



BELIZE

September 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR BELIZE

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Belize, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its September 10, 2025 consideration of the staff report that concluded the Article IV consultation with Belize.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on September 10, 2025, following discussions that ended on July 11, 2025, with the officials of Belize on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 28, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Alternate Executive Director** for Belize.

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Washington, D.C.



IMF Executive Board Concludes 2025 Article IV Consultation with Belize

FOR IMMEDIATE RELEASE

- The Executive Board of the International Monetary Fund (IMF) concluded the 2025 Article IV consultation with Belize on September 10, 2025.
- After a remarkable recovery following the pandemic, growth has slowed, while inflation has decelerated, and the public debt-to-GDP ratio has declined sharply. IMF staff expects growth to converge to its potential of about 2 percent over the medium term, reflecting capacity constraints. The public debt-to-GDP ratio is projected to fall more slowly, requiring additional fiscal consolidation and growth-enhancing structural reforms to reduce debt to 50 percent of GDP by 2030.
- Policy priorities include revenue mobilization and reprioritization of expenditure; greater spending in priority areas; expanded access to finance; accelerating growth-enhancing and structural reforms; and building resilience to natural disasters.

Washington, DC – September 15, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Belize.¹ The authorities have consented to the publication of the Staff Report prepared for this consultation.²

Belize has experienced a remarkable recovery following the pandemic. After expanding by 30.6 percent between 2021 and 2023, real GDP grew by 8.1 percent in 2024, driven by positive developments in tourism, trade, and transport. At the same time, inflation continues to moderate, slowing to 1.0 percent in May 2025 from 4.0 percent in May 2024, owing to decelerations across most categories. This strong nominal growth, combined with expenditure control and a sharp recovery in government revenues, improved the primary balance to 1.7 percent of GDP in FY2024. In turn, public debt fell sharply to 61.1 percent of GDP in 2024, after peaking at 103.3 percent of GDP in 2020, also supported by a debt-for-marine protection swap and a negotiated discount on the debt with Petrocaribe.

Real GDP growth is expected to decelerate to 1.5 percent in 2025—due largely to a slowdown in tourism and a weak agricultural sector performance—and is projected to gradually converge to its potential of about 2 percent over the medium term, absent expanded hotel and flight

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/Belize page.

capacity. As inflationary pressures from key trading partners and global oil prices weaken, inflation is expected to converge to 1.3 percent, and the current account deficit is expected to narrow to about 1.2 percent of GDP over the medium term from 1.5 percent in 2024. International reserves are expected to rise to about 4 months of imports (from 3.5 in 2024) but will remain below the ARA metric by 2030. Risks to the growth outlook remain tilted to the downside, and stem mainly from higher global policy uncertainty, increased trade barriers, higher-for-longer global interest rates, and increased or sustained climate-related disasters. However, the successful implementation of several large infrastructure projects could push medium-term growth higher.

Executive Board Assessment³

Executive Directors welcomed the strong recovery following the Covid 19 pandemic and the improved social outcomes and financial stability. Directors highlighted that growth is expected to decelerate sharply in 2025, before converging to its potential over the medium term. Noting the downside risks stemming from high exposure to external risks and increased global uncertainty, Directors stressed the need to reduce public debt and accelerate reforms to unlock potential growth and build resilience to natural disasters. As a small developing country with capacity constraints, they agreed on the importance of continued tailored policy advice and technical assistance to support implementation in Belize.

Directors welcomed the authorities' commitment to building buffers against future shocks, particularly by lowering public debt to below 50 percent of GDP. They recommended enhanced revenue mobilization and reprioritization of current expenditure, including through pension reform, to make space for priority spending on targeted social programs, crime prevention, and infrastructure. Establishing a medium term fiscal framework with clear targets and measures would improve credibility and pave the way for an effective Fiscal Responsibility Law.

Directors agreed that continued reserves accumulation would help strengthen the credibility of the currency peg. Further fiscal consolidation, structural reforms to enhance competitiveness, and continued efforts to reduce the central bank's holdings of government securities are important measures.

Directors welcomed the decline in systemic risks and encouraged continued commitment and vigilance to maintain financial stability. They highlighted the need to expedite the operationalization of the Deposit Insurance Act to enhance the financial safety net. Directors also agreed on the importance of improving private sector access to financing to boost investment. They highlighted the considerable progress on strengthening the AML/CFT framework and called for continued efforts to address remaining gaps.

Directors agreed that continued efforts to accelerate growth enhancing structural reforms are necessary to boost potential growth. They recommended measures to address structural barriers, increase female labor force participation, address capacity constraints in the tourism

³ At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

sector, and improve the business climate. Measures to further enhance Belize's resilience to natural disasters remain essential.

Table 1. Belize: Selected Social and Economic Indicators

I. Population and Social Indicators

Area (sq.km.)	22,860	Human development index (rank), 2022	118
Population (thousands), 2024	410.9	Under-five mortality rate (per thousand), 2021	11.2
GDP per capita, (current US\$), 2023	7,587	Unemployment rate (percent), April 2025	2.1
Life expectancy at birth (years), 2021	70.5	Multidimensional poverty (percent of population), 2024	22.1

II. Economic Indicators

	2021	2022	2023	Projections						
				2024	2025	2026	2027	2028	2029	2030
National income and prices				(Annual percentage changes, calendar year)						
GDP at constant prices	17.7	9.7	1.1	8.1	1.5	2.4	2.2	2.1	2.0	2.0
Consumer prices (end of period)	4.9	6.7	3.7	2.6	1.5	1.3	1.3	1.3	1.3	1.3
Consumer prices (average)	3.2	6.3	4.4	3.3	1.4	1.9	1.3	1.3	1.3	1.3
Central government 1/				(In percent of fiscal year GDP)						
Revenue and grants	22.5	22.8	23.2	24.0	24.7	25.0	24.0	24.0	24.0	24.0
Current non-interest expenditure	17.3	16.4	16.3	16.2	16.2	16.6	17.1	16.8	16.8	16.8
Interest payment	1.3	1.7	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.2
Capital expenditure and net lending	5.2	5.5	7.3	6.1	7.4	7.6	6.4	6.4	6.4	6.4
Capital expenditure	5.1	5.5	7.3	6.0	7.3	7.5	6.3	6.3	6.3	6.3
Net lending	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Primary balance	0.0	0.9	-0.5	1.7	1.1	0.8	0.6	0.8	0.8	0.8
Overall balance	-1.3	-0.8	-2.7	-0.5	-1.2	-1.5	-1.8	-1.5	-1.5	-1.4
Public debt				(In percent of calendar year GDP)						
Public debt 2/	82.5	66.8	67.2	61.1	60.4	59.3	59.1	58.7	58.4	58.0
Domestic debt	27.2	23.1	24.6	22.2	21.6	20.5	20.4	20.6	20.9	21.2
External debt	55.3	43.7	42.6	38.9	38.9	38.8	38.7	38.1	37.4	36.8
Principal payment	8.6	5.8	6.7	6.6	7.5	7.9	6.9	6.2	6.1	6.4
Domestic	6.4	4.5	5.1	4.5	5.7	6.2	5.2	4.4	4.4	4.8
External	2.1	1.3	1.6	2.0	1.8	1.7	1.7	1.8	1.7	1.6
Money and credit				(Annual percentage changes, calendar year)						
Private sector credit by commercial banks	2.5	4.4	5.9	4.1	3.2	3.0	3.0	3.0	3.0	3.0
Money and quasi-money (M2)	12.3	4.7	7.0	9.4	2.1	4.4	3.5	3.4	3.3	3.3
External sector				(Annual percentage changes, unless otherwise indicated)						
External current account (percent of GDP) 3/	-6.5	-8.3	-0.6	-1.5	-1.5	-1.4	-1.3	-1.2	-1.2	-1.2
Real effective exchange rate (+ = depreciation)	-2.3	2.8	0.2	0.6	...	...	...	...	...	...
Gross international reserves (US\$ millions)	420	482	474	498	527	566	599	637	681	721
In months of imports	3.2	3.7	3.3	3.5	3.7	3.7	3.8	3.9	4.0	4.1
Memorandum items										
Output gap (percent of potential output)	-5.2	-0.3	-2.4	1.9	0.6	0.4	0.2	0.1	0.0	0.0
Nominal GDP (BZ\$ millions)	4,841	5,693	6,134	6,847	7,046	7,356	7,610	7,867	8,125	8,392

Sources: Belize authorities; UNDP Human Development Report; World Development Indicators; and staff estimates and projections.

1/ Fiscal year (April to March).

2/ Public debt includes central government debt as well as external financial and non-financial public sector debt.

3/ Including official grants.



BELIZE

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

July 28, 2025

KEY ISSUES

Outlook and Risks. Growth is expected to be subdued in the near term before converging to its potential of 2 percent over the medium term, as tourism growth slows, reflecting capacity constraints, and commodity prices subside. Consequently, the public debt-to-GDP ratio is projected to fall more slowly, remaining around 58 percent through 2030 under the baseline. Risks to the outlook include increased trade barriers and global trade policy uncertainty, higher-for-longer global interest rates, and natural disasters.

Policy Advice. Belize's policy priorities include revenue mobilization and expenditure rationalization to raise the primary surplus, expand spending in priority areas, and build fiscal buffers by reducing public debt; improving access to finance; accelerating growth-enhancing and structural reforms; and building resilience to natural disasters.

- *Fiscal Policy.* The authorities aim to reduce public debt to 50 percent of GDP. Achieving this target by 2030 would require raising the primary surplus to 2 percent of GDP from FY2026 onwards which would entail an adjustment of 1.2 percent of GDP over 2 years, by increasing government revenues and reforming the Pensions Plan for Public Officials (PPPO). This would also create space for additional priority spending in social programs, crime prevention, and infrastructure.
- *Structural Reforms.* Boosting per capita income requires addressing infrastructure gaps, improving the business climate, enhancing energy generation, and raising female labor force participation. Adopting a comprehensive Disaster Resilience Strategy would further help to mobilize support from the international community.
- *Monetary Policy.* Gradually reducing the central bank's stock of government securities would help to reduce excess liquidity and support domestic capital market development. Structural reforms and fiscal consolidation would support additional accumulation of international reserves and strengthen the currency peg.
- *Financial Sector Policy.* Enhancing the financial safety net—including via operationalization of the deposit insurance framework—is key to support financial stability, while expanding the private sector's access to finance would boost investment. Building on the recent substantial progress in the AML/CFT framework, efforts to address the remaining shortcomings should continue.

Approved By
Dora Iakova (WHD)
and Jacques Miniane
(SPR)

Discussions took place in Belize City and Belmopan during July 1–11, 2025. The IMF team was comprised of: Metodij Hadzi-Vaskov (Head), Ziad Amer, Bunyada Laoprapassorn and Shane Lowe (all WHD). Ziana Ahmed (OED) attended most meetings. The team met with the Honorable Mr. John Briceño, Prime Minister and Minister of Finance; Mr. Kareem Michael, Governor of the Central Bank of Belize; Mr. Christopher Coye, Minister of State in the Ministry of Finance, Mr. Joseph Waight, Financial Secretary; and other senior government officials, representatives of the opposition, and the private sector. Jiajia Gu (SPR) contributed inputs on female labor force participation. Siyao Chen (WHD) contributed inputs on tourism capacity constraints and together with Astrid Baigorria and Sandra Dolores Frances (all WHD) provided excellent research assistance and administrative support.

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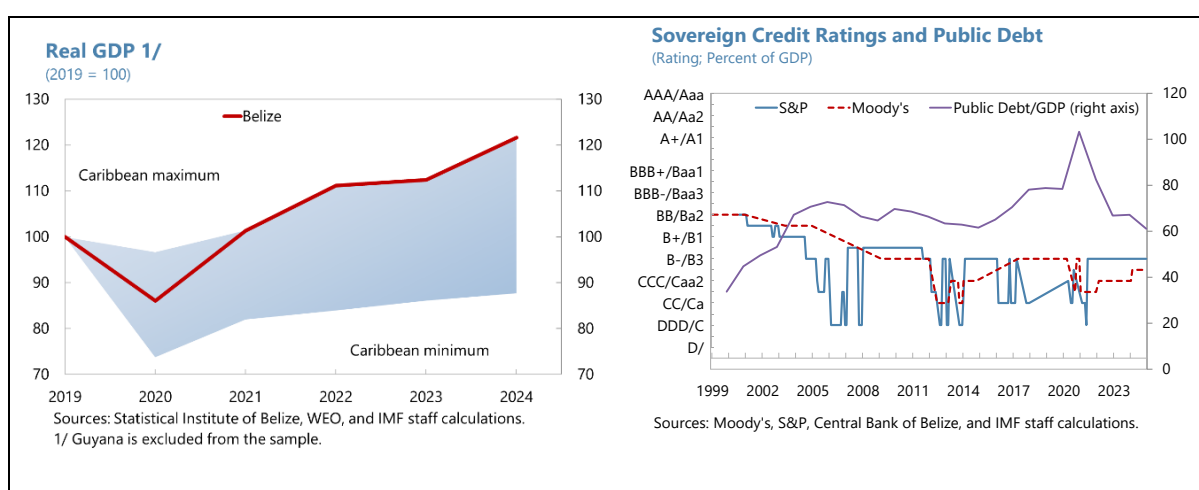
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CONTEXT

1. Belize has experienced a strong economic recovery following the Covid-19 pandemic.

After contracting by 13.9 percent in 2020, real GDP expanded by a cumulative 30.6 percent between 2021 and 2023—among the fastest in the Caribbean—driven by strong rebounds in tourism, retail and wholesale trade, and business process outsourcing (BPO) sectors. The strong economic recovery, combined with a temporary 10 percent cut in public sector wages, the suspension of annual wage increases, and a sharp rebound in government revenues, contributed to narrow the primary fiscal deficit to 0.5 percent of GDP by FY2023, after peaking at 8.3 percent of GDP in FY2020.¹ Consequently, public debt fell sharply to 67.2 percent of GDP by end-2023 from 103.3 percent of GDP in 2020, supported as well by a debt-for-marine protection swap and a negotiated discount on Belize’s Petrocaribe debt.



2. The authorities have pledged to build on the progress made in recent years. The FY2026 budget commits to keeping the debt-to-GDP ratio on a downward trajectory through the continuation of prudent fiscal policies, while boosting medium-term growth through investments in human and physical capital (Annexes I and II). Belize’s institutions and policy frameworks continue to be supported by ongoing capacity development through the IMF, CARTAC and other development partners (Annex III).

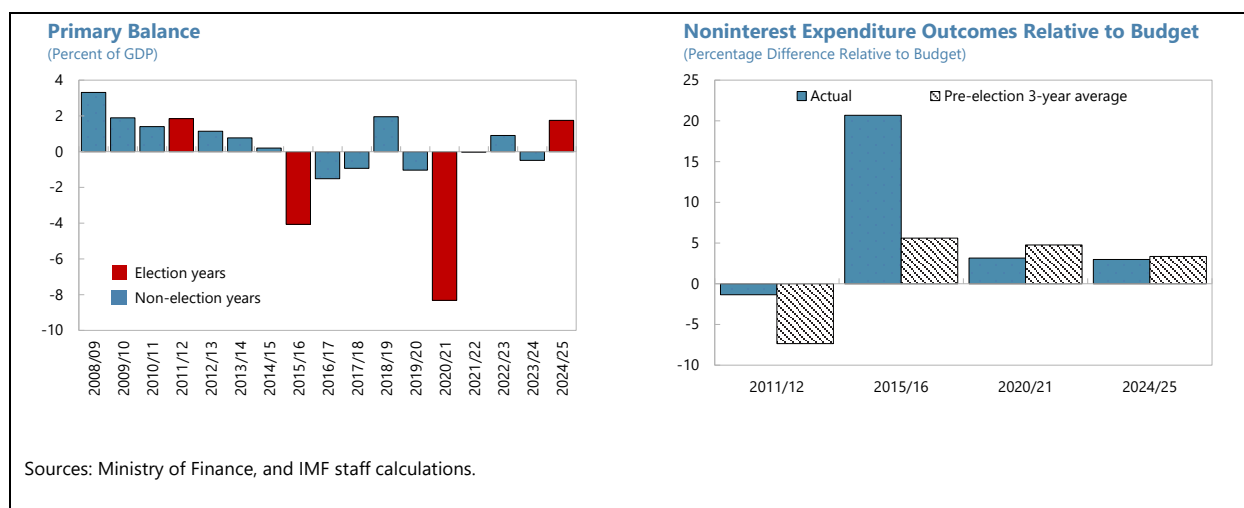
RECENT DEVELOPMENTS

3. Belize’s economy performed remarkably but is showing signs of a significant slowdown as disinflation progressed. Real GDP grew by 8.1 percent in 2024, driven by tourism, wholesale and retail trade, and transport sectors. Tourism continues to recover, with growth in stayover visitor arrivals exceeding the pre-pandemic pace and Caribbean peers in 2024, though cruise ship disembarkations declined slightly in 2024. Real GDP grew by 2.0 percent y/y in 2025Q1 as growth in stayover visitor arrivals moderated and agricultural sector performance declined due to

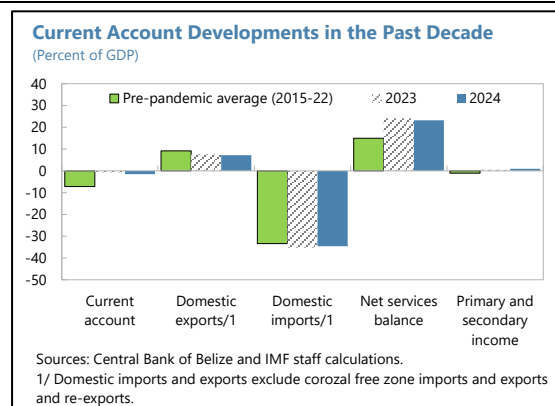
¹ Belize’s fiscal year runs from April 1st to March 31st.

unfavorable weather conditions and a fungal disease affecting sugarcane. The unemployment rate, which peaked at 13.8 percent in the second half of 2020, further declined from 3.1 percent in the first half of 2024 to 2.1 percent in the first half of 2025. Meanwhile, significant progress has been made on the disinflation process, with inflation decelerating to 1.0 percent in May 2025 from 4.0 percent in May 2024, owing to broad-based slowdowns across all categories except clothing and footwear, and information and communication.

