belize River Valley and final disbursement on the project should be made in 2016. In addition, a loan was approved in 2012 to finance detailed designs for the expansion of water and sewerage on Ambergris Caye, building on an earlier feasibility study. The designs should be completed in the last quarter of 2015, when appraisal of the capital project is scheduled to begin. This project is viewed as important to sustain and boost tourism activity in the area and to protect the sensitive environment.

10. CDB's support for private sector development in Belize is mainly through lines of credit managed by the Development Finance Corporation (DFC), which on-lends the funds to the agriculture, industry, housing, and education sectors. The sixth such line of credit was fully committed as at end-2013. Consequently, a seventh was approved in July 2014, which included a small grant for a pilot project to support renewable energy/energy efficiency initiatives by private sector entities. A small TA grant was also provided for institutional strengthening of DFC in 2014, and implementation of the consultant's report is ongoing. CDB also supports the private sector in Belize through its Caribbean Technological Consultancy Services (CTCS) network, under which micro, small and medium-sized enterprises (MSMEs) benefit from grant-funded technical assistance.

11. CDB has also provided significant levels of concessional lending and grant funding for social programmes aimed at poverty reduction. The Belize Social Investment Fund (BSIF) was established by legislation in 1996, to appraise, finance, and supervise small and medium-sized sub-projects in underserved poor communities. CDB has made US\$15 million available to BSIF through a second loan approved in 2010, following on from a loan of US\$7 million approved in 2003. Grant funding has been provided through the Basic Needs Trust Fund (BNTF) currently in its 8th cycle. Belize's allocation under the 7th cycle of US\$6.1 million is still under implementation and the 8th cycle allocation of US\$1.6 million is currently being programmed. Interventions under the BSIF and the BNTF are community-based, and are usually concentrated in the areas of water and sanitation, education, health, and infrastructure to facilitate community access. The CDB funds also allow for the development of a comprehensive results-based monitoring and evaluation system.

12. With grant assistance provided by CDB in 2010, GOB formulated a comprehensive Education Sector Strategy. Based on this work, in 2012, CDB approved a Technical Assistance loan for Education Sector Reform, which sought to underpin the success of the strategy in enhancing learning outcomes across all levels of the education sector through institutional strengthening. Under this project, a comprehensive school location plan was developed, which then informed the Belize Education Sector Reform Programme II approved in May 2015. This capital loan aims to significantly expand the school plant in Belize and provide other supporting services in order to increase access to quality education, in line with the objectives of the Education Sector Strategy.

13. The Youth and Community Transformation Project was approved in 2012 based on a previous CDB-financed feasibility study. In accordance with the priority that GOB has given to strategies to reduce crime and improve citizen security, the aim of the project is to contribute toward building human capital, particularly among youth and children from poor communities in Belize City, as part of an attempt to reduce socially deviant behavior. Project implementation is scheduled for completion by the end of 2017.

STATISTICAL ISSUES

(As of July 31, 2014)

I. Assessment of Data Adequacy for Surveillance	
<p>General: Data provision has some shortcomings, but is broadly adequate for surveillance. Most affected areas are: national accounts, labor, and fiscal sector statistics.</p>	
<p>Real sector: The accuracy and reliability of the data are affected by inadequate source data. The Statistical Institute of Belize (SIB) continues to face human and financial limitations for undertaking surveys and processing the data. Lack of reliable data on expenditure components hampers estimation of national savings and domestic investment. To address these shortcomings the SIB is planning to conduct a comprehensive business census in 2014, which will provide the basis for the completion of the Statistical Business Register and the compilation of supply and use tables.</p>	
<p>Price and labor statistics: Labor market statistics are scarce and available at irregular intervals, the SIB plans to conduct the labor force survey twice a year going forward. The SIB is in the process of developing its new website, with plans to make metadata on the CPI as well as other statistics available online.</p>	
<p>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. Also, difficulties persist in the compilation of capital expenditure as a number of Capital II (government-funded capital and project expenditures) items that started life as fixed-term project contributions have become permanent funding allocations. Authorities are aware of this shortcoming and are advising ministries to examine the continuing need and authority for such expenditures. 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, domestic debt data recording needs to be improved.</p>	
<p>Monetary and financial statistics: Data on financial soundness indicators of individual banks are available on quarterly basis. However, there is very limited data on non-bank financial institutions, especially the offshore sector, while the information on the activities of domestic insurance companies are not publicly available. There is need to classify offshore banks as part of Other Financial Corporation's (OFC) subsector. Also, the Social Security Board (SSB) 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. Plans are ongoing to improve the availability of statistics.</p>	
<p>Balance of payments: Official grant and loan disbursements and repayments are generally well recorded, but strengthening inter-agency coordination in information sharing between the MOF and CBB would be warranted. The authorities have compiled International Investment Position (IIP) statistics for 2009 and 2010, which excludes off-shore financial sector, and are in the process of reconciling the discrepancies between the balance of payments flows and the stock position on "currency and deposits" on the IIP for those years before publication and dissemination. Upon completion, authorities plan to produce annual and quarterly IIP for 2011-2013 during the second half of this year. While the current sourcing of FDI data appears adequate, survey responses are very low. Frequency could be improved.</p>	
II. Data Standards and Quality	
Participant in the General Data Dissemination System (GDDS) since September 27, 2006.	No data ROSC is available.
III. Reporting to STA	
No fiscal data are being reported for publication in the Government Finance Statistics Yearbook or in the IFS.	

Belize: Table of Common Indicators Required for Surveillance
(As of July 31, 2015)

	Date of Latest Observation	Date Received	Frequency of Data 7/	Frequency of Reporting 7/	Frequency of Publication 7/
Exchange Rates	4/30/2014	5/2/2014	M	M	M
International Reserve Assets and Liabilities of the Monetary Authorities 1/	3/31/2014	5/2/2014	W	W	W
Reserve/Base Money	3/31/2014	5/2/2014	W	W	W
Broad Money	3/31/2014	5/2/2014	W	W	W
Central Bank Balance Sheet	3/31/2014	5/2/2014	M	M	M
Banking System Balance Sheet	3/31/2014	5/2/2014	M	M	M
Interest Rates 2/	3/31/2014	5/2/2014	M	M	M
Consumer Price Index	6/30/2015	7/29/2015	M	M	M
Revenue, Expenditure, Balance and Composition of Financing 3/ —General Government 4/	3/31/2015	7/6/2015	A	A	NA
Revenue, Expenditure, Balance and Composition of Financing 3/ —Central Government	3/31/2015	7/6/2015	M	M	NA
Stocks of Central Government and Central Government-Guaranteed Debt 5/	3/31/2015	7/6/2015	M	M	NA
External Current Account Balance	2015Q1	7/6/2015	Q	Q	Q
Exports/Imports of Goods and Services	2015Q1	7/6/2015	Q	Q	Q
GDP/GNP	2015Q1	7/6/2015	Q	Q	Q
Gross External Debt	3/31/2015	4/29/2014	A, M	A, M	NA
International Investment Position 6/	NA	NA	NA	NA	NA
<p>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.</p> <p>2/ Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.</p> <p>3/ Foreign, domestic bank, and domestic nonbank financing.</p> <p>4/ Consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.</p> <p>5/ Including currency and maturity composition.</p> <p>6/ Includes external gross financial asset and liability positions vis-à-vis nonresidents.</p> <p>7/ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).</p>					