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October 29, 1987

To: Members of the Executive Board

From: The Secretary

Subject: Belize - Staff Report for the 1987 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1987 Article IV consultation with Belize, which is proposed to be brought to the agenda for discussion on a date to be announced.

Mr. Perez (ext. 7154) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

BELIZE

Staff Report for the 1987 Article IV Consultation

Prepared by the Western Hemisphere Department

(In consultation with the Exchange and Trade Relations,  
Fiscal Affairs, Legal, and Treasurer's Departments)

Approved by S. T. Beza and Eduard Brau

October 28, 1987

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## I. Introduction

The 1987 Article IV consultation discussions with Belize were conducted in Belize City and Belmopan during the period August 20-September 3, 1987. 1/ The representatives of Belize in these discussions included the Prime Minister, who is also the Minister of Finance and Defense, the Governor of the Central Bank, the Financial Secretary, and other senior officials of the Ministries of Finance, Foreign Affairs and Economic Development, Agriculture, and Commerce and Industry, and the public enterprises. The staff representatives were Messrs. Perez (Head), Terrier and Ossowski (all WHD), Ms. Huyser (FAD), Ms. Meesook (STAT), and Ms. Coles (Secretary-WHD). 2/ Mr. Engert, Assistant to the Executive Director for Belize, participated in the policy discussions held during the last week of the mission.

Belize made all purchases under the stand-by arrangement approved by the Executive Board on December 3, 1984. Belize became eligible to make the last purchase under the arrangement after the Executive Board approved its extension until June 1, 1986 and a modification of a performance criterion applicable on March 31, 1986. Belize has accepted the obligations of Article VIII, Sections 2, 3, and 4.

## II. Background

Belize successfully implemented an adjustment program in 1984-86. This program, which was supported by the stand-by arrangement mentioned above, resulted in a noticeable improvement in the balance of payments in 1985 and 1986. The external current account deficit was reduced from 6.5 percent of GDP in 1984 to 4.3 percent of GDP in 1985, and this deficit gave way to a surplus of 1.7 percent of GDP in 1986 as sugar exports rose, the petroleum import bill was reduced, and receipts from tourism expanded (Table 1). External payments arrears were eliminated in 1985 and net official international reserves increased by a cumulative US\$17 million during 1985-86. On December 31, 1986 gross official reserves of the Central Bank amounted to the equivalent of about ten weeks of imports of goods and services compared with two weeks of such payments at the end of 1984.

The rate of growth of real GDP fell from 5.6 percent in 1984 to 2.5 percent in 1985, mostly as a result of a decline in primary sector output. However, in 1986 real GDP expanded by 4 percent, largely in reflection of a strong recovery in manufacturing and construction. Inflation measured by the rate of increase of consumer prices decelerated from nearly 4 percent in 1984 to less than 1 percent in 1986.

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1/ The 1986 Article IV consultation was concluded by the Executive Board on August 27, 1986 (EBM/86/139).

2/ The mission was assisted by Mr. Rao, a CBD expert who is assigned as an advisor to the Central Bank.

Table 1. Belize: Selected Economic Indicators

	1983	1984	1985	1986	Proj. 1987
<u>(Percentage changes)</u>					
Real GDP	-2.5	5.6	2.5	4.0	4.8
Nominal GDP	1.6	10.3	1.2	9.0	8.8
GDP deflator	4.2	4.5	-1.3	4.8	3.8
CPI (average)	5.4	3.9	3.3	0.8	3.0
<u>Domestic credit of the banking system 1/</u>	<u>16.7</u>	<u>12.6</u>	<u>-2.5</u>	<u>-7.4</u>	<u>2.1</u>
<u>Liabilities to the private sector of the banking system</u>	<u>13.2</u>	<u>7.0</u>	<u>5.7</u>	<u>10.8</u>	<u>11.5</u>
<u>(In percent of GDP)</u>					
<u>Overall nonfinancial public sector deficit (-) 2/</u>	<u>-6.7</u>	<u>-3.9</u>	<u>-3.6</u>	<u>0.9</u>	<u>-3.4</u>
Foreign financing	2.3	3.2	3.9	1.5	4.8
Domestic financing	4.4	0.7	-0.3	-2.4	-1.4
<u>Current account of the balance of payments</u>	<u>-7.0</u>	<u>-6.5</u>	<u>-4.3</u>	<u>1.7</u>	<u>-1.5</u>
<u>(In millions of U.S. dollars)</u>					
<u>Overall balance of payments</u>	<u>-9.7</u>	<u>-8.7</u>	<u>10.0</u>	<u>10.8</u>	<u>9.0</u>
<u>Gross official international reserves (end of year)</u>	<u>9.3</u>	<u>6.1</u>	<u>14.8</u>	<u>26.6</u>	<u>35.6</u>

Sources: Belize authorities; and Fund staff estimates.

1/ In relation to liabilities to the private sector at the beginning of the period.

2/ Fiscal year starting April 1.

The overall public sector deficit <sup>1/</sup> (on a cash basis) was reduced from 6.7 percent of GDP in FY 1983/84 to an average of 3.8 percent of GDP in FY 1984/85 and FY 1985/86, and in FY 1986/87 an overall surplus of nearly 1 percentage point of GDP was achieved. <sup>2/</sup> To finance the deficits in 1983/84-1985/86, the authorities relied mainly on external borrowing, averaging about 3 percent of GDP annually. In FY 1986/87 the attainment of an overall surplus and the available external financing resulted in a reduction of the public sector indebtedness to the banking system.

The fiscal improvement during this period was mainly the result of a strong revenue performance. Various indirect taxes and license fees were increased and measures to eliminate the current deficit of the public enterprises were adopted in 1984 and 1985. Also, the sale of citizenship bonds (which had been introduced in early 1986) raised BZ\$2 million in FY 1986/87, <sup>3/</sup> and duties on several import categories were increased in November 1986. Total public sector expenditure, meanwhile, fell from about 36 percent of GDP in FY 1983/84 to about 33 percent of GDP in FY 1984/85 as both current and capital expenditure were held constant in absolute terms; the growth in expenditure was kept in line with the growth of nominal GDP in FY 1985/86 and FY 1986/87. In the latter year current expenditure of the public sector remained constant in relation to GDP, despite the first general salary increase in the Central Government in five years.

To complement the fiscal effort, the authorities adopted measures to limit credit expansion and encourage private sector savings. In January 1985 the Central Bank raised the minimum interest rate on term deposits by 3 percentage points for all maturities, and the minimum prime lending rate by 2 percentage points to 14 percent (interest rates on term deposits ranged from 10 percent for one-month deposits to 12.5 percent for one-year deposits after the rate adjustments). In addition, the cash reserve requirement was raised from 7 percent to 9 percent, and the liquid asset ratio was increased from 20 percent to 30 percent in two steps. Banking system liabilities to the private sector increased considerably faster than nominal GDP in 1985 and in 1986, while outstanding bank credit to the private sector declined in

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<sup>1/</sup> In this report the term public sector is equivalent to nonfinancial public sector.

<sup>2/</sup> Fiscal years run from April 1 to March 31.

<sup>3/</sup> The citizenship bonds are sold to nonresidents in exchange for the right to acquire Belize passports. The bonds are sold at a face value of US\$25,000 and are redeemable in 1997. The Government does not pay interest on these bonds and with half of the proceeds of each bond sold it buys a U.S. treasury bond with a value at maturity in 1997 of US\$25,000; the other half, or US\$12,500, constitutes revenue to the Government. The U.S. treasury bonds are delivered as collateral to the buyers of Belize bonds which will be redeemed under the condition that the U.S. treasury bonds are surrendered to the Government of Belize.

1985 and remained virtually unchanged in 1986. In 1985 the growth of banking system liabilities was to a large extent sterilized through the increase in liquid asset ratio referred to above, but in 1986 the banks had a large excess reserve position that they accommodated by increasing their holdings of treasury bills.

In December 1986, in light of the strengthening in the net official international reserve position and developments in credit markets, the Central Bank reduced the commercial bank prime lending rate and deposit rates by 2 percentage points. The differential between the interest rate on three-month deposits in Belize and comparable U.S. dollar denominated deposits, which had exceeded 5 percentage points in the second half of 1986, narrowed to about 2.5 percentage points in the second quarter of 1987 (Chart 1).

