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**Statement by Mr. Hurtado and Mrs. Del Cid-Bonilla on Belize
(Preliminary)
Executive Board Meeting
November 12, 2018**

We thank staff for the comprehensive set of papers, including the Climate Change Policy Assessment (CCPA), and Ms. Levonian, Ms. McKiernan, and Mr. Hart for their informative buff statement. Belize is recovering from the recession experienced in 2016 aided by favorable global environment, and a rebound in the agriculture, tourism and service sectors. However, downside risks are significant. As a small vulnerable State, a comprehensive strategy to address mitigation, adaptation and risk management of climate change and natural disasters is central for faster economic growth and fiscal consolidation. We broadly share the staff appraisal and have only a few comments and questions.

To reach higher rates of economic growth and greater resilience toward natural disasters and climate change seem the most important challenges faced by Belize; more dynamic growth would reduce the size of fiscal adjustment thus helping put debt on a declining path while improving the wellbeing of the population. Therefore, addressing structural impediments to growth is essential. Improving the business climate should be prioritized. We welcome the 2016-2019 Growth and Sustainable Development Strategy (GSDS) launched by the authorities and encourage them to devise roadmaps with specific timelines, assigning clear responsibilities (to institution/team/officer) that allow faster implementation.

The CCPA makes evident Belize's vulnerability toward natural disasters and climate change. Authorities are to be commended for their progress in the implementation of mitigation measures; on adaptation measures, the authorities need to move forward with prioritizing and costing resilient infrastructure projects. *We would like to hear from staff if authorities are currently working on this and what role TA is playing or can play. What options, in staff's view, would Belize have to finance the resulting projects which authorities themselves recognize could be very expensive?* Strengthening risk management is crucial; therefore, authorities' awareness on the importance of tools oriented to risk-transfer and risk-retention is rewarding. *We would like to ask staff about the experiences of other small states*

in enlisting and the use of these instruments, and about the reasons that have prevented Belize so far to engage in these mechanisms.

We commend the authorities for the important fiscal adjustment implemented in 2017-2018 and the fiscal measures contemplated in the 2018-2019 budget. We also see merit in the authorities' readiness to take additional measures to gradually raise the primary surplus to about 4 percent of GDP if necessary to reduce government debt to below 60 percent over the medium term. The implementation of many of the additional fiscal measures proposed by staff will take longer time as they require legislative approval; meanwhile, authorities could accelerate measures oriented to modernize and reinforcing efficiency of the tax administration, and to more closely monitor activity in Commercial Free Zones. Containing current expenditure is also essential. Staff recommends implementing a replacement ratio to gradually reduce the number of public sector employees and to limit salary increase to the rate of inflation. *To what extent these measures are being considered by the authorities?* We encourage the authorities to also continue strengthening public fiscal management.

Authorities have made some progress in strengthening banking supervision. To continue tight risk-based supervision and tightened regulations on provisioning in line with Basel requirements is warranted. Strengthening of the bank resolution framework should also be prioritized, including with tools that can be used at an early stage. We share staff's view that the authorities could benefit from a FSSR and take advantage of advice and TA provided by the Fund within this context to accelerate the sector reforms. *Is this approach being considered by the authorities?*

Correspondent Banking Relationships have recently stabilized but situation remains fragile. Authorities have taken important steps towards strengthening the AML/CFT framework and a national risk assessment is underway. We concur with staff on the importance of making obligatory for all financial entities to have available information on the final beneficiary. To continue strengthening the CBB and IFSC supervisory capacities as well as implementing stricter licensing in the off-shore sector is crucial. We took note that staff divides its recommendations to reform the AML/CFT framework into short, medium and long term. To improve the IFSC's capacity to properly supervise compliance with AML/CFT and ensure effective implementation of sanctions are among the short-term recommendations; however, details are not provided on *how this will be achieved. Regarding sanctions, it is not clear if they are already in place or if additional regulation is required to implement them. We also wonder if assessing the cost-benefit of the off-shore operations can be done in the short term as part of the NRA underway. Staff comments on these topics are welcome. Finally, can staff elaborate on how the recommended enhanced communication between CBB and Belizean banks can be operationalized?*