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**Joint Statement by Mr. Mahlinza, Mr. Razafindramanana, Mr. Essuvi, and Mr. Ndong
Ondo Bilee on Belize
(Preliminary)
Executive Board Meeting
November 12, 2018**

Following the growth slowdown in the last five years, Belize's economy is recovering steadily, supported by a favorable global environment and the authorities' commitment to the 2017 debt restructuring plan. Despite this recovery, the economy continues to face significant challenges, notably high public debt, vulnerability to climate change, and relatively low growth. Medium term risks remain elevated, particularly the vulnerability to natural disasters and the slowdown in growth among the key trading partners. Against this background, implementation of prudent macroeconomic policies aimed at reducing debt and building buffers, while supporting structural reforms to enhance growth and build resilience to shocks should be a priority. We concur with the thrust of staff's appraisal and would like to make the following comments.

Fiscal consolidation is critical to bringing public debt down to sustainable levels. We take note of the authorities' plans in the 2018-19 budget aimed at strengthening domestic revenue mobilization and implementing significant fiscal adjustment. Nevertheless, we concur with staff that additional measures will be needed in the medium-term. We commend the authorities for further broadening the base of the General Sales Tax (GST), reducing exemptions and streamlining incentives. On the expenditures side, we see merit in restraining current spending, including through gradually streamlining the public-sector personnel, adjusting salary and pension increases in line with inflation, while strengthening public financial management and accountability. That said, we are concerned that the bulk of the fiscal adjustment was achieved through reduced government investment. This likely affected economic growth and impacted the outcome of the tax measures, given the lower than expected yield. In this regard, we encourage the authorities to consider measures that strike a balance between fiscal consolidation and the need to preserve social cohesion and growth.

Addressing vulnerabilities in the banking sector is crucial to safeguard stability. Sustained improvements in financial supervision and prudential regulations remain crucial to

strengthening the financial system stability. Forceful measures to address vulnerabilities to the loss of correspondent banking relationships (CBRs) should be taken. In this regard, we welcome the authorities' actions to enhance financial soundness and reduce risks to CBRs that have led to declining NPLs (from 10.4 percent in 2016 to 7.5 in 2017) and CBRs recovery. The Central Bank of Belize's (CBB) actions to closely supervise troubled banks is welcome.

Reinvigorating structural reform implementation is essential to raise productivity, strengthen the resilience to shocks and boost medium-term growth. In this regard, we see merit in the efforts to address structural impediments to growth, through the implementation of policies based on the 2016-2019 Growth and Sustainable Developments Strategy (GSDS). We also encourage the authorities to take further measures to improve the business climate and support private sector development, access to finance and reduce regulatory burdens and labor market rigidities, while investing in human capital development. Further, improving governance, enforcement of laws and reduction of crime, will support investor confidence.

Finally, given Belize's vulnerability to natural disasters, we welcome the joint IMF-World Bank Climate Change Policy Assessment (CCPA), which gives a broad view of the impact of climate change and natural disasters as well as the cost of policy measures being put in place to mitigate these impacts on the macroeconomy, while also identifying the gaps. We are encouraged by the authorities' commitment to resilience-building investments and agree that this joint initiative by the Fund and the World Bank to help small states understand and manage the economic impact of climate change and natural disasters should be leveraged to unlock sustainable financing to support the climate investment and insurance plans, as mentioned in Ms. Levonian, Ms. McKeirnan and Mr. Hart's buff statement.