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November 8, 2018

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

We thank staff for the comprehensive set of reports on Belize and Ms. Levonian, Ms. McKiernan and Mr. Hart for the informative Buff statement. We commend the authorities for the progress made in implementing recent Article IV recommendations. These have helped the economic recovery to gain strength, the debt-to-GDP ratio to decrease, and the financial sector health to improve. Notwithstanding the challenges facing Belize, the future also holds significant potential for growth to accelerate which can be realized with proper macroeconomic management, pursuance of growth-enhancing policies and rigorous implementation of structural reforms. We broadly agree with the thrust of the staff appraisal and would like to offer the following comments for emphasis.

Further fiscal consolidation bodes well for market confidence and sustainability of Belize's medium-term policy priorities. With growth continuing to underperform, we agree with staff's recommendation for authorities to support fiscal prudence with a policy mix that lifts growth potentials. In this regard, we take positive note of the authorities' readiness to continue undertaking complementary efforts in strengthening the fiscal framework and tax collection, accelerating the implementation of fiscal measures, and modernizing public financial management. While we also appreciate that any additional fiscal adjustment should cater for the social consensus and potential downside risks, there is merit to consider staff's view to phase out the practice of financing government spending with borrowings from the central bank and to develop capital markets with appropriate safeguards. *It would be useful if staff could elaborate further on the Fund's role and experience in assisting member countries to grow their domestic capital market.*

We welcome the authorities' concrete efforts toward exercising effective supervision and enhancing the resiliency and integrity of the financial system. While non-performing loans (NPLs) have declined, we note that the reductions were mainly from loan write-offs

and the level of NPLs remained relatively high. This warrants continued vigilance including the asset quality review that the authorities are amenable to. Besides staff's recommendations on strengthening provisioning and bank resolution requirements, as well as conducting a Financial Sector Stability Review, we also appreciate the discussion on stepping up efforts to combat money laundering and terrorist financing as the threats of criminal activities and illicit fund flows are trans-national in nature and ever evolving. Prudent risk management and strong governance practices in the banking sector are critical to preserving financial stability.

The current account deficit is expected to stay high, reflecting structural challenges. We note that the external position remains substantially weaker than the level consistent with medium-term fundamentals and desirable policy settings. In addition, staff projected reserves to remain below the adequacy threshold of risk-weighted metrics over the medium term. To better position Belize to withstand adverse shocks that may arise in the future, we encourage the authorities to stand ready to make additional fiscal policy adjustments and structural reforms, with a view of building up sufficient level of reserves over time. *We would appreciate staff's comments on the potential sectors, in addition to tourism and agriculture, that could be developed as alternative growth drivers for the economy going forward.*

Advancing structural reforms is essential to delivering sustained growth and tangible outcomes to Belizeans. According to the World Bank annual ratings, the Ease of Doing Business Index for Belize averaged 103.27 from 2008 to 2018, reaching an all-time high of 125 in 2018 and a record low of 75 in 2008. This is evident of the limited headway in the authorities' reform agenda and reinforces the need to re-invigorate and proceed decisively on the policy priorities to help Belize continue to grow sustainably against a backdrop of domestic and external challenges.

We wish the authorities all the success in their future endeavors.