Developments so far in 1987 suggest that while the current account of the balance of payments will shift back into deficit, a rise in net capital inflows should make possible a further increase in net official international reserves. The pace of economic activity has continued to strengthen and the staff estimates that real GDP would grow by close to 5 percent in 1987 as a whole. At the same time there is likely to be a modest rise in inflation (to 3 percent) because of higher import prices.

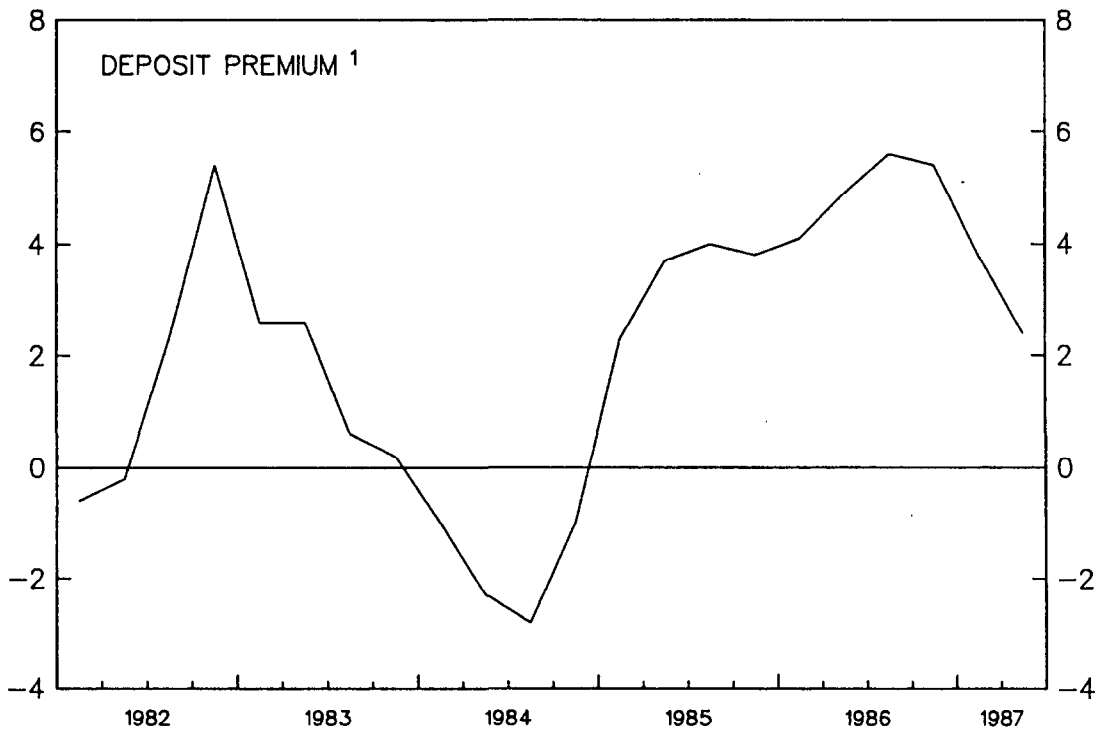
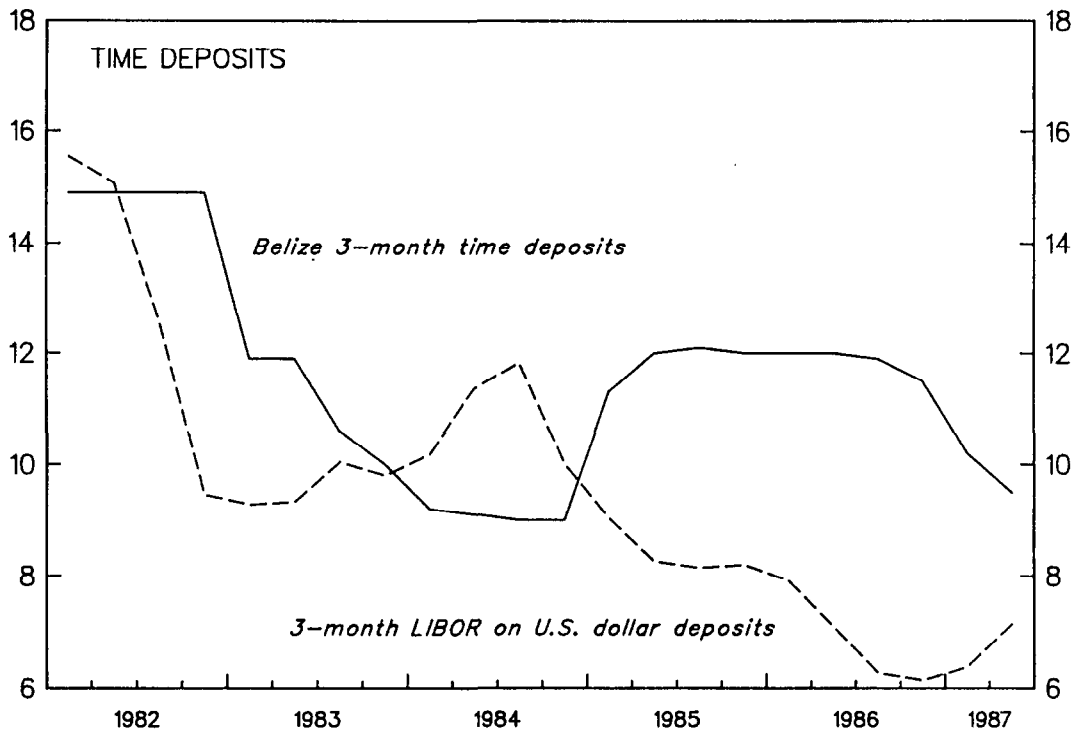
### III. Report on the Discussions

At the conclusion of the 1986 Article IV consultation, Executive Directors welcomed the steps taken by the authorities to reduce the overall public sector deficit and to tighten monetary policy, which contributed to the turnaround in the balance of payments. While seeing the need for a policy of selective wage increases in the public sector, Executive Directors encouraged the authorities to develop fiscal measures to eliminate the risk of a serious weakening of the public finances in FY 1986/87 and to improve the monitoring of the operations of public enterprises. In the view of Executive Directors there would be room for an increase in credit to the private sector provided that credit to the public sector was kept under control. The authorities were urged to keep the exchange rate under close review, taking into account developments in Belize's competitiveness and the balance of payments.

In the discussions with the staff, the authorities reviewed recent developments and prospects for the rest of 1987 and for 1988. They were guardedly optimistic about growth and balance of payments prospects. The export sector was becoming more diversified and private investment in tourism was picking up which, combined with the expansion of Belize's airport scheduled to begin in 1988, was expected to increase tourist receipts in the future.



CHART 1  
BELIZE  
INTEREST RATE DIFFERENTIAL



Sources: IFS and Central Bank of Belize.

<sup>1</sup> Defined as the difference between the Belize interest rate on 3-month time deposits and LIBOR on 3-month U.S. dollar deposits.



1. Fiscal policy

The authorities drew attention to the marked improvement in the public finances in FY 1986/87 which they attributed to the tax measures taken in late 1985 and to efforts to restrain the growth in current expenditure to a rate below that contemplated at the time of the 1986 Article IV consultation discussions. The fiscal program that has been adopted envisages a shift in the overall public sector balance from a surplus of 0.9 percent of GDP in FY 1986/87 to a deficit of 3.4 percent of GDP in FY 1987/88 because of a decline in public sector receipts (mostly grants) of slightly more than 1 percentage point of GDP and an increase in expenditure of about 3 percentage points of GDP (mainly because of a sharp increase in investment in the telecommunications sector) (Table 2).

The overall deficit in FY 1987/88 is expected to be more than covered by external sources of financing (equivalent to 4.8 percent of GDP), thereby facilitating a reduction in the public sector's net indebtedness to the banking system of 1.4 percent of GDP. The projected level of net external financing includes a disbursement of BZ\$4 million from the U.S. AID Economic Stabilization Facility (ESF) which is to support the implementation of operational reforms in the Belize Marketing Board (BMB). Also, included in the projection of net external financing is BZ\$12 million in disbursements from two loans provided by foreign commercial banks to finance the Government's acquisition of the international telecommunications facilities and the expansion of domestic telephone services.