4. The fiscal position strengthened in FY2024. The primary balance shifted to a surplus of 1.7 percent of GDP in FY2024 from a deficit of 0.5 percent in FY2023, as strong growth in business taxes and nontax revenues more than offset the effects of tax policy changes and higher spending on pensions and goods and services.² This outturn was better than expected compared to the approved FY2024 budget, in contrast to the performance in most previous election years. Public debt declined from 67.2 percent of GDP in 2023 to 61.1 percent in 2024, driven mostly by strong nominal growth.



5. The current account deficit widened in 2024 but remains markedly lower than its historical average. The current account deficit widened to 1.5 percent of GDP in 2024 compared to 0.6 percent a year earlier.³ This was mainly due to a narrower services balance amid higher payments (both tourism and non-tourism-related) as well as a slower cruise passenger recovery, which together more than offset higher stayover arrivals growth that

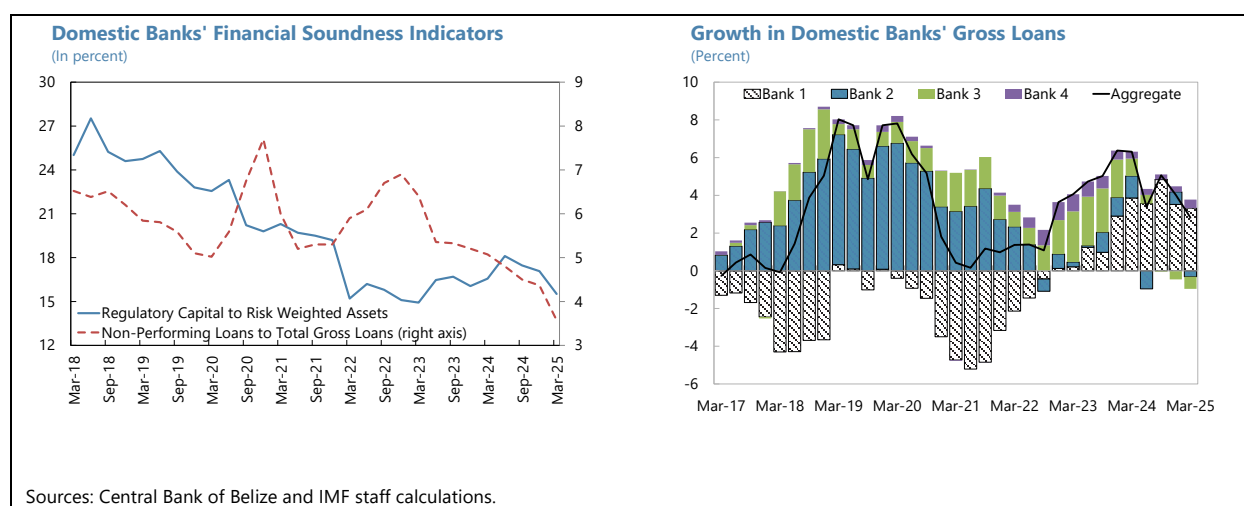


² Effective January 2025, the authorities increased the income threshold for which individuals are exempt from paying personal income tax (PIT) from BZ\$26,000 to BZ\$29,000 and exempted several instruments, including some mortgages, from stamp duty.

³ The authorities revised the actual current account deficit in 2023 to 0.6 percent of GDP, down from 2.9 percent of GDP in the May 2024 Article IV Staff Report.

outperformed the Caribbean. Meanwhile, the goods trade deficit widened slightly due to a small deterioration in free-zone-related net exports, whereas the decline in domestic commodity exports broadly offset lower domestic imports. Additionally, a slight improvement in the secondary income balance more than offset the deterioration in the primary balance. Nonetheless, the current account deficit remains markedly lower than its historical average.

6. Financial stability risks have declined. The central bank discontinued enhanced supervision of vulnerable banks following the accumulation of additional tier 1 capital. Consequently, aggregate nonperforming loans declined from 5.1 percent of gross loans to 3.6 percent between March 2024 and March 2025, while domestic banks' regulatory capital remained above the 9 percent regulatory requirement at 15.5 percent of risk-weighted assets. Banks' return on assets remained unchanged over the same period. Growth in credit to the private sector slowed to 3.2 percent y/y in April 2025 from 6.2 percent y/y in April 2024, in large part due to the sale of loans related to underperforming projects.

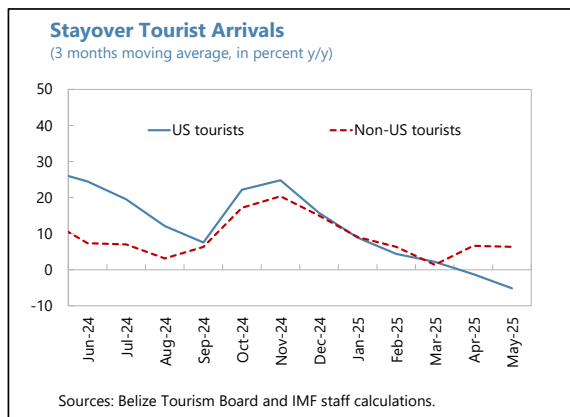


OUTLOOK AND RISKS

7. Global economic uncertainty and medium-term capacity constraints are likely to impact the outlook negatively. Growth is expected to decline to 1.5 percent in 2025 in line with the slowdown in the tourism sector and weak agricultural sector performance, before recovering to 2.4 percent in 2026.⁴ Growth is then expected to moderate towards its potential of 2 percent over the medium term, as growth in stayover tourist arrivals continues to slow, absent increased hotel and flight capacity (Annex VIII). Inflation is expected to decline further to 1.3 percent over the medium term as inflationary pressures from major trading partners and oil prices subside, consistent with updated results from an estimated Phillips curve ([2023 Article IV](#)). The primary fiscal balance is likely to fall to 1.1 percent of GDP in FY2025, before declining to 0.8 percent of GDP in FY2026,

⁴ The 2026 rebound partly reflects recovery of tourism and agriculture, and relatively strong statistical carryover effect from 2025H2.

reflecting the effects of higher public sector salaries.⁵ In an unchanged policies scenario, public debt is expected to fall more slowly than it did between 2020 and 2024, remaining around 58 percent of GDP through 2030 (Annex IV). The current account deficit is expected to narrow somewhat over the medium term, to about 1.2 percent of GDP, as lower oil imports, on account of lower oil prices, more than offset lower commodity export prices and volumes (due to a fungal disease affecting sugarcane production) and slower growth in stayover arrivals partly reflecting weaker global growth (70 percent coming from the U.S.). Reserves are projected to increase to about 4 months of imports, albeit remaining below the ARA metric through 2030.



8. Risks to the outlook remain tilted to the downside.⁶ Increased trade barriers and higher global trade policy uncertainty would negatively impact Belize's growth and current account, primarily via the tourism sector. Global interest rates could stay high for long, complicating debt dynamics over the medium term. Increased or sustained climate-related disasters (such as droughts, hurricanes and floods) can cause severe damages to the agriculture, energy, and tourism sectors. An economic slowdown could also reverse the decline in banking sector NPLs and reduce its profitability and capital, particularly for banks most exposed to those sectors (Annex V). However, implementation of several large infrastructure projects—particularly in the energy, utilities, and transport sectors—could push growth higher over the medium-term.

Authorities' Views

9. The authorities broadly shared staff's views on the outlook and key risks. They agreed that growth will likely be subdued in the near term and expected medium-term growth to be broadly in line with staff's estimate. However, they emphasized their commitment to undertake important reforms and help advance large investment projects to boost medium-term growth and overcome near-term challenges. They highlighted that tourism will likely continue to be a key driver for growth but also noted positive developments in other areas, including the BPO and energy sectors. The authorities see global policy uncertainty and a potential global slowdown as key risks to the tourism sector. They agree with staff that climate-related disasters can cause severe damage to the economy, in particular through the agriculture, energy, and tourism sectors.

⁵ The primary fiscal balance is projected to decline to 0.6 percent of GDP in FY2027, before rebounding to 0.8 percent of GDP in FY2028, reflecting a one-off payment for the restoration of past salary increases that had been suspended by the authorities during the pandemic.

⁶ See section E "Downside Scenario" for illustration of the impact of the global trade uncertainty on Belize's macroeconomic outlook under a downside risk scenario.

POLICY DISCUSSIONS

Belize's key policy priorities include reducing public debt to 50 percent of GDP by 2030 by raising the primary fiscal balance to 2 percent of GDP from FY2026 onwards; increasing government revenues and reprioritizing expenditures to support an expansion of spending on targeted social programs, crime prevention, and infrastructure; implementing structural reforms to boost growth and make it more inclusive and resilient to natural disasters; and improving the public and private sector's access to private sector finance, including through reducing the stock of central bank credit to the government.

A. Fiscal Policy

10. Bringing public debt down to below 50 percent of GDP would help build necessary buffers against future shocks. In that case, public debt would remain below the 70 percent of GDP target in the authorities' 2021 Medium-Term Recovery Plan with 95 percent probability over a six-year period given historical shocks; would be in line with the debt level in emerging market economies with investment grade sovereign credit ratings (2024 Selected Issues Paper, Chapter 2); and would be consistent with the target announced in the FY2025 budget. Achieving this target by 2030 requires raising the primary balance to 2 percent of GDP by FY2026. Maintaining the primary balance at this level beyond 2030 would further reduce the public debt-to-GDP ratio and provide an additional buffer against severe natural disasters. Incorporating this adjustment within a medium-term fiscal strategy that defines clear targets and measures would enhance its credibility and lay the foundation for the development of a well-designed Fiscal Responsibility Law (FRL) with specific fiscal rules. Such a rule could include a public debt anchor and a primary balance intermediate target, with a well-defined escape clause and an automatic adjustment mechanism in line with the framework described in the 2024 Selected Issues Paper.

11. Tax policy changes, improvements in revenue administration and reprioritization of current expenditure could support the recommended 1.2 percent of GDP in fiscal adjustment through FY2026 (Box 1). These could include measures totaling 2.3 percent of GDP, including to fund priority expenditures (Text Table 1):

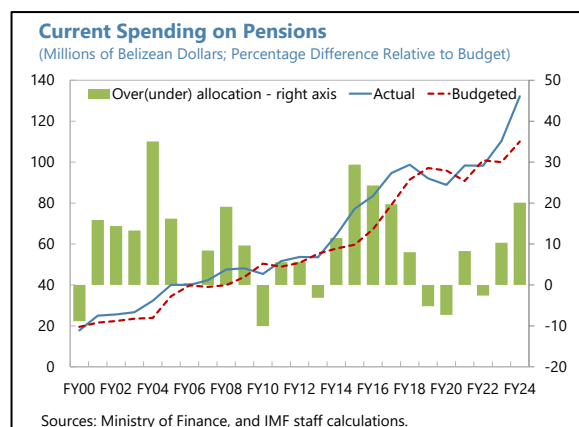
- *Broadening the base of the General Sales Tax (GST).* Several non-first necessity items attract a zero rate. Taxing some of these items at the standard 12.5 percent GST rate could yield an additional 1.6 percent of GDP in revenue (Annex III).
- *Raising excise taxes and fees on vehicle registrations and driver licenses.* Opportunities exist to convert some excises, specified in per unit terms, to guaranteed *ad valorem* excises, while the authorities could increase excise taxes on fuel, cigarettes, beer, spirits, and soft drinks and fees on vehicle registrations and driver licenses (Annex III). These could raise 0.2 percent of GDP.
- *Improvements in tax administration.* The authorities have made efforts toward improving tax administration and compliance, including through legislative amendments to introduce electronic tax invoicing, new penalties for tax noncompliance, and the requirement that all taxes

are paid before the sale of any entities or businesses.⁷ Future efforts should prioritize (i) the creation of a unified and autonomous revenue authority which incorporates the collection of stamp duties and land taxes within the Belize Tax Service Department (BTSD), (ii) improving tax arrears collection through enhancing the accuracy of tax accounts and establishing improved operating procedures for arrears collection, (iii) developing a risk-based approach for tax audits, and (iv) passing the draft customs law (Annex III). Together, these future efforts could raise another 0.4 percent of GDP in revenue, if the full package is successfully implemented.

Box 1. Employee-Related Expenditure in Belize 1/

Public sector employee compensation increased substantially in FY2024, after strong expenditure control since FY2021. A temporary 10 percent cut in public sector wages and the suspension of annual wage increases—historically 2½ percent per year—helped to reduce spending on central government wages and salaries, subsidies and current transfers.² Since then, spending on wages and salaries, subsidies and current transfers has increased, following the reversal of the 10 percent wage cut in July 2022, the resumption of the annual wage increments effective April 2023, and an increase in the number of central government employees.

Expenditures related to the PPPO continue to grow and exceed budgetary allocations. Central government spending on pensions has trended upward since FY2000, exceeding the original budget in all but six of the last twenty-five years. Moreover, absent reforms to the PPPO, pension expenditures are expected to grow significantly over the medium- to long-term, due largely to population aging and the generosity of benefits (2023 Selected Issues Paper, Chapter 2).



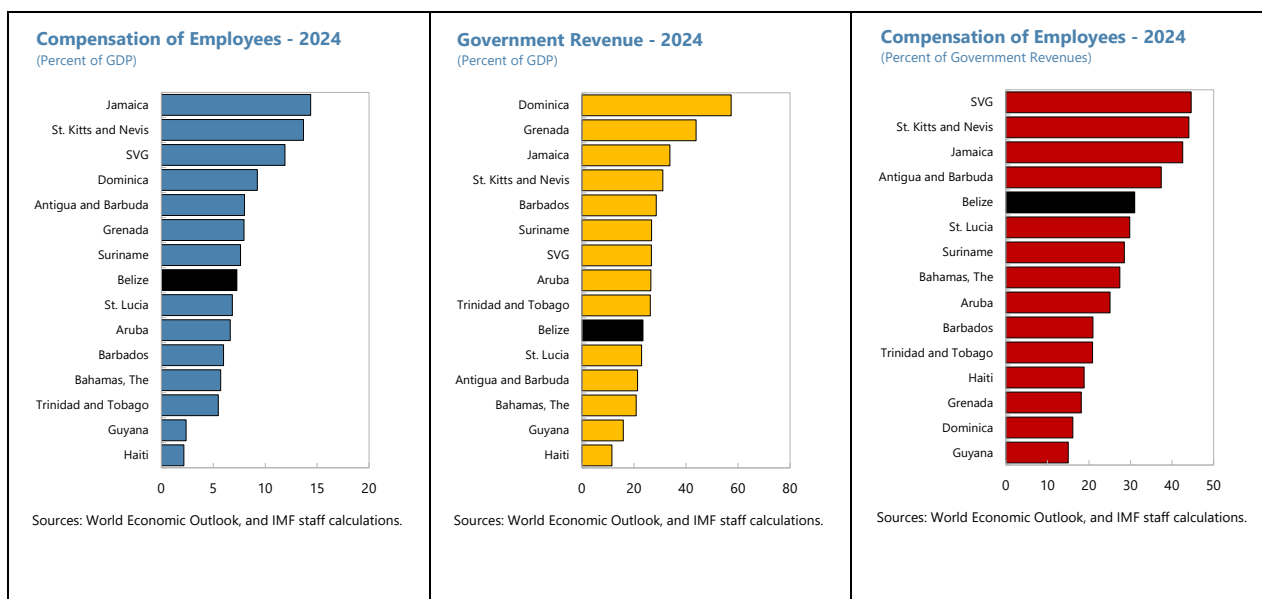
1/ Prepared by Shane Lowe (WHD) and Nicolo Bird (FAD).

2/ Approximately ¼ of employees in the public sector are classified as teachers, and between FY2015 and FY2021, secondary and tertiary education institutions received about half of total transfers (World Bank Public Expenditure Review, 2024).

⁷ See [2024 amendments](#) to the Tax Administration and Procedure Act.

Box 1. Employee-Related Expenditure in Belize (Concluded)

Employee compensation consumes a significant share of government revenue. Employee-related government spending as a percent of GDP and public employment outcomes in Belize are on par with regional peers and other small developing countries. However, Belize's relatively low revenue base—compared to regional peers—provides comparatively fewer resources with which to support public sector employment. The ratio of compensation of government employees to government revenues—while lower than its pre-pandemic level—is among the highest in the region, leaving limited room for other public spending.



12. Reforming the PPPO could generate savings to support priority expenditures. Under the PPPO, participants pay no contributions, retire at an early age, and can benefit from a generous pre-defined maximum replacement rate. A reform could entail a combination of gradually raising the retirement age, introducing pension contributions, and, if necessary, reducing the replacement rate. For instance, gradually introducing a contribution rate of 10 percent (split between employees and the government) over 10 years; raising the retirement age from 55 to 65 for younger cohorts;⁸ and reducing the maximum replacement rate from 67.5 percent to 50 percent (by 1 percentage point per year) could save 0.2 percent of GDP cumulatively in two years and would improve the long-run sustainability of the PPPO by reducing the present value of future deficits and thereby lower fiscal risks (2023 Selected Issues Paper, Chapter 2 and 2024 Article IV Consultation Staff Report).⁹ Alternatively, raising the contribution rate and retirement age over shorter horizons could avoid the need for reductions in the replacement rate, while achieving similar savings over the medium term.

⁸ Staff recommends increasing the retirement age to 56 for employees aged 49, 57 for those aged 48, and so forth, and up to 65 for those that are 40 or younger.

⁹ 2023 Selected Issues Paper, Chapter 2 estimated that, absent the introduction of these reforms, the annual deficit on the PPPO would rise to 4.1 percent of GDP by 2072 from 1.1 percent in 2022.

