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November 8, 2018

**Statement by Mr. Fachada and Ms. Mohammed on Belize  
(Preliminary)  
Executive Board Meeting  
November 12, 2018**

1. We thank staff for the reports, and Ms. Levonian, Ms. McKiernan, and Mr. Hart for their informative statement. We commend the Belizean authorities for achieving their fiscal commitment under the 2017 restructuring agreement with private external bondholders. Yet, Belize continues to face macroeconomic challenges stemming from weak external accounts, high public debt, fragile correspondent banking relationships, and increase vulnerability to natural disasters. We therefore encourage the authorities to take further steps to position the economy on a more sustainable path, in line with policy recommendations put forward by staff.

2. **We commend the authorities for achieving a primary fiscal surplus (excluding one-off effects) of 1.3 percent of GDP in FY2017/18.** However, we agree with staff that greater fiscal consolidation is necessary to bring the public debt-to-GDP within a more sustainable level. A balanced approach to fiscal consolidation, utilizing both expenditure controls and revenue enhancing measures, is warranted to strengthen fiscal buffers and create some fiscal space. Modernizing and reinforcing the efficiency of tax administration, and reviewing tax exemptions and incentives, should be considered to ensure that revenue collection leakages are prevented. The authorities should also consider staff's advice regarding wage bill restraint and implementing pension reforms similar to the ones adopted by peer countries. We are also of the view that significant gains can be achieved in the implementation of public financial management and debt management reforms. These reforms would enhance the transparency, efficiency and credibility of Belize's fiscal consolidation efforts.

3. **We support staff's recommendation of phasing out the practice of financing government spending from borrowings from the central bank and utilizing more**

**regular government debt auctions.** This can be a catalyst for the development of the domestic capital market. In parallel, increased regulatory oversight and resolute actions are necessary to preserve confidence and stability in the financial sector. To this end, we commend the action undertaken by the authorities in isolating the troubled offshore bank and look forward to continued action in addressing the banking system vulnerabilities, including the maintenance of restrictions on a systemic bank and the performance of an asset quality review of all banks. Efforts to strengthen and implement the AML/CFT framework, including ensuring entity transparency in the offshore business sector should continue. Additionally, it appears that pressures from correspondent banking relationship (CBR) withdrawals have eased relatively, as the affected banks have found replacement CBRs and alternative ways of processing cross border transactions. *Can staff provide further details on the cost of these alternative arrangements?* Further, we share staff's recommendation to develop mechanisms to better detect CBRs restrictions and withdrawals, and identify the relative drivers, to avoid similar future occurrences.

4. **Belize tourism industry is expanding rapidly and is supported by a favorable global environment.** We have noted that there are plans to build a multi-million dollar cruise port off the coast of Belize City and, according to staff, this would contribute significantly to economic activity. However, we are concerned that the expected contribution may be optimistic, since cruise ships usually dock at ports during part of the day and restaurant and other services are available on board the ship. *Can staff indicate what is the time horizon for the construction of the cruise port and whether an economic impact analysis was done to gauge the port's effect on GDP and other macroeconomic variables?* Further, given the authorities' fiscal commitment and their debt reduction objective, *can staff indicate how the cruise ship port would be financed?*

5. **We strongly welcome the IMF-World Bank Climate Change Policy Assessment (CCPA).** The document emphasizes well that Belize remains vulnerable to the impact of natural disasters and climate change. It is noted that despite Belize's well-articulated climate plans, its response implementation capacity remains a challenge, due among other things to the limited amount of aid it receives. We agree with staff that Belize needs to strengthen *ex ante* resilience and build buffers to meet post-disaster financing. In particular, we welcome the proposal of setting up a natural disaster contingency fund.