Public sector revenue, excluding foreign grants, is expected to decline marginally in FY 1987/88, as a result of a weakening in the current balance of public sector enterprises. Central government revenue from taxes on international trade and transactions will benefit from the full-year effect of the increase in import duty rates last year and from an increase in the specific duty rate on fuel.

The expected deterioration in the current balance of the public enterprises in FY 1987/88 stems mostly from the higher oil import bill of the Electricity Board and planned general salary increases (about 12 percent on average) at the three largest public enterprises: the Electricity Board, Belize Telecommunications Limited, and the Port Authority. These increases would come on top of sizable wage adjustments for a number of years, which in the view of the management of the enterprises were needed to bring wage scales to levels sufficiently attractive to maintain qualified staff. The authorities intend to monitor more closely the operations of public enterprises in the future and are taking steps to make these enterprises subject to taxation in the same way as private companies. This year's budget called for the payment of stamp duties by some public enterprises, and arrangements are being worked out to have the public enterprises service their external

Table 2. Belize: Consolidated Operations of the Nonfinancial Public Sector 1/

	1983/84	1984/85	1985/86	Prel. 1986/87	Proj. 1987/88 2/
(In millions of Belize dollars)					
Total revenue and grants	100.5	114.0	122.9	149.6	156.9
Revenue	84.4	105.4	114.7	135.8	146.3
Central Government (budgetary)	77.8	92.4	94.5	110.1	122.8
Social Security Board	6.6	10.4	10.6	11.1	11.5
Nonfinancial public enterprises'					
current surplus	--	2.6	9.6	14.6	12.1
Grants	16.1	8.6	8.2	13.8	10.6
Total expenditure 3/	128.8	129.0	133.5	145.6	173.2
Current expenditure	91.9	92.0	95.2	103.1	114.0
General government	87.5	92.0	95.2	103.1	114.0
Central Government (budgetary)	85.8	90.4	93.2	100.7	111.1
Social Security Board	1.7	1.6	2.0	2.4	2.9
Nonfinancial public enterprises'					
current deficit	4.4	--	--	--	--
Capital expenditure	36.9	37.0	38.3	42.5	59.2
General government	24.6	27.4	28.4	27.5	31.0
Central Government (budgetary)	24.4	27.2	28.3	27.5	30.7
Social Security Board	0.2	0.2	0.1	--	0.3
Nonfinancial public enterprises	12.3	9.6	9.9	15.0	28.2
Overall deficit (commitment basis)	-28.3	-15.0	-10.6	4.0	-16.3
Change in outstanding arrears 4/	3.9	-0.4	-4.2	--	--
Financing (net)	24.4	15.4	14.8	-4.0	16.3
External (net) 5/	8.3	12.6	15.8	6.5	22.8
Domestic (net)	16.1	2.8	-1.0	-10.5	-6.5
Banking system	15.3	8.6	-1.4	-10.0	-6.5
Central Bank	14.0	13.5	-16.8	-18.3	1.8
Commercial banks	1.3	-4.9	15.4	8.3	-8.3
Other	0.8	-5.8	0.4	-0.5	--
Memorandum item					
Public sector savings	-7.5	13.4	19.5	32.7	32.3
(In percent of GDP)					
Total revenue and grants	27.7	29.1	30.4	34.0	32.8
Revenue	23.2	26.9	28.4	30.8	30.6
Grants	4.4	2.2	2.0	3.1	2.2
Total expenditure	35.5	32.9	33.0	33.1	36.2
Current expenditure	25.3	23.5	23.5	23.4	23.9
Capital expenditure	10.2	9.4	9.5	9.7	12.4
Public sector savings	-2.2	3.0	4.8	7.4	6.6
Overall deficit (commitment basis)	-7.8	-3.8	-2.6	0.9	-3.4
Overall deficit (cash basis)	-6.7	-3.9	-3.6	0.9	-3.4
External financing	2.3	3.2	3.9	1.5	4.8
Domestic financing	4.4	0.7	-0.3	-2.4	-1.4

Sources: Belize authorities; and Fund staff estimates.

1/ Fiscal year April 1-March 31.

2/ Staff projection.

3/ Commitment basis.

4/ External payment arrears on interest and other current payments.

5/ Includes change in principal external arrears.

debt themselves in the future instead of such costs being borne by the Government; at the same time, the Government would stay current on its payments to public sector enterprises.

Capital expenditure is expected to increase from 9.7 percent of GDP in FY 1986/87 to 12.4 percent of GDP in FY 1987/88. Public investment in telecommunications would increase by 3 percentage points of GDP, while public investment in other sectors would decline a little. The authorities have created a new enterprise, Belize Telecommunications Limited (BTL), to take over the domestic operations of the Telecommunications Authority as well as the international operations of a foreign company whose assets will be bought by BTL before the end of calendar year 1987 (part of the 3 percentage point increase of GDP in telecommunications investment). BTL's cash flow projections point to the financial viability of the company on the basis of its combined international and domestic telephone operations. 1/

In addition to the investment in telecommunications, the public sector investment program centers on the expansion and repair of the road network, the improvement of the water and sewerage system, an extension of the power distribution system, and on agricultural credit. The World Bank views the composition of the public sector investment program as appropriate. World Bank credits have included a road development loan for US\$5.3 million (already fully disbursed) and a US\$7.5 million power project loan approved in 1986 with disbursements expected to begin in the second half of 1987. The Bank staff is working with the authorities to put together an agricultural sector and export development loan to promote agricultural diversification. Additional projects in infrastructure and education are contemplated for the future.

Current expenditure of the public sector is expected to increase only slightly in relation to GDP in FY 1987/88, mostly as a result of a general salary increase of 4 percent in the Central Government and wage drift. The salary increase ranges from 2 percent to 10 percent with the higher salary increases going to senior staff, reflecting the authorities' concern about the inadequate level of remuneration of senior personnel in the public sector.

The authorities emphasized that an overall public sector deficit of the level envisaged for the current fiscal year would be temporary as it reflected the exceptionally large bulge in investment in the telecommunications sector. They were confident that the expansion of the telecommunications services would serve to strengthen the current balance of public enterprises in future years. Looking ahead, the authorities felt that it was important to improve further the current account position of

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1/ The Government intends to sell BZ\$8 million worth of BTL shares to the Social Security Board before the end of FY 1987/88, and would also like to sell some BTL shares to the private sector in the future.

the Central Government to facilitate a strengthening of the government investment effort, and to reduce pressures to borrow from the Social Security Board; such borrowing could undermine the financial capability of the Board to meet its pension obligations in the future. The authorities intend to rely upon a recently established Fiscal Committee to formulate the strategy to improve the central government finances and improve the monitoring of public enterprises.

In formulating the strategy, the authorities plan to re-evaluate the policy toward tax incentives and the income tax code. Tax incentives to some private sector investors appeared to have been excessive in the past and there was clearly a need to formulate a more uniform policy. Regarding the income tax, a 1985 tax review mission of the Fund's Fiscal Affairs Department had made recommendations on how to broaden the tax base and simplify the rate structure.

## 2. Monetary policy

As noted above, in FY 1987/88 the public sector is expected to make a net repayment to the banking system (BZ\$6.5 million or about 3 percent of the banks' liabilities to the private sector outstanding at the beginning of the period) (Table 3). While the Central Government is expected to require an increase in net domestic financing, the rest of the nonfinancial public sector will substantially increase its net deposits in the banking system.

Banking system liabilities to the private sector are projected to grow faster than nominal GDP in 1987, given the rapid expansion in time and savings deposits during the first half of the year. Credit to the private sector has picked up since June 1987, and for the year as a whole is expected to increase by about 7 percent in relation to banks' liabilities to the private sector at the beginning of the year. Net official international reserves are projected to increase by about US\$9 million during 1987 and would raise the level of gross official reserves from 10 weeks of imports of goods and services at the end of 1986 to 11 weeks at the end of 1987.