13. The yields from these measures would create space for additional spending in targeted social programs, crime prevention, and infrastructure. Specifically, this could include allocating resources for:

- *Targeted and temporary social transfers (0.3 percent of GDP)*—along the lines of the conditional cash-transfer program BOOST—to support vulnerable households in or at highest risk of facing severe food insecurity (2024 Selected Issues Paper, Chapter 1) and to cushion the effects of the broadening of the GST base and higher excise taxes and fees.
- *Subsidizing childcare, after-school programs, and training for vulnerable women* to increase female labor force participation (0.3 percent of GDP).
- *Capacity building of law enforcement personnel and procurement of equipment to deter and tackle crime (0.1 percent of GDP).*
- *Upgrading and expanding climate resilient infrastructure (0.6 percent of GDP)* to enhance water and sewage including in quickly growing tourism districts, expand the stock of affordable housing, increase the capacity of renewable energy generation, and improve road connectivity.

Text Table 1. Recommended Fiscal Consolidation Measures
(In percent of GDP, Deviations from the Baseline Scenario)

	Annual Yields		Cumulative Yields 1/	
	FY2025	FY2026	FY2025	FY2026
Expenditure measures	-0.1	-0.9	-0.1	-1.0
Public pensions 2/	0.1	0.1	0.1	0.2
Infrastructure investment	-0.1	-0.5	-0.1	-0.6
Social expenditure 3/	-0.1	-0.5	-0.1	-0.6
Crime prevention 4/	0.0	-0.1	0.0	-0.1
Revenue Measures	0.5	1.7	0.5	2.3
Taxes on goods and services	0.5	1.4	0.5	1.8
General sales tax (GST)	0.4	1.2	0.4	1.6
Excises and fees	0.1	0.2	0.1	0.2
Revenue administration	0.1	0.4	0.1	0.4
Total Fiscal Consolidation	0.4	0.8	0.4	1.2
Memorandum items				
Primary balance (baseline scenario)			1.1	0.8
Primary balance (active scenario)			1.5	2.0

Source: IMF staff estimates.

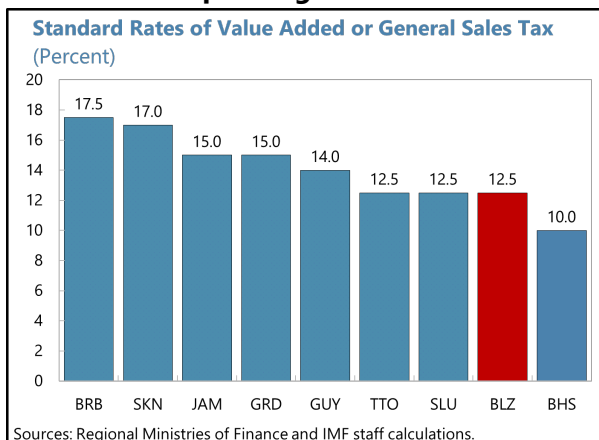
1/ Represents gains in percent of GDP of FY2026 relative to FY2024.

2/ Savings from gradually reforming the pension plan for public officials.

3/ Expansion of targeted social programs such as subsidized childcare, after-school programs, and training for vulnerable women.

4/ Expenditure on initiatives to strengthen law enforcement and support youth at risk.

14. The authorities have scope to increase revenues or cut spending in other areas should public debt fall more slowly than anticipated or the proposed measures prove difficult to implement. This could include taxing more zero-rated items at the 12.5 percent GST rate, raising the GST rate (which is already one of the lowest among Caribbean peers), and reducing nonpriority expenditure. Moreover, updating the valuation of properties captured under the Land Tax and Towns Property Tax—whose values have not been updated in years—and adjusting the threshold on PIT exemptions could increase revenues further.



15. Given the size of Belize’s investment needs, well-structured Public Private Partnerships (PPP), which minimize associated fiscal risks, can support additional investment in infrastructure. Belize’s Third Nationally-Determined Contribution ([NDC 3.0](#)) estimates that investment needs to support climate change adaptation and mitigation and cross-cutting costs associated with the Agriculture, Forestry and Other Land Use sectors total US\$1.6 billion over the coming decade, and the authorities have expressed their intention to explore opportunities for private sector investments in green infrastructure, tourism, and other sectors. The authorities have established a policy for PPPs, but more needs to be done to strengthen the existing framework. Immediate priorities should include (i) establishing a dedicated registry for PPPs and publishing a pipeline of potential PPP projects to foster greater transparency, and (ii) set project selection criteria to ensure that selected PPPs assist with reaching the SDGs.¹⁰

16. Pushing ahead with improvements to Public Financial Management (PFM) would strengthen the credibility of fiscal policy. Additional work is needed to continue to improve multi-year budget preparations, fiscal risk assessment, public investment management, the coverage of government accounts, accounting and fiscal reporting, and internal audit, which are all prerequisites to the introduction of an FRL (Annex III). To enhance transparency and accountability, procurement contracts and beneficial ownership information should be published for awardees of public contracts.

Authorities’ Views

17. The authorities are committed to maintain fiscal prudence and to create the necessary fiscal buffers. The FY2025 budget targets a public debt-to-GDP ratio of 50 percent of GDP by 2029, supported by primary surpluses of no less than 1.5 percent of GDP over the medium term. Plans are already underway to shift the collection of property taxes from the Land Department to the BTSD and to fully implement electronic invoicing, which the authorities expect to yield higher revenues

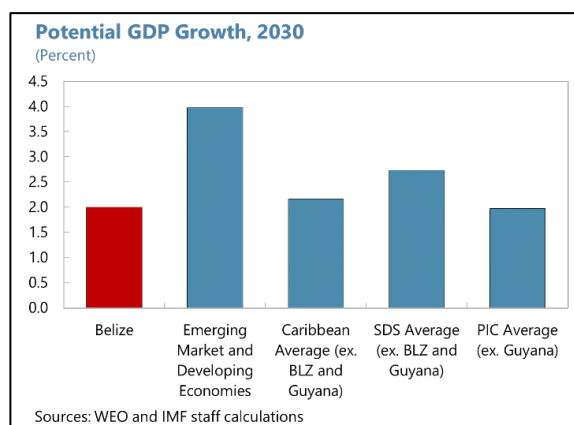
¹⁰ <https://impact.economist.com/new-globalisation/infrascopes-2024/en/countries/BLZ/>

through improved tax administration. Despite delays in reforming the PPPO, the authorities remain committed to placing the civil service pension scheme on a more sustainable footing and have plans to better centralize procurement within the public sector to better manage public resources. They remain committed to improving access to publicly-funded social services, including through the expansion of national health insurance. The authorities established a policy for PPPs in 2021 and are working on regulations to support the implementation of several projects. In conjunction with the World Bank, the cabinet has approved the development of a Medium-Term Fiscal Framework and a Fiscal Strategy Plan Policy, which should support the future development of specific fiscal rules.

B. Structural Reforms

18. Accelerating the implementation of growth-enhancing structural reforms remains a key priority.

Belize's potential growth has significantly declined over the past decade, driven by negative growth in total factor productivity in the period since the global financial crisis up to the COVID-19 pandemic (Annex VI). While labor productivity (output per worker) has improved on average in the post-pandemic period, its level continues to lag significantly behind the regional average.



Though Belize's medium-term growth is projected to be similar to regional peers—most of whom have higher GDP per capita—it is well below the emerging markets average.

19. Expanding efforts to promote labor force participation would mitigate the expected slowdown in potential growth due to decelerating population growth (Annex VII). Strong economic activity in the services sector requires more and better skilled labor. While an expanding labor force has been a consistent driver of growth in Belize over the past decades, this demographic push is expected to diminish over time, with population growth estimated by the 2022 Census now slower than previously projected. The decline in the labor force participation rate, from an average of 65 percent in the pre-pandemic period to 57 percent in 2024, further exacerbates the problem. With one of the largest gaps between male and female labor force participation rates among the Caribbean countries, boosting potential growth would benefit from increasing female labor force participation, including through efforts to improve the accessibility, affordability, and quality of childcare services. Previous staff estimates suggest that closing the gap in labor force participation rates between men and women relative to the level in 2022 could raise GDP level by 23 percent ([2024 Article IV](#)).¹¹ While higher share of services sector has been associated with higher female

¹¹ The estimates of gains in output level should be considered as upper bounds of long-run gains from reducing gaps in participation rates between men and women rather than immediate gains. Impact on GDP growth during the transition period depends on the pace of the transition.

labor force participation,¹² additional policies would help to further promote female participation in the labor force. The authorities' initiatives to improve access to childcare and training programs along with initiatives to promote entrepreneurship are welcomed steps, and could support greater female labor force participation (Annex VII). The authorities also recently established a partnership with a private BPO provider to foster job placement and career development in Belize City, including through the provision of training and workshops for Belize City residents. Continued efforts to evaluate the effectiveness and expand best practices to other districts are warranted.

20. Improving the business climate and reducing structural obstacles would foster job creation and accelerate potential growth. The degree of resource misallocation among firms in Belize is one of the highest in the Caribbean, resulting in lower aggregate productivity,¹³ and estimates suggest that Belize's aggregate productivity could more than double if misallocation among firms was removed (Annex VI). Efforts are needed to address structural barriers that give rise to resource misallocation. In particular, improving firms' access to finance, streamlining the business license and permits processes, strengthening tax administration, improving workforce education, and reducing labor skill mismatch would address key obstacles identified by firms (Annex VI).

21. The authorities' commitment to improve the business climate and address structural barriers is welcome. In 2024, the authorities launched the Belize Investment and Business Climate Action Plan (BIBCAP)—a unified single Action Plan aimed at improving the country's business and investment climate. Planned initiatives include the establishment of the digital single investment window, further advancement in digitalization projects, and easing the process for new business registrations. The authorities are also accelerating the adoption of renewable energy and addressing infrastructure gaps, including acquiring a Battery Energy Storage System to integrate renewable energy onto the grid, in partnership with the World Bank Group (WBG) and the Government of Canada, investing in solar energy, planned expansion of water supply in San Pedro with the support of the WBG, and planned investments in road and highway infrastructure. Continued efforts to reduce skill mismatches and align training programs with market demands would be important to reduce misallocation and improve productivity. Further consideration to replace the ministerial discretion allowed in business-related processes with a more predictable and rules-based system would enhance transparency and predictability, improving the business climate and promoting investment.

¹² Staff estimates that an increase in the services employment share by one percentage point is associated with about half a percentage point lower gap between male and female labor force participation (Annex VII).

¹³ Misallocation here refers to the inefficient distribution of resources (labor and capital) across firms in the economy, such that these resources are not allocated to their most productive uses ([Li and Noureldin, 2024](#)).

Text Table 2. BIBCAP

Policy Pillars	Examples of tasks and actions
Integrated national strategy for promoting export and investment	<ul style="list-style-type: none"> Establish strong central entity to coordinate investment cooperation among state agencies Promote investment development, including through setting up a "one investment window"
Delivery of Government Services, Ethical Government, e-Government, e-Commerce and Innovation	<ul style="list-style-type: none"> Establish an Ease of Doing Business Framework with monitoring and evaluation system Enable online payments for public services and develop electronic business registration form
Delivery of financial services, and access to finance for investment and export, in particular for MSMEs	<ul style="list-style-type: none"> Establish the credit bureau Establish a secured transaction and collateral registry regime
Taxation system reform	<ul style="list-style-type: none"> Implement identified tax reforms and streamline current tax operations Implement an International standard Corporate Income tax for all taxpayers
Regulatory framework and judicial system revision	<ul style="list-style-type: none"> Modernize existing legislation to better protect investors Further develop Alternative Dispute Resolution mechanisms
Reform of business incentives framework	<ul style="list-style-type: none"> Simplify application process for Designated Processing Areas Develop financial/tax incentives for individuals interested in further education and training, particularly for disadvantaged groups
Innovation and skills development	<ul style="list-style-type: none"> Expand vocational programs to meet demand Support introduction of innovative ICT enabled products and services that will boost MSME productivity
Development of infrastructure and internal logistics	<ul style="list-style-type: none"> Fully develop logistic connectors between ports, airports, urban, and productive hinterland areas Enhance public utilities
Economic Diplomacy	<ul style="list-style-type: none"> Expand trade agreements

22. Enhancing the effectiveness and targeting of social programs would further promote inclusive growth, while supporting the ongoing fiscal consolidation efforts. Despite remarkable progress, poverty and inequality have been persistent challenges in Belize. Incidence of multidimensional poverty has decreased substantially from 36.5 percent in 2021 to 22.1 percent in 2024. Nevertheless, limited progress has been made on the intensity of poverty, with the intensity standing at 38.0 percent in 2024 (vs. 39.2 percent in 2021).¹⁴ Results from the 2022 Census could be evaluated to help improve the effectiveness and targeting of social transfer programs to support efforts to address poverty and inequality. Future increases in the minimum wage should be aligned with productivity growth to mitigate tensions between tackling inequality and potential job losses.

23. Given Belize's vulnerability to natural disasters, continued efforts to enhance resilience to natural disasters remains essential. Rising sea levels, hurricanes, floods, droughts, and coastal erosion pose significant threats to Belize's economy, in particular to tourism, agriculture, and energy.

¹⁴ For further details about the multidimensional poverty index, see https://hdr.undp.org/sites/default/files/publications/additional-files/2024-10/2024_gMPI_TechnicalNote_1.pdf.

The authorities' continued efforts to enhance resilience to natural disasters, including via investments in climate-resilient infrastructures and crops and protection of coastal habitat, forests, and biodiversity are welcome. The authorities are investing in renewable energy with the goal to target 75 percent renewable energy generation by 2030¹⁵ and are developing an integrated national financial framework to help address the financing gap for its development and climate goals. In this context, the establishment and adoption of a Disaster Resilience Strategy (DRS) based on a consistent multi-year macro-fiscal framework that incorporates risks from natural disasters—with focus on improving structural, financial, and post-disaster resilience—would complement the National Disaster Preparedness and Response Plan, help to provide a coherent guide to the authorities' needs and strategy, and could help to further facilitate coordination of donor support, including access to concessional financing and grants from the international community.

24. Addressing key bottlenecks in hotel capacity, flight capacity and road and airport infrastructure is key to unleashing higher growth in the tourism sector over the medium term.

Belize can maintain the strong momentum in stayover arrivals growth—which outperformed the Caribbean in 2024—via addressing key capacity bottlenecks facing the tourism sector. These include (i) developing the road infrastructure to ease the transportation across districts, and (ii) adding flight capacity to Belize International Airport as well as developing the many domestic airstrips with a view to cater to international flights (see Annex VIII). These initiatives, combined with efforts to improve business climate and reduce structural barriers, could help catalyze private sector investments in hotel capacity, which has been identified as another key bottleneck in districts with higher visitor arrivals, such as Orange Walk and Cayo.

Authorities' Views

25. The authorities broadly concurred with staff on the policy priorities to boost Belize's growth potential. They recognize constraints to growth arising from the tight labor market and are pursuing various initiatives to address these bottlenecks, including intermediation services to improve the match between job seekers and job vacancies, introducing legislative amendments regarding seasonal migrant workers, and enhancing childcare and education. The authorities place large emphasis on boosting potential growth and are implementing structural reforms to improve the business climate and promote micro, small, and medium enterprises (MSMEs), including advancing the single investment window and implementing other reforms outlined in BIBCAP. They noted that the implementation of the Fiscal Incentives Act, passed in 2023, is expected to encourage the formalization of firms. The authorities emphasized the significant progress made toward building resilience to natural disasters and their continued commitments to advancing this agenda, including the ongoing efforts to invest in renewable energy and the established Climate Financing Strategy. Regarding tourism, the authorities noted their efforts to diversify source markets, such as by abolishing border-crossing levies on Mexican tourists with short stays. They agreed on the need to further develop utilities, energy, infrastructure and logistics, including the planned development of a new airport in San Pedro, a possible international airport in Placencia, potential development

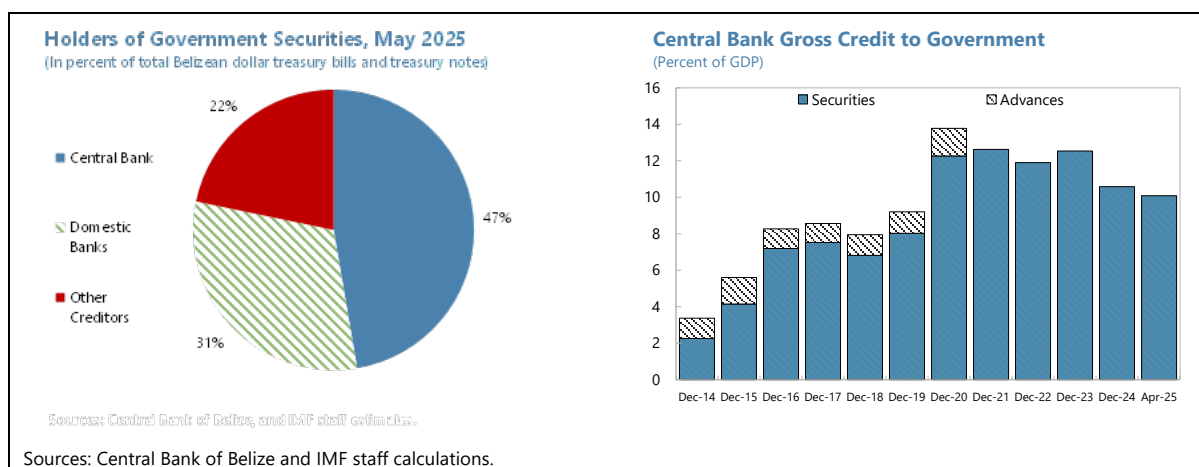
¹⁵ [NDC 3.0](#)

and modernization of the port of Belize, and the prospects for Tren Maya in Mexico connecting to Guatemala through Belize.

C. Monetary and Financial Policies

26. The pegged exchange rate has served as a pillar of stability over past decades, and increasing the level of reserves would further strengthen the currency peg. Belize's external position in 2024 is assessed to be stronger than implied by fundamentals (Annex IX). FX reserves coverage of imports is expected to continue increasing, converging to the ARA metric by 2034. Advancing fiscal consolidation and growth-enhancing structural reforms, as well as reducing the central bank's stock of government securities, are crucial steps to further boost reserves.

