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November 8, 2018

Statement by Ms. Pollard and Mr. Grohovsky on Belize
(Preliminary)
Executive Board Meeting
November 12, 2018

After decades of strong performance, the Belizean economy has slowed over the past few years while fiscal and external buffers have deteriorated. Placing the country's high public debt-to-GDP ratio, now at 95 percent, on a sharp downward trajectory will require major policy action on the fiscal and structural fronts. We welcome the progress and commitments made by the authorities and offer the following comments.

We are pleased that the government is following through on its fiscal consolidation commitments outlined in the recent debt restructuring deal. However, the composition of the fiscal adjustment – reducing government investment and increasing revenues – is sub-optimal for growth. A greater focus on reducing current spending including civil service and pension reform would be welcome. *Could staff provide more detail on the prospect that a low-income country with potential growth of 2 percent could run 4 percent of GDP primary surpluses now and into the medium-term, particularly given the significant fiscal adjustment already undertaken?*

The elevated burden of public debt will continue to weigh on growth and reduce resources available for priority investments. Given the lack of fiscal space, the exchange rate peg, and contingent liabilities from various legacy claims, structural reforms including to Belize's business climate will be critical to improving growth and debt dynamics. We welcome the boost in tourism, as highlighted in Box 1 of the report, and the specific business climate reforms recommended by staff on facilitating access to credit, streamlining regulations, addressing labor market rigidities, and improving governance and fighting corruption. We encourage the authorities to follow through on implementing these reforms.

We welcome the annex on the external sector in light of the significant current account deficit (projected at 6.2 percent of GDP this year), declining international reserves below standard adequacy thresholds, and the exchange rate peg. This weak external position leaves the economy vulnerable to shocks. *Could staff elaborate on whether a more flexible exchange rate might help reduce external imbalances?*

Finally, given the lack of timeliness of some fiscal, real, and external sector data, we strongly encourage the authorities to participate in e-GDDS with a National Summary Data Page.