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November 8, 2018

**Statement by Mr. Kim and Mr. Shin on Belize  
(Preliminary)  
Executive Board Meeting  
November 12, 2018**

We thank staff for their insightful set of papers on Belize and Ms. Levonian, Ms. McKiernan and Mr. Hart for their informative Buff statement. Despite some signs of recovery especially in tourism and agriculture, the Belizean economy continues to confront challenges both in fiscal and external sectors, with the projected growth below 2 percent over the medium term. We broadly concur with the staff assessment and have the following comments for emphasis and clarification.

**Focus should be placed on sustained fiscal consolidation and debt management to create space for priority spending.** We welcome the significant tightening in the fiscal stance in FY 2017/18 and the further adjustment in the FY 2018/19 budget. However, given the still high and rising public debt (near 95 percent of GDP), more consolidation efforts need to be made to put the debt on a downward trajectory and on a sustainable level. Considering the already elevated revenue level (around 30 percent of GDP), it is worth focusing on restructuring and reprioritizing the government expenditure—especially wage bill and pension reforms, along with full and strict implementation of recently introduced revenue measures. That way, the much needed social and infrastructure spending could be secured in the process of fiscal consolidation. We also agree with staff that the authorities need to phase out the practice of the financing government spending with Central Bank borrowing for further fiscal prudence.

**Efforts to ensure effective implementation of the AML/CFT framework and recovery of CBRs (correspondent banking relationships) would need to be continued.** We commend the authorities for taking steps to strengthen the AML/CFT legal framework and improve regulation and supervision of the offshore sector. As the framework in line with international requirement is needed to address the challenge of maintaining CBRs, further actions

including capacity development of risk-based supervision and continued renewal of its AML/CFM framework based on the assessment by the CFATF would be warranted. We also urge the Fund to provide well-tailored technical assistance and training to help the authorities enhance their monitoring of CBRs and AML/CFT and strengthen their frameworks. We agree with staff's view on the offshore center and suggest the authorities conduct a comprehensive cost/benefit analysis on this issue.

**Expediting structural reforms for a better business climate is a key step to reinforce the medium-term growth and resilience.** We commend the authorities for the efforts being made under the GSDS (Growth and Sustainable Development Strategy) and suggest developing a more sophisticated financing strategy to ensure effective and efficient implementation. *Could staff comment on any major progress and takeaways under the GSDS and where the main focus should be placed down the road?*

**We welcome the completion of the Pilot for CCPA (Climate Change Policy Assessment).** Given that Belize is exceptionally vulnerable to natural disasters and climate change, we see the value of this pilot in taking stock of the authorities' current plans for natural disaster and climate change and helping set up the future policy direction. We concur with staff that private investment should be mobilized further to meet the adaptation and mitigation needs, along with continued official sector financial involvement. We would also suggest the Fund keep up the good work of supporting vulnerable countries including through better lending toolkits and capacity building.