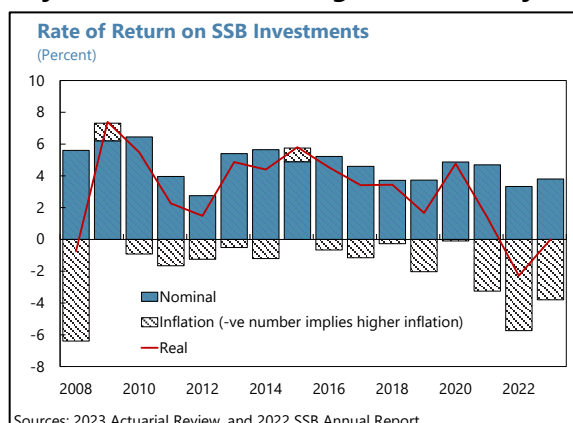
27. Gradual reduction in the central bank's stock of government securities provides an opportunity to foster domestic capital market development. The central bank held 47 percent of total domestic government securities at May 2025—a large part of which was accumulated during periods of elevated financing needs and limited market access, though the share has been falling—crowding out investment opportunities from domestic banks and the Social Security Board and contributing to excess liquidity in the financial sector. While a careful roadmap of structural reforms will be crucial for developing the domestic capital market,¹⁶ gradually introducing a fully market-based price auction for Treasury Notes—coupled with outreach efforts to improve financial literacy and to inform domestic investors of the government's fiscal plans—would help develop a market-based government securities yield curve, providing a benchmark for other public and private sector-issued securities. A more competitive market for treasury and other securities could result in upward pressure on domestic interest rates. Accompanying these reforms with the recommended fiscal consolidation could reduce gross financing needs and mitigate the adverse impact on public finances.



¹⁶ See "Guidance Note for Developing Government Local Currency Bond Markets (IMF & World Bank, 2021)".

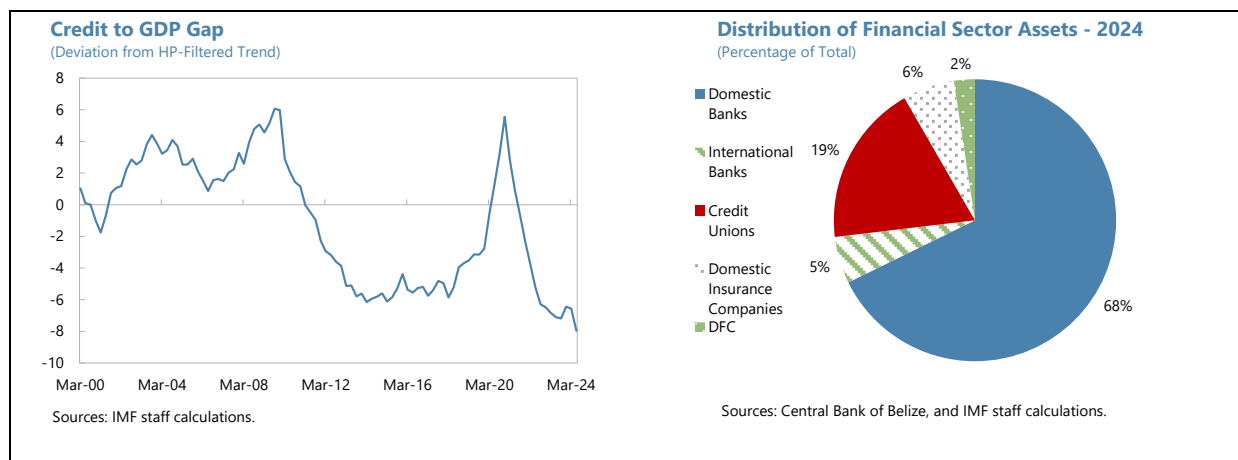
28. Maximizing the risk-adjusted return on the Social Security Board's (SSB) investment portfolio would improve the General Social Security Scheme's (GSSS) long-term viability.

Despite recent parametric reforms, the GSSS' pensions expenditures will start to exceed income in or after 2030, depending on the return of the investment portfolio. However, the real rate of return on the SSB's investment portfolio declined to 0 percent in 2023, down from 1.7 percent in 2019 and below the 3 percent average assumed in the 2023 actuarial report. This was led in large part by a sharp increase in the stock of low-yielding liquid assets held in domestic financial institutions, and a corresponding



decline in the share of long-term investments and investments in associates.¹⁷ Reducing the share of cash instruments from 19 percent in 2023 is critical to increasing the return on assets and improving the capitalization of the SSB's long-term pension branch.

29. Systemic financial stability risks have declined, supported by adequate banking sector capital, declining NPLs, and ample liquidity. Domestic banks' regulatory capital has increased and remains above the required 9 percent minimum, NPLs continue to trend downward and loan loss provisions relative to NPLs have increased compared to pre-pandemic levels. Moreover, the credit gap reached its most negative level in over a decade in Q2 2024, reflecting recent declines in the household and corporate debt-to-GDP ratios. There are pockets of vulnerability among some of the smaller credit unions, but these have been placed under enhanced supervision by the central bank. However, risks from credit unions and domestic insurance companies are limited, given their comparatively small size.



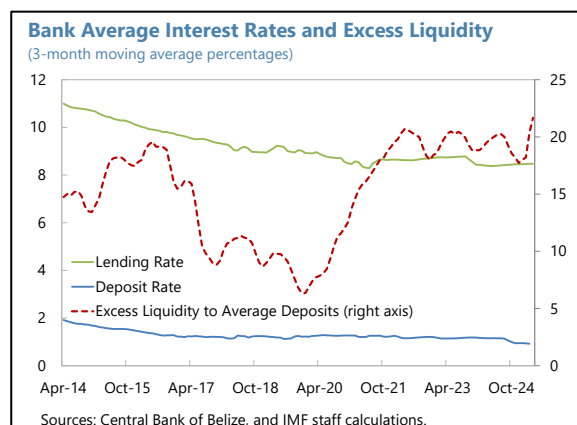
30. Efforts to enhance the financial safety net and reduce the risk of regulatory arbitrage should continue. The authorities enacted the Deposit Insurance Act in January 2020 to protect

¹⁷ Actuarial Performance Analysis of the Social Security Scheme on 31 December 2023.

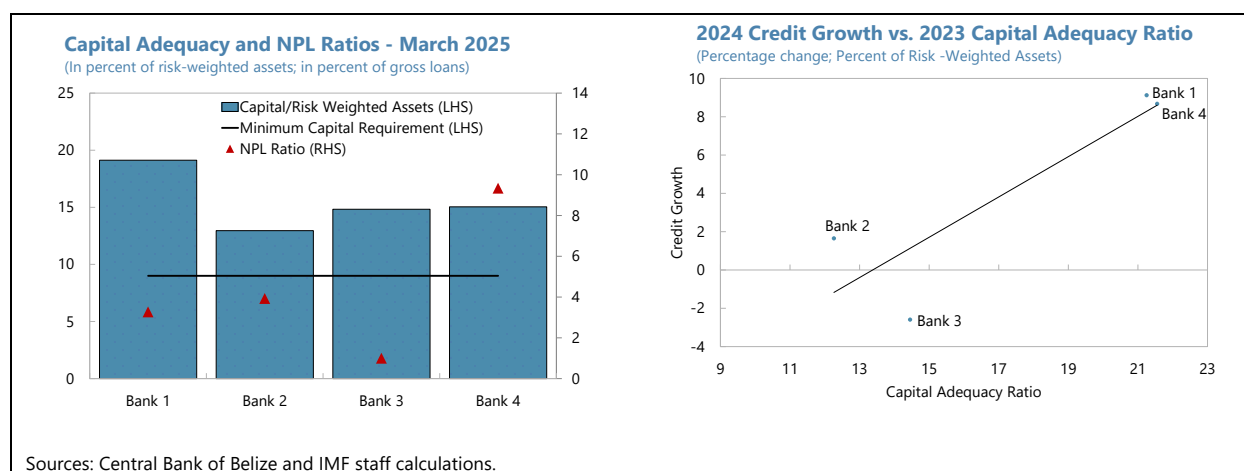
depositors of domestic banks and credit unions, but its provisions have yet to be operationalized. Priorities should include establishing the Deposit Insurance Corporation and funding the deposit insurance fund primarily through bank and credit union contributions and annual premia to minimize the fiscal costs of future banking sector resolutions. Improving coordination across regulatory agencies and synchronizing lending standards across bank and nonbank financial institutions could also reduce the risk of regulatory arbitrage.

31. Expanding the private sector's access to financing could boost investment, accelerate medium-term growth, and close the credit gap. This will require measures to:

- Increase the demand for credit from domestic firms and households.* The authorities' initiative to encourage the formalization of firms through tax incentives and the establishment of the collateral registry have the potential to increase firms' access to credit (Annexes X and XI). However, banking sector lending rates remain elevated, notwithstanding ample excess liquidity. Eliminating the 2½ percent floor on the interest earned on savings deposits and efforts to encourage greater competition among domestic banks would allow lending rates to fall further and reduce the cost of credit, without compromising banking sector capital accumulation (Annex X). Complementing the elimination of the interest rate floor with the introduction of a savings bond for small retail investors—combined with efforts to improve financial literacy—would provide an alternative instrument for household savings and reduce the reliance on central bank financing by offering another source for public sector funding (¶27).
- Remove constraints to expanding credit supply.* Ensuring that domestic banks have sufficient capital above the regulatory minimum and developing a framework for the resolution or sale of NPLs could accelerate the supply of private sector credit, which has been constrained by weak credit growth in the least capitalized banks (Annex X). Operationalizing the credit bureau could also support credit by reducing the degree of information asymmetry between lenders and prospective borrowers. Finally, expanding access to grants and other non-debt instruments for early-stage firms could support their development when cashflows are likely to be weak.¹⁸



¹⁸ <https://publications.iadb.org/en/access-finance-msmes-belize-challenges-and-opportunities>



32. Belize successfully completed its Anti-Money Laundering/Countering-Terrorism Financing (AML/CFT) assessment with the Caribbean Financial Action Task Force (CFATF) Mutual Evaluation Report published in January 2025 (Annex XII).¹⁹ The authorities were assessed as compliant or largely compliant on all of the FATF's 40 Recommendations and substantially effective in achieving several immediate outcomes of a sound AML/CFT framework. Future efforts should focus on addressing the remaining shortcomings in the AML/CFT framework, including (i) finalizing and approving the National Risk Assessment, (ii) enhancing risk-based supervision of financial institutions and designated non-financial businesses and professions, (iii) strengthening the collection of beneficial ownership information of legal entities and (iv) continuing to improve money laundering investigations and prosecutions.

Authorities' Views

33. The authorities are committed to continue enhancing their monetary policy framework and agree with the need to improve access to credit. They have introduced a liquidity monitoring tool and welcome additional analytical work and technical assistance to support the modernization of their monetary policy framework. They are open to further reducing the stock of government securities held by the central bank and concur with the need to further develop the domestic yield curve and capital market. The authorities emphasized that improving financial literacy will be important to increase the private sector's engagement in the capital market. They also believe that the amended Securities Industry Act creates the environment for attracting institutional capital. The authorities agree with the need to improve the private sector's access to finance and highlighted the development of a credit reporting system and the licensing of a credit bureau as positive developments in this area. They concur that increasing the degree of competition among domestic banks—including from credit unions—could reduce banking sector lending spreads but see limited benefits from removing the interest rate floor on savings deposits given the concentration of the sector and domestic banks' growing reliance on other deposits. In this respect, they have drafted a new Credit Unions Act which includes reforms to improve governance and enhance the capital requirements among domestic credit unions and to strengthen the Central

¹⁹ <https://www.cfatf-gafic.org/home/cfatf-news/882-fourth-round-mutual-evaluation-report-of-belize>

Bank's regulatory and enforcement powers. The authorities are also assessing the feasibility of introducing deposit insurance for deposit-taking institutions to further strengthen financial stability but caution that this could lead to higher interest rates and lower financial inclusion should banks attempt to recover the cost of premiums payable on their deposits.

34. The authorities acknowledge the substantial progress made in upgrading their AML/CFT framework. They are developing an action plan to address the remaining shortcomings in the AML/CFT framework identified in the 4th round Mutual Evaluation. This includes plans to pilot a tool to support enhanced risk-based supervision, the issuance of beneficial ownership guidelines to supervised entities, and the finalization of the draft National Risk Assessment by September 2025.

D. Illustrative Reform Scenario

35. Staff's recommended fiscal adjustment (as presented in Text Table 1), combined with the implementation of structural reforms (as proposed in Section B), could reduce public debt to 50 percent of GDP by 2030 (Text Table 3), while raising medium-term growth. Under this scenario, recommended fiscal consolidation in 2025 and 2026 slows real GDP growth and narrows the current account deficit over the near-term, due to a decline in the demand for imports. Thereafter, growth accelerates to 2.5 percent from 2027 onward as the prior implementation of structural reforms and investments in key infrastructure bear fruit, driving further expansion of tourism and other export sectors which further offsets the rebound in imports due to the recovery in domestic demand. As a result, the current account deficit remains modest over the medium-term, and the stock of international reserves rises and settles around 5 months of imports by 2030. Consequently, by 2030, gross financing needs are about 1 percentage point below the baseline, and public debt falls from 58.0 percent of GDP under the baseline to 50.0 percent in the illustrative reform scenario.

Text Table 3. Baseline and Illustrative Reform Scenario
(In percent of GDP unless otherwise noted)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Baseline Scenario: Current Policies											
Growth (percent)	9.7	1.1	8.1	1.5	2.4	2.2	2.1	2.0	2.0	2.0	2.0
Overall fiscal balance (percent of GDP)	-0.8	-2.7	-0.5	-1.2	-1.5	-1.8	-1.5	-1.5	-1.4	-1.4	-1.4
Primary fiscal balance (percent of GDP)	0.9	-0.5	1.7	1.1	0.8	0.6	0.8	0.8	0.8	0.8	0.8
Public debt (percent of GDP)	66.8	67.2	61.1	60.4	59.3	59.1	58.7	58.4	58.0	57.5	57.1
Public sector GFN (percent of GDP)	7.7	10.8	7.4	8.3	8.3	7.6	6.8	6.6	7.4	6.8	7.8
Current account balance (percent of GDP)	-8.3	-0.6	-1.5	-1.5	-1.4	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2
International reserves (percent of external GFN)	624.5	369.5	409.4	430.8	451.4	478.6	500.5	541.2	573.0	615.4	495.4
International reserves (months of imports)	3.7	3.3	3.5	3.7	3.7	3.8	3.9	4.0	4.1	4.2	4.4
Illustrative Reform Scenario: Fiscal Measures and Structural Reforms 1/											
Growth (percent)	9.7	1.1	8.1	1.3	2.0	2.5	2.5	2.5	2.5	2.5	2.5
Overall fiscal balance (percent of GDP)	-0.8	-2.7	-0.5	-0.8	-0.3	-0.2	-0.1	0.0	0.1	0.1	0.2
Primary fiscal balance (percent of GDP)	0.9	-0.5	1.7	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public debt (percent of GDP)	66.8	67.2	61.1	60.1	57.6	55.5	53.7	51.9	50.0	48.1	46.2
Public sector GFN (percent of GDP)	7.7	10.8	7.4	7.9	7.0	6.1	5.6	5.4	6.2	5.6	6.5
Current account balance (percent of GDP)	-8.3	-0.6	-1.5	-1.2	-0.6	-0.5	-0.5	-0.4	-0.5	-0.4	-0.4
International reserves (percent of external GFN)	624.5	369.5	409.4	441.8	478.9	511.7	529.5	565.3	597.9	641.4	515.5
International reserves (months of imports)	3.7	3.3	3.5	3.9	4.2	4.3	4.5	4.6	4.7	4.8	5.0

Source: IMF Staff estimates.

1/ This scenario assumes the implementation of 1.2 percent of GDP in fiscal consolidation over two years, which raises the primary balance to 2 percent of GDP from FY2026 onwards, and a fiscal multiplier of -0.5 in the year of consolidation as in Chapter 4 of the April 2018 Regional Economic Outlook: Western Hemisphere. The scenario also assumes a rise in spending on infrastructure, targeted social programs, and crime prevention as in Text Table 1, and the implementation of the structural reforms discussed in Section B, which increase real GDP growth to 2.5 percent from 2027 onwards. This rise in growth is conservative at less than one fourth of the estimates in Chapter 2 of Unleashing Growth and Strengthening Resilience in the Caribbean, 2017, which estimates that reducing crime, debt, and NPLs; enhancing the business climate, human capital, and climate resilience; and deepening trade integration; to the top decile of small states would increase real GDP growth in Belize by 2 percent in the medium term.

E. Downside Scenario

36. A global slowdown would be expected to have a strong impact on Belize given its dependence on tourism. In a global downside scenario, calibrated based on the April 2025 WEO Box 1.1 (Scenario A), Belize's real GDP growth could be lower by 1.6 percentage points in 2025 and 0.6 percentage points in 2026 relative to the baseline forecast, before recovering in line with the recovery in the US and other advanced economies. This development largely reflects the slowdown in tourism and lower contribution to growth from exports. Meanwhile, the current account deficit would widen by 0.8 percentage points in 2025, with lower stayover tourist arrivals more than offsetting the effects of lower international oil prices. In 2026, these factors broadly offset each other. Remittances from Belizeans working in the US—estimated at about 2 percent of GDP on average historically—could also be affected. The net effect on inflation is expected to be relatively limited, as the impact from higher US inflation via goods imports is expected to be modest, broadly offsetting the decline in international oil prices. Lower government revenues would widen the fiscal

deficit and push public debt higher by 1.6 percent of GDP by 2026, relative to the baseline. Banking sector NPLs could rise, reducing profitability and capital.