Despite the recent increase in bank credit, the authorities were concerned about the lack of medium-term bank financing for the private sector; in general, banks were reluctant to extend this type of financing because most of their funding was of a short-term nature. The authorities were also of the view that the high level of interest rates in real terms (about 10 percent as measured by the difference between lending rates and inflation) could have adverse effects on private sector fixed investment; although other factors like inadequate infrastructure, high utility rates and entrepreneurship shortcomings also played a role in hindering investment. In the light of the high liquidity of the banking system in evidence since last year, they had given consideration to lowering interest rates further, but on balance had decided against such action out of concern for its potential impact on import demand for consumer goods. The staff noted that in setting

Table 3. Belize: Summary Operations of the Banking System

(In millions of Belize dollars)

	Dec. 31		1986		1987		Proj. 1/ 1988
	1984	1985	Mar. 30	Dec. 31	Mar. 31	Dec. 31	Mar. 31
<b>I. Banking System</b>							
<u>International reserves (net)</u>	<u>-5.0</u>	<u>7.5</u>	<u>21.6</u>	<u>29.1</u>	<u>44.4</u>	<u>47.1</u>	<u>50.1</u>
<u>Net foreign liabilities of commercial banks</u>	<u>22.1</u>	<u>21.3</u>	<u>17.1</u>	<u>11.4</u>	<u>14.2</u>	<u>11.5</u>	<u>11.5</u>
<u>Domestic credit</u>	<u>190.3</u>	<u>186.2</u>	<u>179.6</u>	<u>173.4</u>	<u>169.2</u>	<u>177.4</u>	<u>177.4</u>
Credit to nonfinancial public sector (net)	70.7	68.3	67.2	60.5	57.3	49.1	50.7
Credit to private sector	135.8	127.0	123.0	126.5	123.6	139.0	137.0
Official capital and residual	-16.2	-9.1	-10.6	-13.6	-11.7	-10.7	-10.3
<u>Liabilities to private sector 2/</u>	<u>163.2</u>	<u>172.4</u>	<u>184.0</u>	<u>191.0</u>	<u>199.4</u>	<u>213.0</u>	<u>216.0</u>
<b>II. Central Bank</b>							
<u>International reserves (net)</u>	<u>-5.0</u>	<u>7.5</u>	<u>21.6</u>	<u>29.1</u>	<u>44.4</u>	<u>47.1</u>	<u>50.1</u>
<u>Assets</u>	<u>12.1</u>	<u>29.6</u>	<u>44.3</u>	<u>53.2</u>	<u>68.8</u>	<u>71.2</u>	<u>74.2</u>
<u>Liabilities</u>	<u>-17.1</u>	<u>-22.1</u>	<u>-22.7</u>	<u>-24.1</u>	<u>-24.4</u>	<u>-24.1</u>	<u>-24.1</u>
<u>Net domestic assets</u>	<u>33.1</u>	<u>20.6</u>	<u>9.2</u>	<u>3.0</u>	<u>-12.4</u>	<u>-14.1</u>	<u>-16.1</u>
Credit to nonfinancial public sector (net)	56.1	48.7	35.4	33.7	17.1	18.0	18.9
Net position of commercial banks	-7.8	-15.6	-12.7	-17.4	-15.3	-19.5	-20.0
Other assets net	-15.2	-12.5	-13.5	-13.3	-14.2	-12.6	-15.0
<u>Currency issue</u>	<u>28.1</u>	<u>28.1</u>	<u>30.7</u>	<u>32.0</u>	<u>31.9</u>	<u>33.0</u>	<u>34.0</u>
<b>II. Commercial Banks</b>							
<u>Net foreign liabilities</u>	<u>22.1</u>	<u>21.3</u>	<u>17.1</u>	<u>11.4</u>	<u>14.2</u>	<u>11.5</u>	<u>11.5</u>
<u>Net claims on Central Bank 3/</u>	<u>-12.0</u>	<u>-20.0</u>	<u>-15.6</u>	<u>-22.5</u>	<u>-19.4</u>	<u>-24.5</u>	<u>-25.0</u>
<u>Net domestic credit</u>	<u>149.4</u>	<u>150.0</u>	<u>157.7</u>	<u>153.0</u>	<u>166.3</u>	<u>172.0</u>	<u>173.5</u>
Credit to nonfinancial public sector (net)	14.6	19.6	31.8	26.8	40.2	31.1	31.8
Credit to private sector	135.8	127.0	123.0	126.5	123.6	139.0	137.0
Other assets (net) residual	-1.0	3.4	2.9	-0.3	2.5	1.9	4.7
<u>Liabilities to private sector</u>	<u>139.3</u>	<u>148.7</u>	<u>156.1</u>	<u>164.1</u>	<u>171.6</u>	<u>185.0</u>	<u>187.0</u>

Sources: Belize authorities; and Fund staff estimates.

1/ Staff projection.

2/ Includes currency in circulation.

3/ Includes cash in vault.

rates it would be advisable for the authorities to take into account total bank credit demand and interest rates abroad. More generally, however, it would be preferable to move to a more flexible interest rate system that would permit interest rates to reflect the demand and supply of loanable funds.

### 3. External policies

The current account of the balance of payments is expected to shift from a surplus of 1.7 percent of GDP in 1986 to a deficit of 1.5 percent of GDP in 1987, reflecting a widening in the merchandise trade deficit (Table 4). Exports are expected to increase by 15 percent (in U.S. dollar terms), as an increase of more than one third in nonsugar exports (owing to sharp increases in the volume of banana exports and in citrus prices) would be offset in part by a 12 percent decline in sugar exports due to lower volume. <sup>1/</sup> At the same time, imports would rise by almost 20 percent in value terms, reflecting the pickup in economic activity, restocking, and a higher oil import bill. <sup>2/</sup>

Net service receipts are expected to decline slightly in 1987 (from US\$10 million to US\$8 million) due to higher interest payments by the public sector. Official transfer receipts may exceed US\$13 million compared with US\$10 million a year earlier because of a doubling in transfers from the United States.

The projected deterioration in the current account in 1987 is expected to be more than offset by an increase in net capital inflows. Net foreign borrowing by the public sector is projected to increase slightly because of BTL borrowing from foreign commercial banks (US\$2 million), while the net inflow of capital to the private sector (including errors and omissions) may increase by some US\$4 million (to US\$4.7 million) because commercial banks are not expected to make net repayments abroad as they did in 1986.

The Belize dollar is pegged to the U.S. dollar, the currency of its most important trading partner. As a result of the appreciation of the U.S. dollar against the currencies of many of Belize's trading partners from 1980 to 1985, the average value of the Belize dollar rose by 30 percent in real effective terms during that period. With the depreciation of the U.S. dollar during the last two and a half years, about two thirds of the earlier real effective appreciation of the

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<sup>1/</sup> The lower export volume in 1987 is associated with the withdrawal of land from sugarcane production after the closure of one of the country's two sugar mills (Libertad) in mid-1985.

<sup>2/</sup> The United States is Belize's most important trading partner accounting for about 60 percent of its exports and supplying more than 50 percent of its imports. The second most important trading partner is the United Kingdom, which accounts for about 34 percent of its exports and 8 percent of its imports. Belize trade with its CARICOM partner countries is relatively small (about 2 percent of both exports and imports).



Table 4. Belize: Summary Balance of Payments

	1983	1984	1985	Prel. 1986	Proj. 1987 <sup>1/</sup>
(In millions of U.S. dollars)					
<u>Current account</u>	<u>-12.4</u>	<u>-12.7</u>	<u>-8.5</u>	<u>3.7</u>	<u>-3.4</u>
Trade balance	-39.8	-38.4	-41.0	-33.8	-43.6
Exports, f.o.b.	65.2	72.9	64.4	74.5	85.5
Imports, c.i.f.	105.0	111.3	105.4	108.3	129.1
Services (net)	9.3	4.5	4.2	10.0	7.8
Private transfers (net)	11.2	12.5	19.0	17.8	19.2
Official transfers (net)	6.9	8.7	9.4	9.7	13.2
<u>Capital account</u>	<u>0.5</u>	<u>-0.4</u>	<u>18.9</u>	<u>3.9</u>	<u>10.1</u>
Public sector (net)	7.3	2.6	14.9	6.5	7.7
Nonfinancial	3.9	3.9	10.0	3.4	7.4
Financial	2.9	0.9	3.4	2.5	0.6
Other public <sup>2/</sup>	0.5	-2.2	1.5	0.6	-0.3
Private sector (net)	-6.8	-3.0	4.0	-2.6	2.3
Commercial banks	-2.3	-3.3	-0.4	-5.0	--
Sugar industry	-2.8	0.6	3.2	-0.7	-0.7
Other	-1.7	-0.3	1.2	3.0	3.0
<u>Errors and omissions</u>	<u>2.2</u>	<u>4.4</u>	<u>-0.4</u>	<u>3.3</u>	<u>2.4</u>
<u>Overall balance</u>	<u>-9.7</u>	<u>-8.7</u>	<u>10.0</u>	<u>10.8</u>	<u>9.0</u>
<u>Exceptional financing</u>	<u>5.1</u>	<u>1.2</u>	<u>-3.7</u> <sup>3/</sup>	<u>--</u>	<u>--</u>
<u>Change in net official reserves (increase -)</u>	<u>4.6</u>	<u>7.5</u>	<u>-6.3</u>	<u>-10.8</u>	<u>-9.0</u>
(In percent of GDP)					
<u>Current account</u>	<u>-7.0</u>	<u>-6.5</u>	<u>-4.3</u>	<u>1.7</u>	<u>-1.5</u>
Trade balance	-22.5	-19.7	-20.8	-15.7	-18.6
Exports	36.8	37.3	32.6	34.6	36.5
Imports	-59.3	-57.0	-53.4	-50.3	-55.1
Services and private transfers	11.6	8.7	11.7	12.9	11.5
Official transfers	3.9	4.5	4.8	4.5	5.6

Sources: Belize authorities; and Fund staff estimates.

<sup>1/</sup> Staff projection.

<sup>2/</sup> Changes in the balances of crown agent account and of a sinking fund held abroad.

<sup>3/</sup> Reflects the elimination of US\$6.3 million in external arrears and debt relief of US\$2.6 million.

Belize dollar has been erased (Chart 2). The authorities attach great importance to the maintenance of a fixed exchange rate with the U.S. dollar, and recognize the implications that this objective has for domestic policies. In their view, after the real effective depreciation of the Belize dollar of recent years, the external value of the currency is now appropriate. Prospects for the sugar sector are now brighter, and exports of citrus, bananas, and other nontraditional items appear to be competitive in foreign markets.

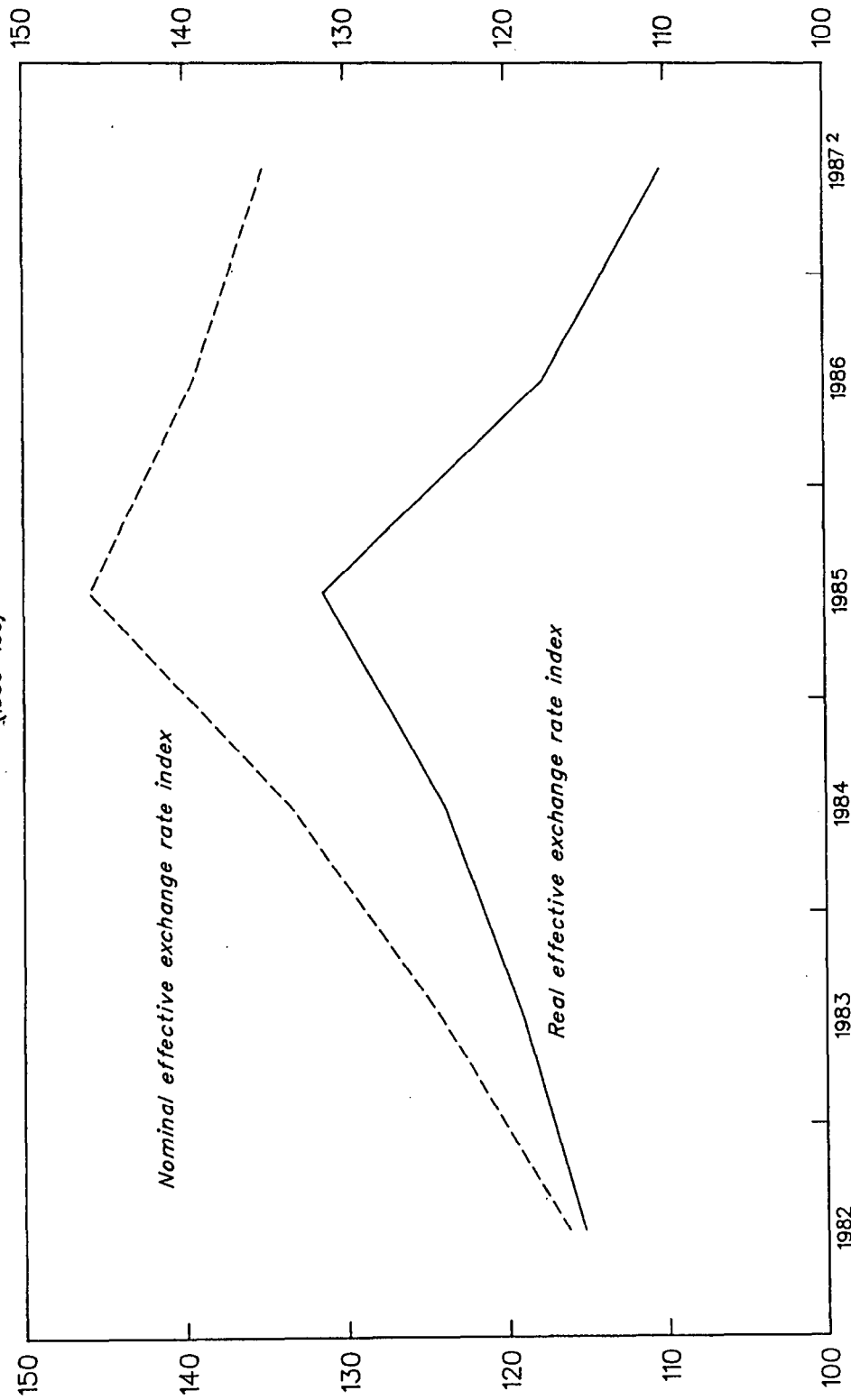
Belize does not maintain exchange restrictions on payments and transfers for current international transactions nor quantitative trade restrictions for balance of payments reasons. However, Belize continues to maintain an import license scheme for about 48 import goods (mostly consumer goods). In principle, these import licenses are used for registration purposes, but the Ministry of Commerce and Industry exercises some discretion in their issuance to protect domestic producers. An import prohibition list was eliminated in August 1986 and the number of exports requiring export licenses was reduced to 15 by the end of 1986. As noted earlier, in November 1986 Belize raised import duties by 15 percentage points for a wide variety of manufactured imports in accordance with a decision by CARICOM members aimed at encouraging manufacturing production in member countries.

#### IV. Medium-Term Outlook

On the basis of the latest review by the staff, Belize's medium-term balance of payments outlook would seem to be somewhat more favorable than it was at the time of the last Article IV consultation discussions, mainly because of improved prospects for exports, net service receipts and private transfers. On the assumption that prudent financial policies will continue to be pursued and that there will not be a deterioration in competitiveness, the current account deficit of the balance of payments is projected to decline gradually in 1990-92 following a temporary widening in 1988-89; it is estimated that net external credits mainly to finance public sector projects would be sufficient to cover the larger current account deficits.

Total exports, after stagnating in 1988 because of a further decline in the volume of sugar exports, are projected to grow on average by 7.5 percent a year during 1989-92 (Statistical Appendix Table 6). The decline in the volume of sugar exports in 1988 would reflect further withdrawal of land from sugarcane production. However, improved sugar price prospects for 1989-92 are expected to encourage new sugarcane planting and better farming techniques; as a result, the volume of sugar exports might grow by about 2.5 percent a year from 1989 to 1992. Led by bananas and citrus, the volume of nonsugar exports would grow by close to 6 percent a year during 1988-92, while prices would increase by about 3 percent a year. Boosted by the expansion of the public sector investment program, imports are projected to be close to 55 percent of GDP in 1988 and 1989 (compared with 52 percent in 1985 and 1986) and then to fall gradually to 51 percent of GDP by 1992.

CHART 2  
BELIZE  
EFFECTIVE EXCHANGE RATE INDEXES<sup>1</sup>  
(1980=100)



Sources: Belize authorities; and Fund staff estimates.