37. Should the adverse scenario materialize, the authorities should support vulnerable households and businesses without compromising their medium-term fiscal targets. With limited scope for monetary policy (given the pegged exchange-rate regime), the authorities' policy response should center around adjustments in fiscal policy. Vulnerable households should be supported with targeted transfers in the short-run and displaced workers required to take training, until the economic expansion resumes. This support, and the lost revenue during the downturn, should be broadly offset by additional revenue measures to push public debt to 50 percent of GDP by 2030. The Central Bank should remain vigilant to financial stability risks and ensure that banks have sufficient capital to facilitate the credit expansion necessary to support the economic recovery.

STAFF APPRAISAL

38. Belize's economy has recovered strongly following the pandemic, supporting improvements in social outcomes and financial stability. After expanding by a cumulative 30.6 percent between 2021 and 2023, real GDP grew by 8.1 percent in 2024, driven by tourism, trade, and transport. The strong economic recovery, combined with the prudent management of public sector wages and a sharp rebound in government revenues, narrowed the fiscal deficit to 0.5 percent of GDP in FY2024 from 9.9 percent in FY2020. Consequently, public debt fell sharply to 61.1 percent of GDP by end-2024 from 103.3 percent of GDP in 2020, supported as well by a debt-for marine protection swap and a negotiated discount on Belize's Petrocaribe debt. Financial stability risks have declined, with a drop in aggregate nonperforming loans. Staff assesses Belize's external position in 2024 to be stronger than the level implied by fundamentals and desirable policies.

39. Growth is expected to decline considerably in the near term before converging to its potential of about 2 percent over the medium term. Real GDP growth is expected to decelerate to 1.5 percent in 2025 before gradually converging to 2 percent as growth of stayover tourist arrivals slows, absent increased hotel and flight capacity. Staff expects inflation to converge to 1.3 percent over the medium term as inflationary pressures from major trading partners and oil prices subside. The current account deficit is expected to gradually moderate to about 1.2 percent of GDP over the medium term, largely on account of lower oil prices. Staff projects international reserves to increase to about 4 months of imports, albeit not reaching the ARA metric by 2030. Risks to growth outlook remain tilted to the downside, stemming primarily from increased global uncertainty and increased trade barriers which may require targeted support to vulnerable households and businesses, without compromising medium-term fiscal targets.

40. The policies implemented by the authorities have been broadly consistent with staff advice and technical assistance recommendations. Recent measures have sought to improve tax administration, while the authorities have reduced their reliance on central bank financing and increased the level of international reserves. The passage of the Fiscal Incentives Act—which encourages the formalization of firms—and the establishment of the collateral registry have the

potential to increase firms' access to credit. The central bank has also required vulnerable banks to accumulate additional tier 1 capital to reduce financial stability risks. However, reforms to the PPPO have been delayed.

41. Reducing public sector debt to below 50 percent of GDP would help build fiscal buffers against adverse shocks. This would require gradually increasing the primary surplus to 2 percent of GDP by FY2026, supported by revenue mobilization and reprioritization of current expenditure to make space for additional priority spending on targeted social programs, crime prevention, and infrastructure. This adjustment should be part of a broader medium-term fiscal strategy with clear targets and measures which—combined with improvements to public financial management—would enhance its credibility and lay the foundation for the development of a well-designed fiscal responsibility law with specific fiscal rules.

42. Accelerating the implementation of growth-enhancing structural reforms would foster job creation and boost potential growth. Policies to increase female labor force participation, including enhancing childcare and education, would support the strong economic activity in the services sector and mitigate the expected impact from decelerating population growth. Addressing key bottlenecks in the tourism sector—such as flight capacity and road and airport infrastructure—is also necessary to support tourism growth over the medium term. Reforms to improve the business climate and address structural barriers, in particular efforts to improve firms' access to finance, business license and permits processes, tax administration, and workforce education, would help foster productivity growth and job creation.

43. Given Belize's vulnerability to natural disasters, continued efforts to enhance resilience to natural disasters remain essential. In this context, adoption of a Disaster Resilience Strategy to complement the National Disaster Preparedness and Response Plan would provide a coherent guide to the authorities' efforts and could further help facilitate coordination of donor support.

44. Strengthening the currency peg requires accumulating additional international reserves. Successfully implementing structural reforms and fiscal consolidation—combined with a further reduction in the central bank's large stock of government securities—is crucial to accelerating official reserve accumulation. Combining this with reforms to develop the domestic capital market would also increase the government's access to domestic private sector finance and help to reduce excess liquidity in the financial system. Such reforms would also provide opportunities for the Social Security Board to reduce the share of cash instruments in their investment portfolio, improving the General Social Security Scheme's long-term viability.

45. Improving the private sector's access to finance and enhancing the financial safety net should be key policy priorities. Removing the 2½ percent floor on the interest earned on savings deposits and supporting greater competition among domestic banks could reduce private sector borrowing costs, which remain elevated even amid high excess liquidity. Removing constraints to expanding the supply of credit—including by ensuring that domestic banks have sufficient capital above the regulatory requirement, operationalizing the credit bureau, and expanding access to grants and other non-debt instruments for early-stage firms—could also accelerate growth in

private sector credit. Operationalizing the deposit insurance framework and improving coordination across regulatory agencies would further enhance financial stability.

46. The authorities are encouraged to build on the successful completion of their AML/CFT assessment with the CFATF. The CFATF assessed Belize as compliant or largely compliant on all of the FATF's 40 Recommendations and substantially effective in achieving several immediate outcomes of a sound AML/CFT framework during its 4th round Mutual Evaluation. Going forward, the authorities should continue to address the remaining shortcomings in the AML/CFT framework.

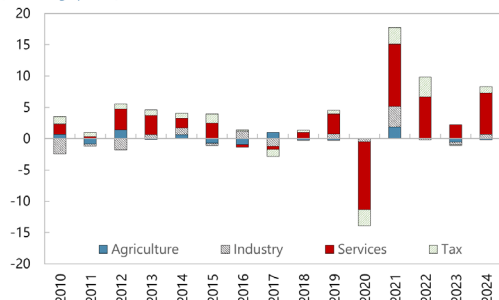
47. It is recommended that the next Article IV consultation take place on the standard 12-month cycle.

Figure 1. Belize: Real Sector Developments

The recovery since the pandemic has been largely driven by the services sector.

Supply-side Contributions to Real GDP Growth

(Percentage points)

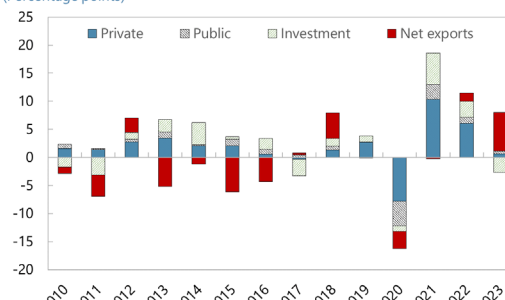


Sources: Statistical Institute of Belize; IMF staff estimates.

Unlike in 2021 and 2022 when growth was led by private consumption, growth in 2023 was driven by net exports.

Demand-side Contributions to Real GDP Growth

(Percentage points)

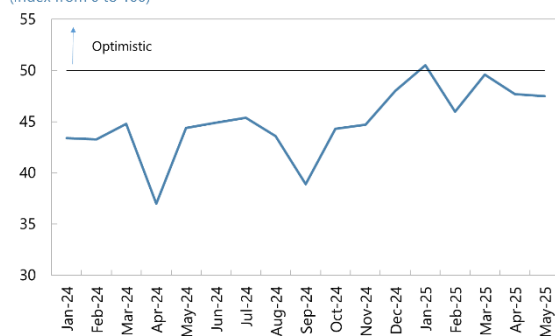


Sources: Statistical Institute of Belize; IMF staff estimates.

Consumer confidence was trending upward but stagnated below the neutral level in 2025.

Consumer Confidence Index

(Index from 0 to 100)



Sources: Statistical Institute of Belize

The unemployment rate declined under a strong economic expansion, but participation rates also fell.

Unemployment and Labor Force Participation Rates

(Percent; annual average)



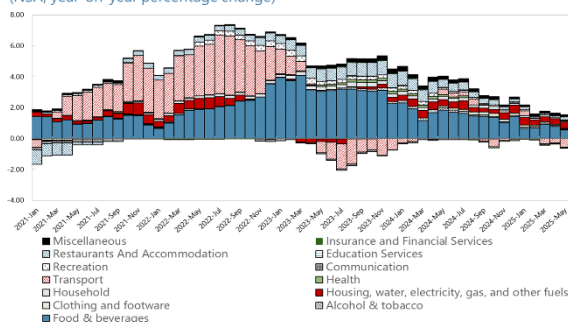
Sources: Statistical Institute of Belize; IMF staff estimates.

Notes: The SIB has adopted refinements to the definitions of employed and unemployed since 2020.

Inflation decelerated as pressure from food prices eased.

Contribution to Inflation

(NSA, year-on-year percentage change)

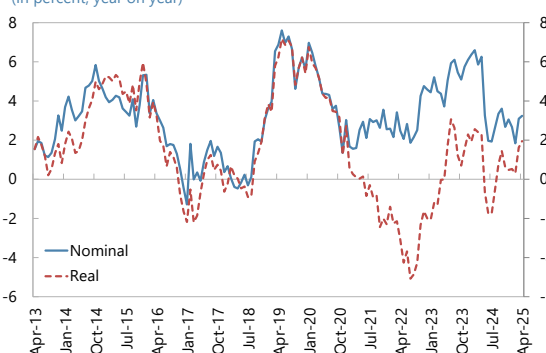


Sources: Statistical Institute of Belize; IMF staff estimates.

Private sector credit growth slowed, but remained positive.

Private Sector Credit Growth

(In percent, year on year)



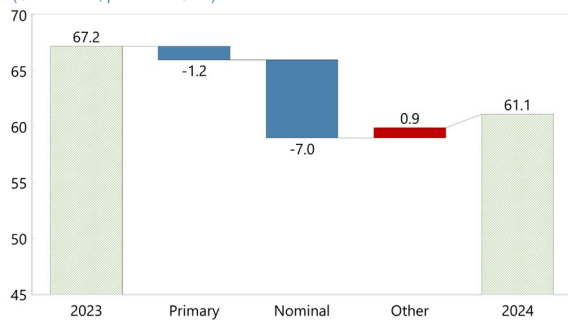
Sources: Central Bank of Belize.

Figure 2. Belize: Fiscal Developments

The public debt-to-GDP ratio declined in 2024 due to strong nominal GDP growth...

Change in Public Debt Between 2023 and 2024

(Contribution, percent of GDP)

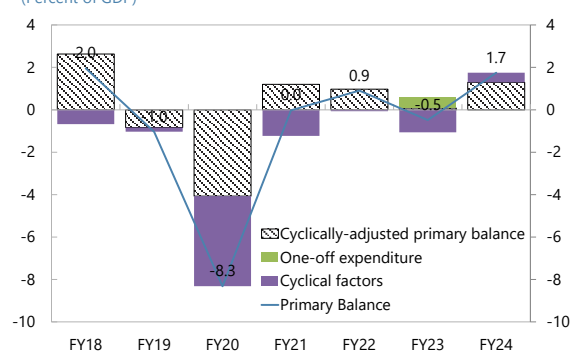


Sources: Central Bank of Belize, and IMF staff estimates.

...and a shift in the primary balance from deficit to surplus.

Primary Balance

(Percent of GDP)

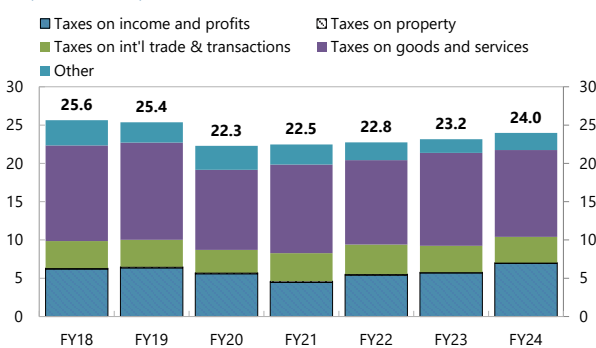


Sources: Ministry of Finance, IMF staff calculations.

Tax revenues rose sharply in FY2024, due primarily to higher taxes on income and profits...

Government Revenue

(Percent of GDP)

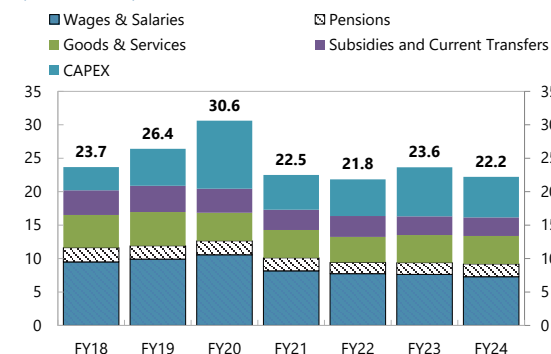


Sources: Ministry of Finance, and IMF staff calculations.

...which offset higher spending on goods and services and pensions.

Government Non-Interest Expenditure

(Percent of GDP)

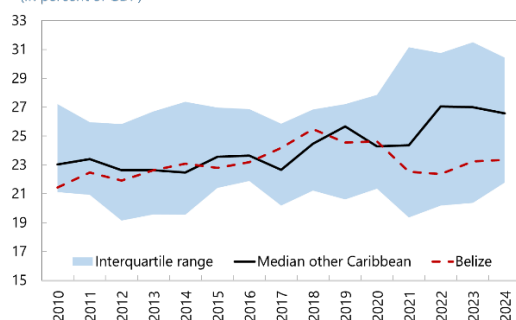


Sources: Ministry of Finance, and IMF staff calculations.

While government revenues remain below the average of Caribbean peers...

Government Revenue plus Grants

(In percent of GDP)

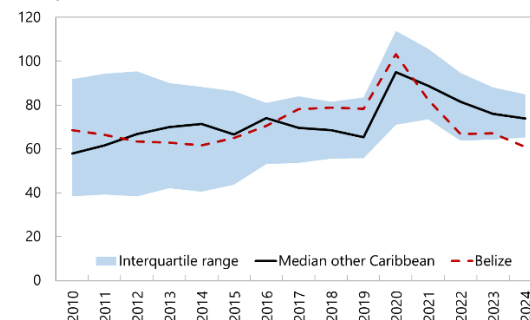


Sources: Country authorities and IMF staff estimates.

...the public debt-to-GDP ratio remains low by regional standards.

Public Sector Debt

(In percent of GDP)



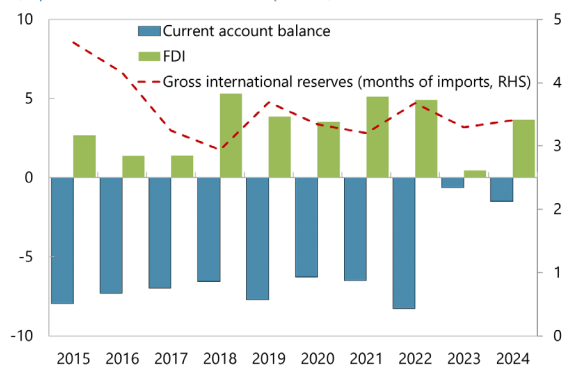
Sources: Country authorities and IMF staff estimates.

Figure 3. Belize: External Sector Developments

Current account deficit remains markedly lower than its historical average while FDI recovered.

Select Balance of Payment Indicators

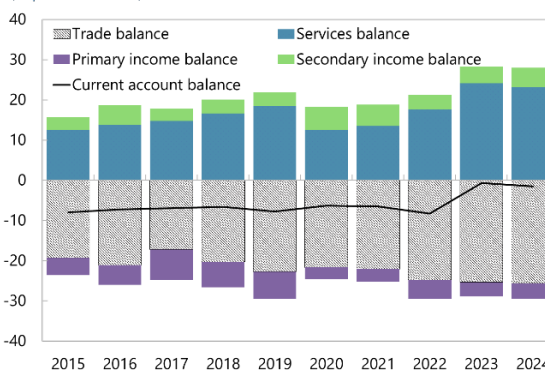
(In percent of GDP unless otherwise specified)



...the slight deterioration in 2024 was due to higher services payments and lower free-zone-related goods net exports.

Breakdown of the Current Account

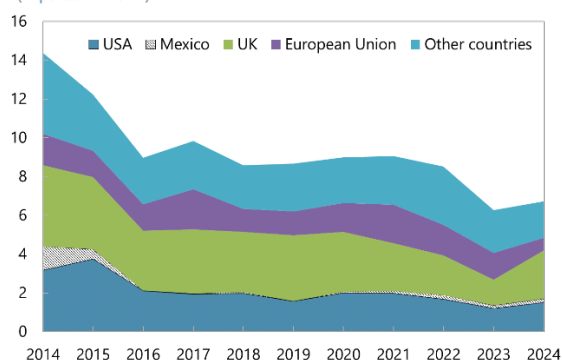
(In percent of GDP)



Share of goods exports to the US has continued to come down over the past decade...

Domestic Exports by Destination 1/

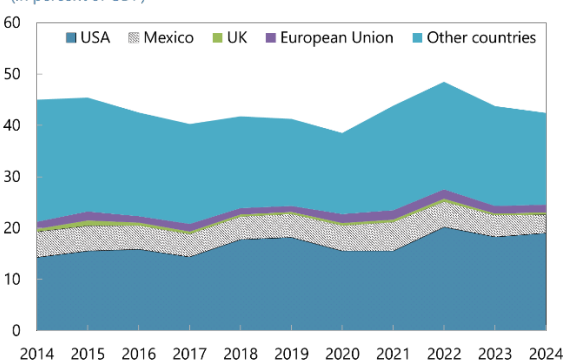
(In percent of GDP)



...but dependence on imports from the US has grown at the same time.

Domestic Imports by Destination 1/

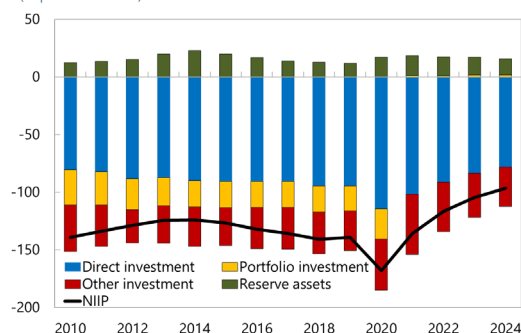
(In percent of GDP)



Net international investment position continues to improve.