<sup>1</sup> Trade-weighted indexes.

<sup>2</sup> January-June.



Net service receipts are projected to grow in line with nominal GDP (a yearly rate of growth of slightly more than 8 percent on average) and private transfers are projected to grow by about 5 percent a year (a rate of growth smaller than the expected rate of growth of nominal GDP in the United States where most Belize expatriates reside). Official transfers are expected to decline from 5 percent of GDP in 1987 to 2.6 percent of GDP in 1992, reflecting a shift from bilateral grants to loans. On this basis, the current account deficit (including official transfers) would rise from 1.5 percent of GDP in 1987 to 6 percent of GDP in 1989 and come down gradually to 4 percent of GDP by 1992 (Table 5).

Based on information about disbursements from bilateral and multi-lateral creditors <sup>1/</sup> and the borrowing plans of BTL from foreign commercial banks, <sup>2/</sup> net foreign credits to the public sector are expected to increase from an estimated US\$8 million in 1987 to US\$11 million in 1988 and US\$18 million in 1989, followed by a decline in subsequent years. Net private sector capital inflows are assumed to be about US\$3 million on average during 1988-92 (equivalent to the average of the 1985-87 period).

The overall balance of payments is projected to register surpluses averaging about US\$2.5 million during 1988-92. Debt service payments would amount to about 11.6 percent of exports of goods and services on average (or similar to the ratio for 1987), and net public external indebtedness in relation to GDP would average about 48.5 percent of GDP. The medium-term scenario assumes that after 1989 all new foreign borrowing by the public sector would be from multilateral and bilateral creditors with a maturity of more than 12 years. In these circumstances, the maturity structure of the external public debt, which has been improving in recent years, would continue to do so; the share of public external debt with a maturity of less than 12 years would be approximately 5 percent by 1992 compared to 20 percent in 1986.

Over the medium term, with the growing diversification of the export structure, the sensitivity of Belize's balance of payments to changes in sugar prices would be reduced. For example, if sugar prices in the world market were to increase on average by half of the projected 8.5 percent, the current account deficit in 1980-82 would widen only marginally (from 4.7 percent to 4.9 percent of GDP on average). Because most of Belize's external debt is at concessional fixed interest rates, the sensitivity of the balance of payments to changes in interest rates is not high.

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<sup>1/</sup> It is assumed that such borrowing would take place at an average interest rate of 6 percent, with a 2-year grace period and a repayment period of 15 years.

<sup>2/</sup> BTL is expected to borrow US\$6 million in 1988 and US\$4 million in 1989 from foreign commercial banks.

Table 5. Belize: Balance of Payments Medium-Term Outlook

	1986	1987	1988	Projected			1991	1992
				1989	1990			
(In millions of U.S. dollars)								
Current account	3.7	-3.4	-9.5	-16.1	-15.2	-15.4	-13.8	
Trade balance	-33.8	-43.6	-50.0	-57.7	-57.0	-59.9	-61.5	
Exports, f.o.b.	74.5	85.5	86.0	92.8	99.9	107.0	114.8	
Imports, c.i.b.	108.3	129.1	136.0	150.5	156.8	166.9	176.3	
Services (net)	10.0	7.8	9.1	9.9	10.8	12.1	14.0	
Private transfers	17.8	19.2	20.1	21.1	22.2	23.3	24.4	
Official transfers	9.7	13.2	11.3	10.6	8.8	9.2	9.2	
Capital account	7.2	12.5	14.2	21.2	17.9	15.7	12.2	
Official	6.5	7.7	11.3	18.2	14.5	12.2	8.2	
Private <u>1/</u>	0.7	4.7	2.9	3.1	3.5	3.5	4.0	
Overall balance	10.8	9.0	4.7	5.2	2.7	0.4	-1.5	
Memorandum items								
Public sector debt (stock) <u>2/</u>	96.0	103.5	114.8	133.0	147.5	159.7	168.0	
Gross disbursements <u>2/</u>	11.5	14.2	19.0	24.5	22.8	21.5	18.7	
Amortization <u>2/</u>	7.1	6.7	7.7	6.3	8.4	9.3	10.5	
Interest <u>2/</u>	4.2	6.0	6.3	7.1	8.1	8.8	9.4	
(In percent of GDP)								
Current account (including official transfers)	1.7	-1.5	-3.7	-5.9	-5.1	-4.8	-4.0	
Current account (excluding official transfers)	-2.8	-7.1	-8.2	-9.7	-8.1	-7.7	-6.6	
Capital account	1.8	4.3	4.4	6.6	5.0	4.0	2.7	
Overall balance	5.0	3.8	1.9	1.9	0.9	0.1	-0.4	
Public external debt <u>3/</u>	50.0	48.6	48.3	49.7	49.8	49.8	48.4	
(In percent of exports of goods and services)								
Debt service <u>4/</u>	11.2	11.5	12.7	12.1	12.1	10.7	10.7	
Interest payments <u>4/</u>	4.1	5.0	5.1	5.1	5.1	5.1	5.1	
(In percent of total public external debt)								
Public external debt with maturity of 12 years or less <u>3/</u>	20.3	17.2	16.6	13.4	8.9	6.3	4.6	

Sources: Belize authorities; and Fund staff estimates.

1/ Includes net errors and omissions.

2/ Excludes transactions with the Fund.

3/ Includes outstanding credit from the Fund.

4/ Includes transactions with the Fund.

## V. Staff Appraisal

During 1984-86 Belize strengthened the public finances and tightened monetary policy. As a result, the external current account balance improved substantially, external payments arrears were eliminated, and there was a sizable increase in net official international reserves. While the public sector external debt rose during these years in relation to GDP, there was a substantial improvement in the external debt maturity structure. Economic activity slowed in 1985, but recovered in 1986 and the pace of economic growth has accelerated in 1987.

After a modest surplus in FY 1986/87, the public sector finances are projected to shift to a deficit equivalent to about 3.4 percent of GDP in FY 1987/88, mostly because of a large expansion of investment in the telecommunications sector financed with external loans on commercial terms. The authorities have noted that the increase in the public financing requirements is temporary, and that the estimates of the rate of return on BTL's investments suggest that the company's cash flow will be sufficient to meet its debt service obligations. There are uncertainties, however, about these estimates and there are risks associated with the large increase in the public sector's external indebtedness on commercial terms involved in this project. To minimize the possibility that budgetary transfers may be needed to service BTL's external debt in the future, BTL will have to be managed prudently, particularly as regards its expenditure policy.

Other public enterprises also need to implement prudent financial policies, particularly in light of the large increase in current expenditure expected for this year. In this context, it is important that wage increases be maintained within reasonable limits. Aside from their impact on the public finances, large wage increases may have a negative demonstration effect on private sector wages. The decision of the authorities to make some public enterprises subject to stamp duties and to make them responsible for servicing their external debt in the future is welcomed. Such an action will make public enterprises more accountable for their pricing and expenditure decisions. However, it would also be necessary that the Government take the necessary steps to avoid delays in the payment of utility bills.

The authorities' continuing efforts to consolidate the finances of the Central Government are clearly in order. Given the sizable increase in the tax burden in recent years, the emphasis has to be placed on restraining the growth of government expenditure while providing for some reorientation of spending priorities. In particular, the staff shares the view of the authorities that the remuneration of senior personnel should be improved on efficiency grounds and that development expenditure need to be emphasized. On the side of revenue, it would be important to rationalize the tax structure--especially by broadening the income tax base and simplifying its rate structure as recommended by a 1985 tax review mission of the Fund Fiscal Affairs Department--as a

means of improving the efficiency of the tax system. More uniform guidelines for tax incentives, including the tightening of the procedures under which tax exemptions are granted, also are indicated.

In the area of interest rate policy, it is desirable that steps be taken to move to a more market determined interest rate system. Such a system would be conducive to a more efficient credit allocation and could be expected to facilitate the development of financial instruments of longer maturities, which would make possible an increase in medium-term bank lending.

Belize's balance of payments prospects have improved since the last consultation, and the vulnerability of the balance of payments to changes in sugar prices is expected to decline as the diversification of exports proceeds. Maintenance of strong private sector flows are crucial for the balance of payments over the medium term, which highlights the need of pursuing sound financial policies to foster confidence. In order to preserve a manageable debt service profile, a cautious policy is needed as regard the public sector's use of foreign commercial borrowing.

A factor behind the improved overall balance of payments outlook is the real effective depreciation of the Belize dollar that has taken place during the last two and a half years. Taking into consideration the recent gains in competitiveness and the favorable export outlook, the exchange rate appears appropriate at the present time. However, the need to keep the exchange rate under review should be underscored, particularly in light of possible shifts in the real effective exchange rate resulting from movements in the exchange value of trading partners' currencies.

It is recommended that the next Article IV consultation with Belize be held on the 18-month cycle.



Fund Relations with Belize  
(As of September 30, 1987)

I. Membership Status

- (a) Date of membership: March 16, 1982  
(b) Status: Article VIII

A. Financial Relations

II. General Department

- (a) Quota: SDR 9.5 million  
(b) Total Fund holdings: SDR 16.1 million or  
of Belize dollars: 169 percent of quota

	Millions of SDRs	Percent of Quota
(c) Fund credit:	8.47	89.2
Of which: compensatory financing	1.35	14.2
credit tranches	7.12	75.0
(d) Reserve tranche position:	1.91	20.1

III. Stand-By Arrangement and Special Facilities

- (a) Stand-by arrangement:
- (i) Duration: From December 3, 1984 to  
June 1, 1986
  - (ii) Amount: SDR 7.125 million
  - (iii) Utilization: SDR 7.125 million
- (b) Compensatory financing facility:
- (i) Date of approval: June 17, 1983
  - (ii) Amount: SDR 3.6 million
  - (iii) Outstanding: SDR 1.35 million

IV. SDR Department

- (a) Net cumulative allocation: None  
(b) Holdings: SDR 0.03 million

V. Financial Obligations Due to the Fund (in millions of SDRs)

	Overdue Financial Obligations	Principal and Interest Due				
		1987	1/ 1988	1989	1990	1991
<u>Total</u>	—	0.6	2.7	3.6	2.3	0.3
Principal repurchases	--	0.5	2.2	3.3	2.2	0.3
Charges and interest	--	0.1	0.5	0.3	0.1	—

1/ Repurchases and charges due in the period October 1-December 31, 1987.

B. Nonfinancial Relations

- VI. Exchange Rate: The Belize dollar is pegged to the U.S. dollar, the intervention currency, at the rate of BZ\$2 per U.S. dollar. Belize does not maintain any multiple currency practices or restrictions on payments and transfers for current international transactions.
- VII. Last Article IV Consultation: The 1986 Article IV consultation was completed on August 27, 1986 (EBM/86/139). Belize is on the 18-month consultation cycle.
- VIII. Technical Assistance: From October 1982 to June 1986 FAD panel experts were assigned to the Ministry of Finance to advise on budgetary and accounting procedures; in September 1985 FAD experts visited Belize to provide advice on selected tax issues; since August 1983 a CBD panel expert has been assigned to the Central Bank to advise on banking supervision; and since 1983 CBD experts have been assigned as research advisers to the Central Bank of Belize.
- IX. Statistical Data: See Attachment III.

## Belize: Selected Economic and Financial Indicators

	1983	1984	1985	1986	Proj. 1987
(Annual percentage changes, unless otherwise specified)					
National income and prices					
GDP at constant prices	-2.5	5.6	2.5	4.0	4.8
Consumer prices (average)	5.4	3.9	3.3	0.8	3.0
GDP deflator	4.2	4.5	-1.3	4.8	3.8
External sector (on the basis of U.S. dollars)					
Total exports, f.o.b.	9.0	11.8	-11.7	15.7	14.8
Nonsugar exports, f.o.b.	15.1	30.5	3.6	4.7	35.1
Imports, c.i.f.	-0.9	6.0	-5.3	2.8	19.2
Terms of trade (deterioration -)	5.5	13.4	-12.5	9.6	4.8
Nominal effective exchange rate (depreciation -)	6.8	7.6	9.3	-4.5	...
Real effective exchange rate (depreciation -)	3.3	4.1	6.1	-10.5	-7.6 <sup>1/</sup>
Export volume	6.0	-2.6	0.3	10.3	1.7
Public sector <sup>2/</sup>					
Revenue	0.2	24.9	8.9	18.3	7.8
Current expenditure	7.9	0.1	3.5	8.3	10.6
Capital expenditure	-20.1	0.2	3.5	11.1	39.2
Money and credit					
Domestic credit <sup>3/</sup>	16.7	12.6	-2.5	-7.4	2.1
Public sector (net) <sup>3/</sup>	12.9	5.3	-1.5	-4.5	-6.0
Private sector <sup>3/</sup>	5.9	7.7	-5.4	-0.3	6.5
Money and quasi-money	12.4	7.1	5.7	11.2	11.5
Interest rate (annual rate on three-month time deposits)	11.1	9.1	11.9	11.9	...
Average lending rate (annual rate)	15.2	13.8	14.7	14.7	...
(In percent of GDP)					
Public sector <sup>2/</sup>					
Savings	-2.2	3.0	4.8	7.4	6.6
Overall deficit (-)	-6.7	-3.9	-3.6	0.9	-3.4
Foreign financing <sup>4/</sup>	2.3	3.2	3.9	1.5	4.8
Domestic financing	4.4	0.7	-0.3	-2.4	-1.4
Gross domestic investment	18.4	23.7	21.6	18.6	21.3
Gross national savings	11.2	17.0	17.3	20.2	19.9
BOP current account deficit (-)					
(including official grants)	-7.0	-6.5	-4.3	1.7	-1.5
BOP current account deficit (-)					
(excluding official grants)	-10.9	-10.9	-9.0	-2.8	-7.1
Overall balance of payments	-5.5	-4.5	5.1	5.0	3.8
Public external debt (excluding IMF)	38.6	35.9	44.6	44.6	44.2
Public external debt (including IMF)	40.8	38.3	49.9	50.0	48.6
Public external debt with maturity of 12 years or less (excluding IMF)	9.9	8.3	7.1	4.7	4.0
Debt service (including IMF)	2.3	2.8	7.6	6.2	6.5
(In percent of exports of goods and services)					
Debt service (including IMF)	4.3	4.9	14.6	11.2	11.5
(In millions of U.S. dollars, unless otherwise specified)					
Overall balance of payments	-9.7	-8.7	10.0	10.8	9.0
Gross official reserves (months of imports of goods and services)	0.9	0.5	1.3	2.2	2.5
External payments arrears	5.1	6.3	--	--	--

Sources: Belize authorities; and Fund staff estimates.

<sup>1/</sup> Estimated June 1987.<sup>2/</sup> Fiscal year starting April 1.<sup>3/</sup> In relation to liabilities to the private sector at the beginning of the period.<sup>4/</sup> Including changes in outstanding external payments arrears.

Belize - Basic Data

Area and population

Area	22,963 sq. kilometers
Population (mid-1986)	171,000
Annual rate of population increase (1980-86)	2.6 percent
Unemployment rate (1986)	15 percent

Social indicators

Crude birth rate (per 1,000) (1980)	43.1
Crude death rate (per 1,000) (1980)	4.9
Infant mortality rate (per 1,000 live births) (1980)	30.2
Population per physician (1980)	2,202
Population per hospital bed (1980)	261
Adult literacy rate (percent) (1980)	92.0
Primary school enrollment (percent) (1980)	85.0
Access to electricity (1980)	
Percent of households - urban	86.5
- rural	29.1
Access to piped water (1980)	
Percent of households - urban	87.5
- rural	29.5
Nutrition (1977)	
Calorie intake as a percent of requirements	125.0
Per capita protein intake (gm/day)	69.3

GDP (1986)

SDR 184 million  
US\$215 million

GDP per capita (1986)

SDR 1,073

Belize--Statistical Issues

1. Outstanding Statistical Issues

a. General economic data

There is a need for the compilation of production and labor market indicators which are not available at present.

b. Government finance

A technical assistance mission in government finance statistics visited Belmopan from March 29-April 10, 1987. As a result, data for FY 1984/85 were reclassified according to the Fund's A Manual on Government Finance Statistics and data for FY 1985/86 were obtained, including the derivation of major aggregates from national sources and a consolidation of social security operations.