Net International Investment Position and Components

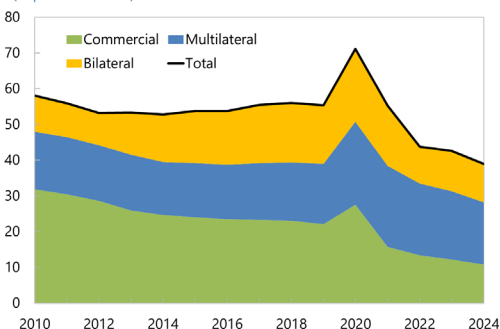
(In percent of GDP)



External public debt keeps declining as a share of GDP.

External Public Debt by Creditor

(In percent of GDP)



Sources: Central Bank of Belize, Statistical Institute of Belize, and IMF staff calculations.

1/Domestic exports exclude free zone exports and re-exports, while domestic imports exclude free zone imports.

Table 1. Belize: Selected Social and Economic Indicators

I. Population and Social Indicators

Area (sq.km.)	22,860	Human development index (rank), 2022	118
Population (thousands), 2024	410.9	Under-five mortality rate (per thousand), 2021	11.2
GDP per capita, (current US\$), 2023	7,587	Unemployment rate (percent), April 2025	2.1
Life expectancy at birth (years), 2021	70.5	Multidimensional poverty (percent of population), 2024	22.1

II. Economic Indicators

	2021	2022	2023	Projections						
				2024	2025	2026	2027	2028	2029	2030
National income and prices										
				(Annual percentage changes, calendar year)						
GDP at constant prices	17.7	9.7	1.1	8.1	1.5	2.4	2.2	2.1	2.0	2.0
Consumer prices (end of period)	4.9	6.7	3.7	2.6	1.5	1.3	1.3	1.3	1.3	1.3
Consumer prices (average)	3.2	6.3	4.4	3.3	1.4	1.9	1.3	1.3	1.3	1.3
Central government 1/										
				(In percent of fiscal year GDP)						
Revenue and grants	22.5	22.8	23.2	24.0	24.7	25.0	24.0	24.0	24.0	24.0
Current non-interest expenditure	17.3	16.4	16.3	16.2	16.2	16.6	17.1	16.8	16.8	16.8
Interest payment	1.3	1.7	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.2
Capital expenditure and net lending	5.2	5.5	7.3	6.1	7.4	7.6	6.4	6.4	6.4	6.4
Capital expenditure	5.1	5.5	7.3	6.0	7.3	7.5	6.3	6.3	6.3	6.3
Net lending	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Primary balance	0.0	0.9	-0.5	1.7	1.1	0.8	0.6	0.8	0.8	0.8
Overall balance	-1.3	-0.8	-2.7	-0.5	-1.2	-1.5	-1.8	-1.5	-1.5	-1.4
Public debt										
				(In percent of calendar year GDP)						
Public debt 2/	82.5	66.8	67.2	61.1	60.4	59.3	59.1	58.7	58.4	58.0
Domestic debt	27.2	23.1	24.6	22.2	21.6	20.5	20.4	20.6	20.9	21.2
External debt	55.3	43.7	42.6	38.9	38.9	38.8	38.7	38.1	37.4	36.8
Principal payment	8.6	5.8	6.7	6.6	7.5	7.9	6.9	6.2	6.1	6.4
Domestic	6.4	4.5	5.1	4.5	5.7	6.2	5.2	4.4	4.4	4.8
External	2.1	1.3	1.6	2.0	1.8	1.7	1.7	1.8	1.7	1.6
Money and credit										
				(Annual percentage changes, calendar year)						
Credit to the private sector by commercial banks	2.5	4.4	5.9	4.1	3.2	3.0	3.0	3.0	3.0	3.0
Money and quasi-money (M2)	12.3	4.7	7.0	9.4	2.1	4.4	3.5	3.4	3.3	3.3
External sector										
				(Annual percentage changes, unless otherwise indicated)						
External current account (percent of GDP) 3/	-6.5	-8.3	-0.6	-1.5	-1.5	-1.4	-1.3	-1.2	-1.2	-1.2
Real effective exchange rate (+ = depreciation)	-2.3	2.8	0.2	0.6	...	...	...	...	...	...
Gross international reserves (US\$ millions)	420	482	474	498	527	566	599	637	681	721
In months of imports	3.2	3.7	3.3	3.5	3.7	3.7	3.8	3.9	4.0	4.1
Memorandum items										
Output gap (percent of potential output)	-5.2	-0.3	-2.4	1.9	0.6	0.4	0.2	0.1	0.0	0.0
Nominal GDP (BZ\$ millions)	4,841	5,693	6,134	6,847	7,046	7,356	7,610	7,867	8,125	8,392

Sources: Belize authorities; UNDP Human Development Report; World Development Indicators; and staff estimates and projections.

1/ Fiscal year (April to March).

2/ Public debt includes central government debt as well as external financial and non-financial public sector debt.

3/ Including official grants.

Table 2a. Belize: Operations of the Central Government 1/ 2/
(In millions of Belize dollars, unless otherwise indicated)

	Projections									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Revenue and grants	1,136	1,320	1,462	1,653	1,757	1,857	1,845	1,907	1,970	2,034
Revenue	1,097	1,292	1,433	1,640	1,685	1,755	1,815	1,876	1,938	2,001
Current revenue	1,092	1,286	1,426	1,629	1,673	1,743	1,803	1,863	1,924	1,987
Tax revenue	1,003	1,186	1,349	1,500	1,538	1,602	1,657	1,713	1,769	1,827
Income and profits	225	314	359	479	484	504	522	539	557	575
Goods and services	585	640	766	782	808	841	870	899	929	959
General Sales Tax	306	381	431	456	471	491	508	524	542	560
Taxes on international trade	185	224	218	232	239	249	258	266	275	284
Nontax revenue	89	100	78	129	135	141	146	150	155	161
Capital revenue	5	7	7	11	12	12	12	13	13	14
Grants	39	28	29	14	72	102	30	31	32	33
Total expenditure	1,201	1,368	1,633	1,690	1,845	1,968	1,982	2,028	2,092	2,156
Current expenditure	939	1,049	1,170	1,271	1,316	1,408	1,489	1,520	1,566	1,614
Wages and salaries 4/	413	450	482	503	614	674	727	732	756	781
Pensions	98	98	110	132	130	135	143	148	153	158
Goods and services	210	220	261	288	297	309	320	331	341	353
Interest payments	64	100	141	157	164	173	179	185	188	190
Transfers 4/	153	181	176	191	111	116	120	124	128	132
Capital expenditure and net lending	262	319	463	419	529	561	492	509	525	543
Capital expenditure	256	318	462	413	522	553	484	501	517	534
Domestically financed expenditure (Capital II)	149	193	340	321	327	323	322	333	344	356
Foreign financed expenditure (Capital III)	104	116	113	82	185	220	152	157	162	168
Net lending	7	1	1	6	7	8	8	8	8	9
Primary balance	-1	52	-31	121	75	62	43	64	66	68
Overall balance	-66	-48	-171	-37	-88	-111	-136	-121	-122	-122
Financing	66	48	171	37	88	111	136	121	122	122
Privatization (net)	0	-77	0	0	0	0	0	0	0	0
Domestic	-615	35	57	-26	4	1	56	69	80	72
Of which: Amortization	299	271	310	334	416	439	382	350	369	399
External	681	89	114	62	85	110	81	52	42	50
Disbursements	777	167	224	197	209	238	212	191	180	183
Amortization	96	79	110	134	125	128	131	138	138	133
Memorandum items:										
Primary balance (excluding one-off capital transfer) 3/	-1	52	-31	121	75	62	43	64	66	68
Structural primary balance	61	56	36	89	64	54	39	62	66	68
Nominal GDP (in BZ\$ millions)	5,054	5,803	6,312	6,897	7,124	7,420	7,674	7,931	8,192	8,461
Non-interest expenditure	1,137	1,268	1,493	1,533	1,681	1,795	1,802	1,843	1,904	1,966
Public sector debt 5/	3,955	3,765	4,080	4,144	4,219	4,326	4,457	4,584	4,707	4,830
Domestic	1,316	1,316	1,508	1,519	1,520	1,509	1,549	1,619	1,700	1,777
External	2,639	2,450	2,573	2,624	2,699	2,818	2,908	2,965	3,007	3,053

Sources: Ministry of Finance; Central Bank of Belize; and Fund staff estimates and projections.

1/ Fiscal year ends in March.

2/ Excludes extrabudgetary funds.

3/ Due to data limitations, the table deviates from the GFSM 2001 methodology.

4/ The sharp increase in wages and salaries in 2025/26 partly reflects the reclassification of BZ\$80 million from transfers.

5/ Calendar year. Public debt includes central government debt and external financial and non-financial public sector debt.

Table 2b. Belize: Operations of the Central Government 1/ 2/
(In percent of GDP, unless otherwise indicated)

	2021/22	2022/23	2023/24	Projections						
				2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Revenue and grants	22.5	22.8	23.2	24.0	24.7	25.0	24.0	24.0	24.0	24.0
Revenue	21.7	22.3	22.7	23.8	23.7	23.7	23.7	23.7	23.7	23.7
Current revenue	21.6	22.2	22.6	23.6	23.5	23.5	23.5	23.5	23.5	23.5
Tax revenue	19.9	20.4	21.4	21.7	21.6	21.6	21.6	21.6	21.6	21.6
Income and profits	4.4	5.4	5.7	6.9	6.8	6.8	6.8	6.8	6.8	6.8
Goods and services	11.6	11.0	12.1	11.3	11.3	11.3	11.3	11.3	11.3	11.3
General Sales Tax	6.1	6.6	6.8	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Taxes on international trade	3.7	3.9	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Nontax revenue	1.8	1.7	1.2	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Capital revenue	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Grants	0.8	0.5	0.5	0.2	1.0	1.4	0.4	0.4	0.4	0.4
Total expenditure	23.8	23.6	25.9	24.5	25.9	26.5	25.8	25.6	25.5	25.5
Current expenditure	18.6	18.1	18.5	18.4	18.5	19.0	19.4	19.2	19.1	19.1
Wages and salaries 4/	8.2	7.7	7.6	7.3	8.6	9.1	9.5	9.2	9.2	9.2
Pensions	1.9	1.7	1.7	1.9	1.8	1.8	1.9	1.9	1.9	1.9
Goods and services	4.1	3.8	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Interest payments	1.3	1.7	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.2
Transfers 4/	3.0	3.1	2.8	2.8	1.6	1.6	1.6	1.6	1.6	1.6
Capital expenditure and net lending	5.2	5.5	7.3	6.1	7.4	7.6	6.4	6.4	6.4	6.4
Capital expenditure	5.1	5.5	7.3	6.0	7.3	7.5	6.3	6.3	6.3	6.3
Domestically financed expenditure (Capital II)	3.0	3.3	5.4	4.7	4.6	4.4	4.2	4.2	4.2	4.2
Foreign financed expenditure (Capital III)	2.1	2.0	1.8	1.2	2.6	3.0	2.0	2.0	2.0	2.0
Net lending	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Primary balance	0.0	0.9	-0.5	1.7	1.1	0.8	0.6	0.8	0.8	0.8
Overall balance	-1.3	-0.8	-2.7	-0.5	-1.2	-1.5	-1.8	-1.5	-1.5	-1.4
Financing	1.3	0.8	2.7	0.5	1.2	1.5	1.8	1.5	1.5	1.4
Privatization (net)	0.0	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-12.2	0.6	0.9	-0.4	0.1	0.0	0.7	0.9	1.0	0.9
Of which: Amortization	5.9	4.7	4.9	4.8	5.8	5.9	5.0	4.4	4.5	4.7
External	13.5	1.5	1.8	0.9	1.2	1.5	1.1	0.7	0.5	0.6
Disbursements	15.4	2.9	3.6	2.9	2.9	3.2	2.8	2.4	2.2	2.2
Amortization	1.9	1.4	1.7	1.9	1.7	1.7	1.7	1.7	1.7	1.6
Memorandum items:										
Primary balance (excluding one-off capital transfer) 3/	0.0	0.9	-0.5	1.7	1.1	0.8	0.6	0.8	0.8	0.8
Structural primary balance	1.1	1.0	0.6	1.3	0.9	0.7	0.5	0.8	0.8	0.8
Nominal GDP (in BZ\$ millions)	5,054	5,803	6,312	6,897	7,124	7,420	7,674	7,931	8,192	8,461
Public sector debt 5/	82.5	66.8	67.2	61.1	60.4	59.3	59.1	58.7	58.4	58.0
Domestic	27.2	23.1	24.6	22.2	21.6	20.5	20.4	20.6	20.9	21.2
External	55.3	43.7	42.6	38.9	38.9	38.8	38.7	38.1	37.4	36.8

Sources: Ministry of Finance; Central Bank of Belize; and Fund staff estimates and projections.

1/ Fiscal year ends in March.

2/ Excludes extrabudgetary funds.

3/ Due to data limitations, the table deviates from the GFSM 2001 methodology.

4/ The sharp increase in wages and salaries in 2025/26 partly reflects the reclassification of BZ\$80 million from transfers.

5/ Calendar year. Public debt includes central government debt and external financial and non-financial public sector debt.

Table 3a. Belize: Balance of Payments
(In millions of US dollars, unless otherwise indicated)

	2021	2022	2023	2024	Projections					
					2025	2026	2027	2028	2029	2030
Current account balance	-158	-236	-20	-52	-52	-51	-51	-48	-48	-51
Trade balance	-534	-706	-777	-880	-909	-954	-987	-1,014	-1,054	-1,093
Total exports, f.o.b.	422	518	488	482	465	470	481	495	503	513
<i>Of which:</i> Oil	4	2	1	0	0	0	0	0	0	0
Total imports, f.o.b.	956	1,224	1,265	1,362	1,375	1,424	1,468	1,510	1,557	1,606
<i>Of which:</i> Fuel and lubricants	134	211	198	244	214	206	212	219	225	229
Services	328	501	740	796	850	898	931	961	998	1,032
<i>Credit</i>	621	851	1,048	1,158	1,199	1,259	1,308	1,355	1,400	1,447
of which Travel	374	601	730	813	843	887	924	957	990	1,023
Debit	-293	-350	-308	-362	-349	-360	-377	-393	-402	-415
Income	-78	-134	-111	-130	-133	-142	-147	-151	-154	-157
<i>Of which:</i> Public sector interest payments	-20	-8	-7	-8	-8	-8	-9	-9	-9	-10
Current transfers	127	103	129	162	140	146	151	157	162	167
Private (net)	126	133	142	179	155	162	167	173	179	185
Official (net)	1	-30	-13	-17	-15	-15	-16	-16	-17	-18
Capital and financial account balance	192	217	62	89	80	90	85	85	92	91
Capital transfers	241	29	25	6	7	7	7	7	8	8
Public sector	481	33	11	31	44	60	45	22	11	14
Change in assets	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Change in liabilities	481	34	12	31	44	60	45	22	12	14
Disbursements	538	78	132	108	114	132	119	100	91	89
Central government	494	73	117	98	99	122	109	97	91	89
Amortization	-57	-45	-57	-76	-70	-72	-74	-78	-79	-74
Central government	-52	-36	-50	-69	-62	-64	-64	-69	-70	-67
Private sector 1/	-530	155	25	52	30	23	33	56	74	70
Foreign Direct Investment, net	124	140	14	126	88	92	95	98	102	105
Other private flows	-89	15	12	-74	-58	-69	-62	-42	-28	-35
Commercial banks	-148	22	-49	-146	2	-14	-2	8	12	15
Other private nonbanks	-506	-7	61	71	-60	-55	-60	-50	-40	-50
Errors and omissions	42	80	-51	-28	0	0	0	0	0	0
Overall balance	77	62	-9	9	29	39	34	37	44	40
Financing	-77	-62	9	-9	-29	-39	-34	-37	-44	-40
Memorandum items:										
Gross international reserves	420	482	474	498	527	566	599	637	681	721
In percent of next year's gross external financing needs	150	625	370	409	431	451	479	500	541	573
In percent of next year's total debt service	615	477	361	398	402	422	429	453	497	529
In months of next year's imports	3.2	3.7	3.3	3.5	3.7	3.7	3.8	3.9	4.0	4.1

Sources: Central Bank of Belize; and Fund staff estimates and projections.

1/ Detailed data on private sector flows are not available.

Table 3b. Belize: Balance of Payments
(In percent of GDP, unless otherwise indicated)

	2021	2022	2023	Prel. 2024	2025	2026	Projections 2027	2028	2029	2030
(In percent of GDP, unless otherwise stated)										
Current account balance	-6.5	-8.3	-0.6	-1.5	-1.5	-1.4	-1.3	-1.2	-1.2	-1.2
Trade balance	-22.1	-24.8	-25.3	-25.7	-25.8	-25.9	-25.9	-25.8	-25.9	-26.0
Total exports, f.o.b.	17.4	18.2	15.9	14.1	13.2	12.8	12.6	12.6	12.4	12.2
<i>Of which:</i> Oil	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total imports, f.o.b.	39.5	43.0	41.3	39.8	39.0	38.7	38.6	38.4	38.3	38.3
<i>Of which:</i> Fuel and lubricants	5.5	7.4	6.5	7.1	6.1	5.6	5.6	5.6	5.5	5.5
Services	13.5	17.6	24.1	23.2	24.1	24.4	24.5	24.4	24.6	24.6
<i>Credit</i>	25.6	29.9	34.2	33.8	34.0	34.2	34.4	34.4	34.5	34.5
of which Travel	15.5	21.1	23.8	23.8	23.9	24.1	24.3	24.3	24.4	24.4
Debit	-12.1	-12.3	-10.0	-10.6	-9.9	-9.8	-9.9	-10.0	-9.9	-9.9
Income	-3.2	-4.7	-3.6	-3.8	-3.8	-3.8	-3.9	-3.8	-3.8	-3.7
<i>Of which:</i> Public sector interest payments	-0.8	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Current transfers	5.2	3.6	4.2	4.7	4.0	4.0	4.0	4.0	4.0	4.0
Private (net)	5.2	4.7	4.6	5.2	4.4	4.4	4.4	4.4	4.4	4.4
Official (net)	0.0	-1.0	-0.4	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Capital and financial account balance	7.9	7.6	2.0	2.6	2.3	2.4	2.2	2.2	2.3	2.2
Capital transfers	10.0	1.0	0.8	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Public sector	19.9	1.2	0.4	0.9	1.2	1.6	1.2	0.5	0.3	0.3
Change in assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in liabilities	19.9	1.2	0.4	0.9	1.3	1.6	1.2	0.6	0.3	0.3
Disbursements	22.2	2.7	4.3	3.1	3.2	3.6	3.1	2.5	2.2	2.1
Central government	20.4	2.5	3.8	2.9	2.8	3.3	2.9	2.5	2.2	2.1
Amortization	-2.3	-1.6	-1.9	-2.2	-2.0	-1.9	-1.9	-2.0	-1.9	-1.8
Central government	-2.1	-1.3	-1.6	-2.0	-1.8	-1.7	-1.7	-1.8	-1.7	-1.6
Private sector 1/	-21.9	5.4	0.8	1.5	0.9	0.6	0.9	1.4	1.8	1.7
Foreign Direct Investment, net	5.1	4.9	0.4	3.7	2.5	2.5	2.5	2.5	2.5	2.5
Other private flows	-3.7	0.5	0.4	-2.2	-1.6	-1.9	-1.6	-1.1	-0.7	-0.8
Commercial banks	-6.1	0.8	-1.6	-4.3	0.1	-0.4	-0.1	0.2	0.3	0.4
Other private nonbanks	-20.9	-0.2	2.0	2.1	-1.7	-1.5	-1.6	-1.3	-1.0	-1.2
Errors and omissions	1.8	2.8	-1.7	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	3.2	2.2	-0.3	0.3	0.8	1.1	0.9	1.0	1.1	1.0
Financing	-3.2	-2.2	0.3	-0.3	-0.8	-1.1	-0.9	-1.0	-1.1	-1.0
Change in reserves (- increase)	-3.2	-2.2	0.3	-0.3	-0.8	-1.1	-0.9	-1.0	-1.1	-1.0

Sources: Central Bank of Belize; and Fund staff estimates and projections.

1/ Detailed data on private sector flows are not available.

Table 4. Belize: Operations of the Banking System
(In millions of Belize dollars, unless otherwise indicated)

	2021	2022	2023	2024	Projections					
					2025	2026	2027	2028	2029	2030
Central Bank of Belize (CBB)										
Net foreign assets 1/	726	851	832	887	944	1,022	1,089	1,164	1,252	1,332
Net international reserves	848	967	949	1,001	1,058	1,136	1,203	1,278	1,366	1,445
Medium-term foreign liabilities 2/	-122	-116	-117	-113	-113	-113	-113	-113	-113	-113
Net domestic assets	433	480	602	593	567	556	543	523	491	468
Credit to the public sector (net)	449	512	647	632	636	634	659	698	742	785
Central government	458	529	662	646	647	641	661	696	737	775
Other public sector	-10	-18	-15	-15	-11	-7	-3	1	5	9
Capital and other assets (net)	-16	-32	-45	-39	-69	-78	-116	-174	-251	-316
Base money	1,159	1,331	1,434	1,480	1,512	1,578	1,633	1,688	1,743	1,800
Currency issue	528	604	686	738	782	809	867	889	950	974
Reserves of commercial banks	631	727	748	742	730	769	765	798	793	826
Commercial banks										
Net foreign assets	597	553	651	943	939	967	971	955	931	901
Net claims on central bank	701	804	832	820	841	867	885	903	920	937
Of which: cash in vault	71	81	99	92	111	98	120	104	127	111
Net domestic assets	2,682	2,697	2,878	3,035	3,075	3,240	3,383	3,539	3,715	3,897
Credit to the public sector (net)	-14	-69	-14	-26	-11	-10	21	65	115	163
Central government	249	203	285	275	276	270	291	325	366	404
Other public sector	-263	-272	-300	-302	-287	-280	-270	-260	-250	-241
Credit to the private sector	2,312	2,413	2,556	2,661	2,746	2,828	2,913	3,000	3,090	3,183
Other assets (net)	384	353	336	400	340	421	450	473	509	550
Liabilities to the private sector	3,979	4,054	4,361	4,797	4,855	5,073	5,239	5,396	5,565	5,734
Monetary survey										
Net foreign assets	1,322	1,404	1,483	1,830	1,883	1,989	2,060	2,119	2,183	2,233
Medium-term foreign liabilities of CBB	122	116	117	113	113	113	113	113	113	113
Net domestic assets	3,114	3,177	3,471	3,617	3,642	3,796	3,926	4,062	4,205	4,365
Credit to the public sector (net)	435	442	632	605	625	625	680	763	857	948
Central government	707	732	947	922	922	911	952	1,022	1,102	1,180
Other public sector	-272	-290	-314	-317	-298	-286	-273	-259	-245	-232
Credit to private sector (by comm. banks)	2,312	2,413	2,556	2,661	2,746	2,828	2,913	3,000	3,090	3,183
Other items (net)	368	322	283	352	271	343	334	298	258	234
Liabilities to the private sector	4,437	4,581	4,955	5,447	5,525	5,785	5,986	6,181	6,388	6,598
Money and quasi-money (M2)	3,969	4,155	4,447	4,864	4,967	5,186	5,365	5,546	5,728	5,916
Currency in circulation	457	523	588	646	670	711	747	785	823	863
Deposits	3,512	3,631	3,859	4,218	4,297	4,475	4,617	4,761	4,904	5,053
Foreign currency deposits	162	149	190	260	265	276	285	294	302	312
Capital and reserves of commercial banks	468	426	508	583	558	599	622	635	660	682
Memorandum items:										
Private sector local currency deposits (growth, percent)	13.2	3.4	6.3	9.3	1.9	4.1	3.2	3.1	3.0	3.0
Base money (growth, percent)	10.2	14.9	7.8	3.2	2.1	4.4	3.5	3.4	3.3	3.3
Credit to priv. sector by comm. banks (growth, percent)	2.5	4.4	5.9	4.1	3.2	3.0	3.0	3.0	3.0	3.0
Money and quasi-money growth (M2, percent)	12.3	4.7	7.0	9.4	2.1	4.4	3.5	3.4	3.3	3.3
Net international reserves to M2 (percent)	21.4	23.3	21.3	20.6	21.3	21.9	22.4	23.0	23.8	24.4
Required cash reserve ratio (percent)	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Loan-deposit ratio (percent)	62.9	63.8	63.1	59.4	60.2	59.5	59.4	59.4	59.4	59.3

Sources: The Central Bank of Belize; and Fund staff estimates and projections.

1/ Includes Central Government's foreign assets.

2/ Includes SDR allocation.

Table 5. Belize: Baseline Medium-Term Outlook

	Projections													
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	(Annual percentage change)													
GDP and prices														
GDP at constant prices	17.7	9.7	1.1	8.1	1.5	2.4	2.2	2.1	2.0	2.0	2.0	2.0	2.0	2.0
GDP at current market prices	18.5	17.6	7.7	11.6	2.9	4.4	3.5	3.4	3.3	3.3	3.3	3.3	3.3	3.3
Prices (GDP deflator)	0.6	7.3	6.5	3.3	1.4	1.9	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Consumer prices (end of period)	4.9	6.7	3.7	2.6	1.5	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
	(In percent of GDP, unless otherwise indicated)													
National accounts														
Consumption	79.6	79.8	78.6	78.1	78.7	78.9	79.0	78.8	78.6	78.5	78.3	78.2	78.1	77.9
Gross domestic investment 1/	29.0	27.4	22.6	24.3	23.0	20.9	22.4	22.5	22.7	23.0	23.1	23.3	23.6	23.8
Net exports	-8.5	-7.2	-1.2	-2.5	-1.7	0.2	-1.5	-1.3	-1.4	-1.5	-1.5	-1.5	-1.6	-1.7
Gross national savings	17.7	13.9	16.7	19.6	19.1	19.0	18.9	19.2	19.4	19.6	19.7	19.9	20.0	20.1
Central government 2/														
Revenue and grants	22.5	22.8	23.2	24.0	24.7	25.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Total expenditure	23.8	23.6	25.9	24.5	25.9	26.5	25.8	25.6	25.5	25.5	25.5	25.4	25.3	25.3
Noninterest expenditure	22.5	21.8	23.6	22.2	23.6	24.2	23.5	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Primary balance	0.0	0.9	-0.5	1.7	1.1	0.8	0.6	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Interest	1.3	1.7	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1
Overall balance	-1.3	-0.8	-2.7	-0.5	-1.2	-1.5	-1.8	-1.5	-1.5	-1.4	-1.4	-1.4	-1.3	-1.2
External sector														
Current account balance	-6.5	-8.3	-0.6	-1.5	-1.5	-1.4	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
<i>Of which:</i> Exports of goods and services	43.1	48.1	50.1	47.9	47.3	47.0	47.0	47.0	46.9	46.7	46.7	46.7	46.6	46.6
<i>Of which:</i> Petroleum exports	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Of which:</i> Imports of goods and services	-51.6	-55.3	-51.3	-50.4	-48.9	-46.8	-48.5	-48.4	-48.2	-48.2	-48.2	-48.2	-48.3	-48.3
Capital and financial account	7.9	7.6	2.0	2.6	2.3	2.4	2.2	2.2	2.3	2.2	2.2	2.5	2.0	2.5
Public sector disbursements	22.2	2.7	4.3	3.1	3.2	3.6	3.1	2.5	2.2	2.1	2.3	2.2	2.2	2.1
Public sector amortization	-2.3	-1.6	-1.9	-2.2	-2.0	-1.9	-1.9	-2.0	-1.9	-1.8	-1.7	-2.5	-2.5	-2.5
Other capital and fin. account transactions 3/	-11.9	6.5	-0.4	1.7	1.0	0.8	1.0	1.6	2.0	1.8	1.5	2.8	2.3	2.9
Change in reserves (- increase)	-3.2	-2.2	0.3	-0.3	-0.8	-1.1	-0.9	-1.0	-1.1	-1.0	-1.0	-1.4	-0.8	-1.3
Gross official reserves (in months of imports)	3.2	3.7	3.3	3.5	3.7	3.7	3.8	3.9	4.0	4.1	4.2	4.4	4.5	4.6
Public debt 4/	82.5	66.8	67.2	61.1	60.4	59.3	59.1	58.7	58.4	58.0	57.5	57.1	56.6	56.0
Domestic	27.2	23.1	24.6	22.2	21.6	20.5	20.4	20.6	20.9	21.2	21.2	22.0	22.9	23.7
External	55.3	43.7	42.6	38.9	38.9	38.8	38.7	38.1	37.4	36.8	36.4	35.0	33.7	32.3

Sources: Belizean authorities; and Fund staff estimates and projections.

1/ Excludes discrepancy in external savings from the balance of payments.

2/ Fiscal projections are on a calendar year basis.

3/ Includes errors and omissions.

4/ Public debt includes central government debt as well as external financial and non-financial public sector debt.

Table 6. Belize: Domestic Banks—Financial Soundness Indicators
(In percent)

	2019	2020	2021	2022	2023	2024	Mar 2025
Capital Adequacy							
Regulatory Capital to Risk Weighted Assets	22.8	19.8	19.2	15.1	16.1	17.1	15.5
Primary Capital to Risk-Weighted Assets	21.7	18.6	18.2	12.4	14.2	14.7	13.2
Non-Performing Loans (Net of Specific Provisions) to Regulatory Capital	11.4	23.9	14.9	22.1	14.7	10.4	9.6
Large Exposure to Capital	94.5	139.3	153.6	201.6	169.4	118.0	122.2
Asset Quality							
Non-Performing Loans to Total Gross Loans	5.1	7.7	5.3	6.9	5.2	4.4	3.6
Non-Performing Loans (Net of Specific Provisions) to Total Gross Loans	2.4	4.4	2.8	3.5	2.5	2.0	1.7
Loan Loss Coverage	71.9	57.3	66.0	67.1	75.8	89.7	93.9
Profitability/Efficiency							
Return On Equity (Net Income to Average Capital)	13.3	3.2	5.7	2.9	14.0	13.3	14.2
Return On Assets (Net Income to Average Assets)	2.0	0.4	0.6	0.3	1.5	1.5	1.6
Interest Margin to Gross Income	65.5	69.2	66.0	65.5	74.2	68.2	63.3
Non-Interest Expenses to Gross Income	63.4	62.1	68.3	61.6	59.5	64.3	63.7
Liquidity							
Liquid Assets to Total Assets	24.3	28.1	33.8	34.3	32.9	32.0	36.9
Liquid Assets to Short-Term Liabilities	36.1	38.5	46.6	46.3	44.3	42.9	48.3
Customer Deposits to total (Non-Interbank) Loans	128.4	138.1	155.1	152.1	152.3	161.6	171.7
Source: Central Bank of Belize.							

Annex I. Country Engagement

1. **The Government of Belize's medium-term goals center around ensuring fiscal prudence and boosting per capita incomes.** The incumbent People's United Party won the March 2025 general elections, securing 26 of 31 seats in the House of Representatives. The new government has committed to continue pursuing prudent fiscal policies to reduce the public debt-to-GDP ratio to 50 percent of GDP, while making key investments in education, health, and energy and other utilities. In this respect, the public debt-to-GDP ratio has declined substantially since the pandemic, and the authorities are pursuing efforts to accelerate the adoption of renewable energy, address infrastructure gaps, enhance female labor force participation and improve the business climate.
2. **Belize faces several constraints to achieving its medium-term goals.** Financing investments in priority areas will require increasing government revenues beyond 24 percent of GDP, currently below the Caribbean median. Moreover, while the authorities have expanded the range of available financing through eligibility to IDA funding, attracting additional local currency financing will require reforms to the domestic government securities market and initiatives to enhance the private sector's access to finance. Capacity constraints in the public sector and a shortage of skilled labor in the private sector may also limit policy and project execution. To address the former, the government is planning a salary review to realign public sector wages. Expanding the available pool of skilled labor in the country will depend on efforts to improve female labor force participation and expand access to training in professional and vocational curricula. However, political economy considerations may limit the timing and scope of policy options available to achieve the authorities' objectives.
3. **Staff agrees with the authorities' medium-term objectives and continues to support the authorities' efforts to achieve them.** Over the previous 4½ years, the policies implemented by the authorities were broadly in line with staff advice and technical assistance, even if somewhat less ambitious in specific cases. Staff continues to provide policy recommendations to support macroeconomic and financial stability and boost per capita incomes, underpinned by analytical work, both at the request of the authorities and at staff's initiative. The authorities benefit heavily from technical assistance from CARTAC and IMF headquarters, including on the introduction of a unified, autonomous tax department (FAD/CARTAC), public financial management reforms (CARTAC), and strengthening risk-based supervision of financial institutions (CARTAC; Annex III). These efforts complement and support those of other key stakeholders, including the CDB, IDB, and World Bank.

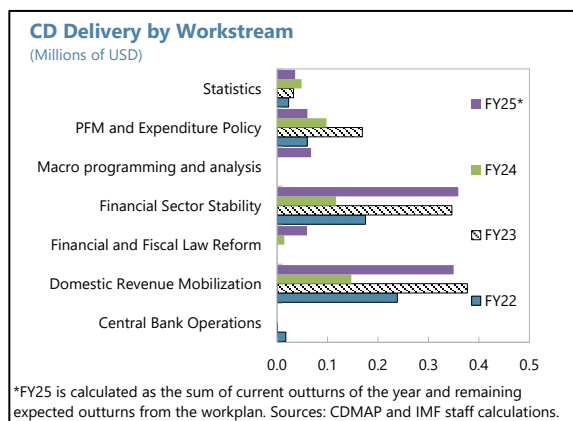
Annex II. Implementation of 2024 Article IV Consultation Recommendations

2024 Article IV Recommendation	Implementation
Fiscal	
Fiscal Consolidation and Debt Reduction	Some Progress
Raise the primary balance to 2.0 percent of GDP by FY2025 and maintain it at that level to reduce public debt to 50 percent of GDP by 2030. Anchor this plan on a medium-term fiscal strategy with clear targets and specific measures and prepare the groundwork for the adoption of a well-designed FRL to enhance credibility.	The primary balance strengthened in FY2024, rising to 1.7 percent of GDP, from –0.5 percent of GDP one year earlier, driven by buoyant revenue growth, despite strong growth in higher spending on pensions and goods and services.
Increase spending on infrastructure, targeted transfers to address food insecurity, subsidies for childcare, after-school programs, and training for vulnerable women, and crime prevention.	Capital expenditure increased to 6.0 percent of GDP in FY2024, from 5.5 percent of GDP in FY2022 and is budgeted to increase further to 7.3 percent of GDP in FY2025. The authorities secured financing from the World Bank Group to upgrade Belize City’s wastewater treatment plant and expand water supply in San Pedro.
Broaden the GST base, standardize PIT exemption thresholds, raise excise taxes and fees, rebalance manufacturing taxes and reform the PPPO.	The authorities increased the PIT exemption threshold and exempted some financial instruments from stamp duty. Implementation of some revenue measures and reforms to the PPPO have been delayed.
Strengthen revenue administration.	The authorities are strengthening revenue administration in line with TA from CARTAC and FAD, including efforts to transform the BTSD into a semi-autonomous agency.
Structural Reforms	
Growth Enhancing Structural Reforms	Some Progress
Expand conditional cash transfers to promote school attendance, improve school curriculums, and expand technical and “soft skill” vocational training programs.	The authorities are undertaking projects to improve access to childcare and training programs to increase female labor force participation.
Set up a credit bureau and collateral registry to enhance access to credit.	The Moveable Property Security Rights Act was enacted in 2024, and the collateral registry was launched. Moreover, the central bank licensed a credit bureau in June 2025. The DFC secured additional financing from the CDB to improve access to credit to key sectors, including MSMEs.
Replace the ministerial discretion allowed in business-related processes with a more predictable and rules-based system, enhance the technical capacity of the judiciary, and promote greater access to legislation and judicial decisions to boost business confidence.	The authorities introduced draft Insolvency and Bankruptcy legislation to the National Assembly in 2025, which aims to address businesses’ concerns. More still needs to be done to replace ministerial discretion. The Senior Courts of Belize launched a new website in 2024 in an effort to modernize the judiciary and increase the court’s accessibility to the public.
Advance the digitalization of the land and business registries. Improve the firms’ and government services.	The authorities have announced plans to digitize the land registry and the land tax unit.