Furthermore, although the 1986 Government Finance Statistics Yearbook publishes for the first time provisional data for many countries, it does not do so for Belize. The availability of these provisional data, even if they must include some estimates or projections, is very useful for purposes of analysis and policy determination.

c. Monetary accounts

There is a need for the regular compilation of complete balance sheet data for the Government Savings Bank and the credit unions.

2. Coverage, Currentness, and Reporting of Data in IFS

The table below shows the currentness and coverage of data published in the country page for Belize in the November 1987 issue of IFS. The data are based on reports sent to the Fund's Bureau of Statistics by the Central Bank of Belize, which during the past year have been provided on an infrequent basis.

Status of IFS Data

		<u>Latest Data in November 1987 IFS</u>
Real Sector	- National Accounts	1984 <sup>1/</sup>
	- Prices: CPI	Q1 1987
	- Production	n.a.
	- Employment	n.a.
	- Earnings	n.a.
Government Finance	- Deficit/Surplus	1980
	- Financing	1980
	- Debt	n.a.
Monetary Accounts	- Monetary Authorities	August 1987
	- Deposit Money Banks	July 1987
	- Other Financial Institutions	March 1987
Interest Rates	- Discount Rate	July 1987
	- Bank Lending/Deposit Rate	July 1987
	- Government Bond Yield	n.a.
External Sector	- Merchandise Trade: Values	June 1986
	Prices (unit value of export: sugar)	Q4 1986
	- Balance of Payments	1986
	- International Reserves	September 1987
	- Exchange Rates	September 1987

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<sup>1/</sup> Gross domestic product at current prices up to 1985.

Table 6. Belize: Export Projections

(Value in millions of U.S. dollars, volume as indicated)

	1988	1989	1990	1991	1992
Sugar	25.8	27.3	28.8	30.3	31.7
Volume ('000 long tons)	74.4	77.7	80.7	82.0	83.0
Unit value per pound	0.155	0.157	0.160	0.165	0.171
Citrus	18.5	20.5	22.8	25.5	28.6
Volume ('000 gal.)	1.8	2.0	2.1	2.3	2.5
Unit value	10.089	10.392	10.703	11.025	11.355
Banana	8.3	9.3	10.1	10.7	11.4
Volume ('000 42 lb. boxes)	1.4	1.5	1.6	1.7	1.8
Unit value	6.101	6.183	6.260	6.342	6.424
Fish products	8.3	8.9	9.5	10.0	10.5
Volume ('000 lb.)	1.4	1.5	1.5	1.6	1.6
Unit value	5.885	6.003	6.123	6.245	6.370
Garments	17.8	19.0	20.2	21.6	23.0
Volume ('000 doz.)	205.0	209.1	213.3	217.6	221.9
Unit value	0.087	0.091	0.095	0.099	0.104
<u>Memorandum items</u>					
Sugar exports to EEC market	18.4	18.8	19.2	19.6	20.1
Volume ('000 long tons)	41.5	41.5	41.5	41.5	41.5
Unit value per pound	0.198	0.202	0.207	0.211	0.216
Sugar exports to U.S. market	3.1	3.1	3.2	3.2	3.3
Volume ('000 long tons)	7.0	7.0	7.0	7.0	7.0
Unit value per pound	0.195	0.199	0.203	0.207	0.211
Sugar exports to world market	4.3	5.3	6.5	7.4	8.4
Volume ('000 long tons)	25.9	29.2	32.2	33.5	34.5
Unit value per pound	0.074	0.081	0.089	0.098	0.108

Source: Central Bank of Belize; and Fund staff projections.

Table 7. Belize: Budgetary Operations of the Central Government

	1983/84	1984/85	1985/86	Prel. 1986/87	Proj. 1987/88
(In millions of Belize dollars)					
<u>Revenue and grants</u>	<u>90.9</u>	<u>98.0</u>	<u>100.1</u>	<u>116.1</u>	<u>128.0</u>
Revenue	77.8	92.4	98.7	113.6	125.5
Tax	67.8	81.8	83.1	98.1	109.3
Nontax	9.7	9.1	15.5	15.3	15.6
Capital	0.3	1.5	0.1	0.2	0.6
Grants	13.1	5.6	1.4	2.5	2.5
<u>Total expenditure 1/</u>	<u>118.2</u>	<u>121.4</u>	<u>137.2</u>	<u>136.7</u>	<u>149.9</u>
Current expenditure	90.5	93.2	97.7	102.9	112.8
Capital expenditure and net lending	27.7	28.2	39.5	33.8	37.1
Of which: development expenditure	24.4	23.6	27.0	27.5	29.7
<u>Overall deficit</u>	<u>-27.3</u>	<u>-23.4</u>	<u>-37.1</u>	<u>-20.6</u>	<u>-21.9</u>
Change in outstanding arrears 2/	3.9	-0.4	-4.2	--	--
<u>Financing</u>					
External	3.7	15.4	26.0	15.4	13.6
Domestic	19.7	8.4	15.3	5.2	8.3
(In percent of GDP)					
<u>Revenue and grants</u>	<u>25.0</u>	<u>25.0</u>	<u>24.8</u>	<u>26.4</u>	<u>26.8</u>
Revenue	21.4	23.6	24.4	25.8	26.3
Tax revenue	18.7	20.9	20.6	22.3	22.9
Nontax revenue	2.7	2.3	3.8	3.5	3.3
Grants	3.6	1.4	0.3	0.6	0.5
<u>Total expenditure</u>	<u>32.5</u>	<u>31.0</u>	<u>33.9</u>	<u>31.1</u>	<u>31.4</u>
Current expenditure	24.9	23.8	24.2	23.4	23.6
Capital expenditure	7.6	7.2	9.8	7.7	7.8
Of which: development expenditure	6.7	6.0	6.7	6.2	6.2
<u>Current account deficit (-)</u>	<u>-3.6</u>	<u>-0.6</u>	<u>0.2</u>	<u>2.4</u>	<u>2.5</u>
<u>Overall deficit</u>	<u>-7.5</u>	<u>-6.0</u>	<u>-9.2</u>	<u>-4.7</u>	<u>-4.6</u>
<u>Financing</u>					
External	1.0	3.9	6.4	3.5	2.8
Domestic	5.4	2.1	3.8	1.2	1.7

Sources: Belize authorities; and Fund staff estimates.

1/ Commitment basis.

2/ On interest and current transfers.



Table 8. Belize: Outstanding External Public and Publicly  
Guaranteed Debt by Creditor and Maturity <sup>1/</sup>

(In millions of U.S. dollars at year-end)

	1982	1983	1984	1985	1986	Proj. 1987
<u>Total</u>	<u>63.1</u>	<u>68.4</u>	<u>70.1</u>	<u>88.1</u>	<u>96.0</u>	<u>103.5</u>
<u>By creditor</u>						
Multilateral and						
bilateral	47.4	52.7	55.3	76.1	87.0	94.9
12 years or less	--	1.9	1.9	2.8	2.5	2.0
More than 12 years	47.4	50.8	53.3	73.2	84.5	92.9
Banks and suppliers	15.7	15.7	14.8	12.0	9.0	8.6
12 years or less	15.7	15.7	14.3	11.2	7.7	7.3
More than 12 years	--	--	0.6	0.8	1.4	1.4
<u>By maturity</u>						
12 years or less	15.7	17.6	16.2	14.1	10.2	9.3
Nonfinancial public						
sector	14.3	16.2	14.8	13.4	9.5	8.6
Financial public sector	1.4	1.4	1.4	0.7	0.7	0.7
Private sector with						
government guarantee	--	--	--	--	--	--
More than 12 years	47.4	50.8	53.9	74.0	85.9	94.2
Nonfinancial						
public sector	38.2	39.0	40.3	55.4	65.5	73.8
Financial public sector	9.0	11.5	12.6	17.7	19.4	19.5
Private sector with						
government guarantee	0.2	0.2	1.0	0.9	0.9	0.9
<u>Memorandum item</u>						
Liabilities to the IMF	--	3.8	4.7	10.5	11.7	10.3

Sources: Belize authorities; and Fund staff estimates.

<sup>1/</sup> Excluding reserve liabilities of the Central Bank. Year-end stocks include adjustments for valuation changes.