2024 Article IV Recommendation	Implementation
Structural Reforms (continued)	
Adopt a disaster resilience strategy that strengthens structural, financial, and post-disaster resilience and is based on a multi-year macro-fiscal framework.	<p>With the support of the World Bank Group, the authorities are in the process of attracting private investment through a PPP to build a utility-scale solar plant and acquiring a 40 MW Battery Energy Storage System to integrate renewable energy onto the grid. The authorities also secured financing from the World Bank Group and the Canada Clean Energy and Forests Climate Facility to support a new energy project aimed at deploying battery energy storage systems across the country.</p> <p>The authorities have not yet developed a comprehensive disaster resilience strategy but have already established a climate finance strategy and adopted a national disaster preparedness and response plan.</p>
Monetary and Financial Sector Policies	
Monetary and Financial Sector Policies	Progress
Gradually reduce government financing by the central bank to lower excess liquidity and help develop the local capital market.	Net central bank credit to the government continued to trend downward through May 2025, but domestic banks' excess liquidity ratio remained elevated.
Increase the level of international reserves to strengthen the currency peg.	International reserves increased to 3.5 months of imports of goods and services in 2024 but remain below the level implied by the ARA metric.
Keep vulnerable financial institutions under enhanced supervision and request recapitalization when needed to maintain financial stability.	<p>Domestic banks' financial soundness indicators improved in 2024 as the vulnerable institutions injected tier 1 capital in 2024. These institutions have now been released from enhanced supervision by the Central Bank.</p> <p>The central bank has also announced plans to update the credit union legislation and liquidate 19 defunct credit unions.</p>
AML/CFT	
AML/CFT Policies	Substantial Progress
Use the results of the ongoing Mutual Evaluation to guide next steps to strengthen the AML/CFT framework, including in the international financial services and banking sectors.	The authorities completed their AML/CFT Mutual Evaluation with the Caribbean Financial Action Task Force and were assessed as compliant or largely compliant in all of the FATF's 40 Recommendations and substantially effective in achieving several immediate outcomes.

Annex III. Integrating Surveillance and Capacity Development

1. CARTAC and the IMF continue to support the authorities' policies with capacity development (CD) in several areas. Key among these has been technical assistance (TA) in the areas of tax policy, revenue administration, public financial management, financial sector regulation and supervision, and statistics. The authorities have demonstrated strong commitment to CD implementation.



2. The World Bank Group, Caribbean Development Bank (CDB) and IDB have also supported capacity development efforts. The World Bank conducted a Public Expenditure Review in 2023 and provided recommendations in line with staff's advice. The Bank has also supported the authorities' development of a disaster risk financing policy and is assisting with capacity building in anticipation of the introduction of a medium-term fiscal framework. The CDB has also delivered assistance to support efforts to improve public procurement, enhance preparedness and the response to natural disasters in rural communities, and implement multi-hazard impact-based forecasting and early warning systems in Belize, among others. The IDB conducted a review of the public wage bill in 2025, including a review of the salary scale, and has provided support to strengthen the Ministry of Finance's central executing unit, public financial management, and financing to promote the digitalization of both firms and government services.

Capacity

3. IMF and CARTAC CD continues to support the strengthening and implementation of:

- *Tax Policy and Administration* to support increased revenue collection to increase the primary balance and to expand priority spending.
- *Public Financial Management (PFM)* to strengthen multi-year budget preparations, fiscal risk assessment, public investment management, coverage of government accounts, accounting and fiscal reporting, and internal audit.
- *Structural reforms* to raise medium-term growth.
- *Financial Sector Stability and Supervision* to strengthen financial sector regulation and supervision.
- *Improving the accuracy and timeliness of statistics and macroeconomic analysis.*

Sector	Surveillance Recommendations	Capacity Development Recent Actions
Tax Policy and Administration	Increase revenue collection through tax policy measures and improved administration to increase the primary balance and expand priority expenditure by taxing some zero-rated items at the 12.5 percent GST rate, increasing excise taxes and fees, standardizing the personal income tax exemption thresholds, and strengthening revenue and customs administration.	The authorities received TA on tax policy from FAD in 2013 and would benefit from an updated assessment. In 2020, FAD advised on tax reform options and LEG on income taxation. More recently, FAD and CARTAC have provided TA on revenue and customs administration, including on creating a unified, semi-autonomous tax department to enhance efficiency, strengthening HQ function and performance management, a comprehensive risk management strategy, and a tax compliance plan to improve filing and payment, enhancing audit capacity, increasing tax arrears collection, building capacity. FAD and CARTAC also provided TA on a Property Transactions Tax in 2023, and FAD and LEG provided assistance on Property Tax Reform in 2024.
Public Financial Management	Strengthen multi-year budget preparations, fiscal risk assessment, public investment management, coverage of government accounts, accounting and fiscal reporting, and internal audit. Publish procurement contracts and beneficial ownership information of awardees to ensure transparency and accountability.	A 2020 public investment management assessment noted some good practices and made recommendations to improve public investment management further. CARTAC and FAD provided TA on the transition to accrual accounting and improving financial reporting and accountability in 2023. In 2024, CARTAC conducted a mission focused on restructuring the Treasury to enhance operational efficiency and effectiveness. The gap analysis identified several areas needing improvement: reforming the legal framework, strengthening cash management, enhancing fiscal reporting, and developing staff skills through targeted training and recruitment.
Structural Reforms	Increase female labor force participation and the quality of education; enhance access to affordable credit for MSMEs; strengthen resilience to climate change and related disasters; reduce crime; and improve the rule of law and business climate.	A Climate Change Policy Assessment was completed in 2018, which recommended implementing a Disaster Resilience Strategy that focuses on improving structural, financial, and post-disaster resilience and is based on a consistent multi-year macro-fiscal framework.

Sector	Surveillance Recommendations	Capacity Development Recent Actions/Plans
Financial Sector	Continue to strengthen financial sector regulation and supervision. Remain vigilant to financial stability risks, including keeping vulnerable institutions under enhanced supervision. Reduce central bank financing of the government.	<p>CARTAC delivered TA on the implementation of Basel II-III and the enhancement of risk-based supervision. This included developing stress testing tools and supporting the Financial Services Commission with the new Securities Act and Insurance legislation and regulation.</p> <p>MCM delivered TA on cybersecurity regulation and supervision in 2019. In 2021, MCM provided TA on bank resolution and NPL management. In 2023, MCM further contributed with assistance on the Foreign Exchange (FX) regulatory framework and FX reserve management.</p> <p>CARTAC's 2023 efforts also included TA on implementing a Liquidity Coverage Ratio (LCR), Interest Rate Risk in the Banking Book (IRRBB), and intragroup exposures risk management. In 2024, TA focused on the Internal Capital Adequacy Assessment Process, LCR, statistical models for risk management in market and credit risk, and public disclosures.</p> <p>During FY2025, CARTAC continued its support by developing supervision for e-money issuers, introducing risk-based supervision for securities firms and markets, and enhancing corporate governance and internal audit standards for banks and credit unions. Additionally, TA on risk-based supervision for money lenders was provided in January 2025. The Central Bank of Belize is still actively working to enhance its forecasting and modeling capacities, with the help of CARTAC. A follow-up mission was conducted in May 2025, focusing on advanced forecasting techniques and nowcasting.</p>
Statistics	Improve the accuracy and timeliness of statistics.	<p>CARTAC provided TA on rebasing the national accounts and back casting GDP by expenditure in 2020. STA provided TA on producing new Financial Soundness Indicators in line with the FSIs Guide in 2022, and on improving the compilation of the BOP and IIP in 2023. CARTAC provided TA on developing a producer price index and building capacity in macroeconomic forecasting in 2025. CARTAC conducted an external sector mission in 2025 focusing on the collection and consistency of the international investment position (IIP) with balance of payments financial transactions, statistical methods, validation of intermediate data, and statistical results.</p>

4. **Going forward, CD priorities will focus on the following areas:**

- In PFM and revenue administration, CARTAC will (i) deliver an SOE fiscal risk mission in 2025; (ii) continue work in establishing a semi-autonomous revenue authority (including activities to provide support on HR, structure, strategic planning and change management); (iii) strengthen core functions – arrears management and audit capacity; (iv) compliance risk management; and (v) review of VAT performance.
- For 2025, the Central Bank of Belize plans to prioritize the finalization of recommendations from previous CARTAC missions in financial sector supervision and stability, aligning these efforts with the new operational structure of the supervision department, and efforts to enhance systemic risk monitoring. CARTAC’s technical assistance to the Financial Services Commission moving forward will concentrate on the supervision of virtual asset service providers, the implementation of risk-based supervision, and the drafting of regulations concerning capital requirements for securities exchanges, broker-dealers, and other participants in the securities markets.
- CARTAC will continue to assist Belize with developing its producer price index and conduct an initial mission on developing high frequency indicators (HFI) to support the Statistical Institute of Belize’ efforts to ultimately compile and publish a monthly index of economic activity.

Annex IV. Public Debt Sustainability Analysis

Figure 1. Belize: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	Belize's overall risk of sovereign stress is assessed as moderate. This assessment balances moderate risks in the medium and long term.
Near term 1/	...	...
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate. Gross financing needs (GFNs) are expected to remain below 10 percent of GDP under the baseline but could exceed that level after a natural disaster. Even then, domestic currency liquidity in the financial system remains ample and the authorities continue to maintain access to official sector financing. Public debt is projected to fall to 58 percent of GDP by 2030 under the baseline, but debt could remain higher than expected in the event of a natural disaster.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Nat. Diast.	...	
Long term	...	Moderate	Long-term risks are moderate. GFNs and public debt are resilient to slower growth and a smaller primary balance, even after principal payments commence on the blue loan. GFNs and debt are more vulnerable to additional spending on climate adaptation, absent additional revenue-raising measures and stronger long-term growth from adaptation investments.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes
DSA Summary Assessment			
Belize's overall risk of sovereign stress is assessed to be moderate. On its current trajectory, public debt is projected to fall to 58 percent of GDP by 2030. Gross financing needs (GFNs) are moderate after the debt-for-marine protection swap, and the domestic financial system has significant capacity should it choose to provide additional financing. Public debt and GFNs are vulnerable to natural disasters, but not sufficiently to justify a change in the overall assessment.			

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

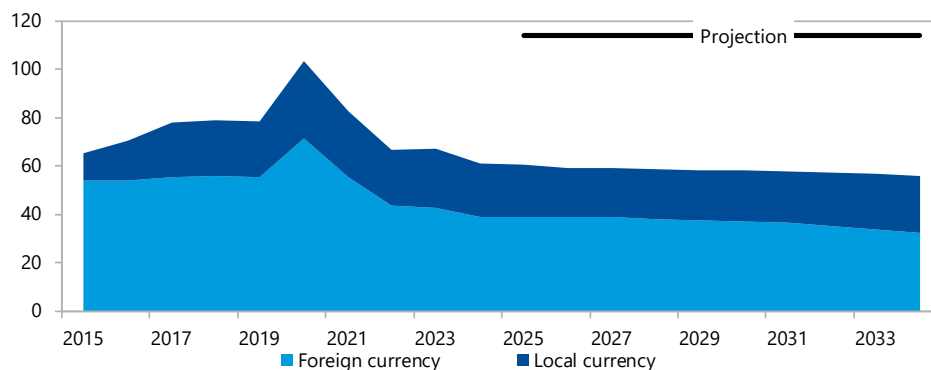
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Belize: Debt Coverage and Disclosure

1. Debt coverage in the DSA: 1/						CG		GG		NFPS		CPS		Other		Comments		
1a. If central government, are non-central government entities insignificant?														n.a.				
2. Subsectors included in the chosen coverage in (1) above:																		
Subsectors captured in the baseline																		
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes												
				2	Extra budgetary funds (EBFs)	No											Not applicable	
				3	Social security funds (SSFs)	Yes												
				4	State governments	No											Not applicable	
				5	Local governments	No												
				6	Public nonfinancial corporations	Yes												
				7	Central bank	Yes											IMF SDR allocation included	
				8	Other public financial corporations	Yes												
3. Instrument coverage:																		
Currency & deposits																		
Loans																		
Debt securities																		
Oth. acct. payable 2/																		
IPSGSs 3/																		
4. Accounting principles:																		
Basis of recording																		
Valuation of debt stock																		
Non-cash basis 4/																		
Cash basis																		
Nominal value 5/																		
Face value 6/																		
Market value 7/																		
5. Debt consolidation across sectors:																		
Consolidated																		
Non-consolidated																		
Color code: ■ chosen coverage ■ Missing from recommended coverage ■ Not applicable																		
Reporting on Intra-Government Debt Holdings																		
Holder																		
Issuer																		
CPS	NFPS	GG: expected	CG	1	Budget. central govt												0	
				2	Extra-budget. funds													0
				3	Social security funds													0
				4	State govt.													0
				5	Local govt.													0
				6	Nonfin pub. corp.													0
				7	Central bank													0
				8	Oth. pub. fin. corp													0
Total				0	0	0	0	0	0	0	0	0	0	0	0			
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.																		
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.																		
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.																		
4/ Includes accrual recording, commitment basis, due for payment, etc.																		
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).																		
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.																		
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.																		
The SRDSA uses public sector debt, including central government debt and external financial and non-financial public sector debt. The Social Security Board is not treated as part of the general government as the Central Bank (CBB) classifies it as other non-financial public corporation. Despite wide coverage of external public sector debt, data on domestic debt and debt service (including SOE debt) needs to be improved.																		

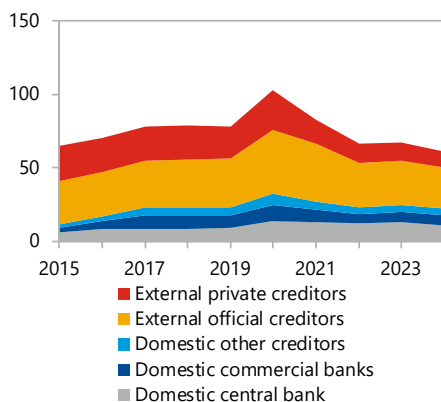
Figure 3. Belize: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



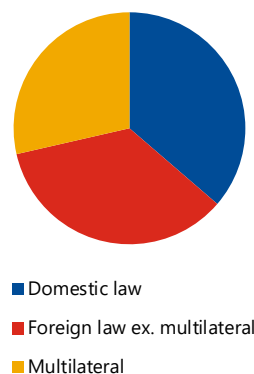
Note: The perimeter shown is consolidated public sector.

Public Debt by Holder (Percent of GDP)



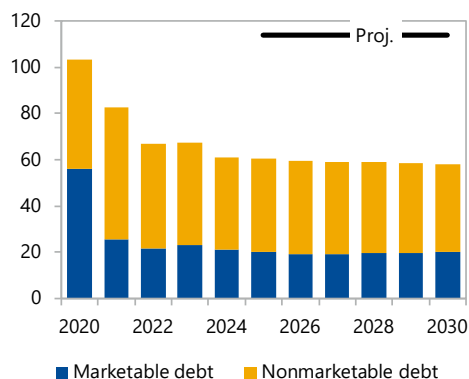
Note: The perimeter shown is consolidated public sector.

Public Debt by Governing Law, 2024 (Percent)



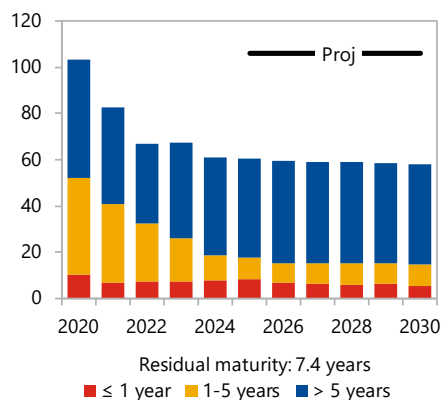
Note: The perimeter shown is consolidated public sector.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is consolidated public sector.

Public Debt by Maturity (Percent of GDP)



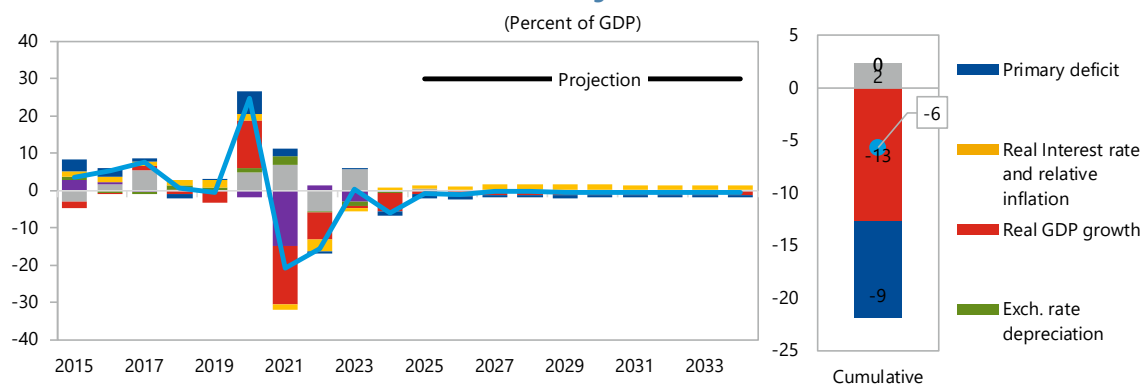
Note: The perimeter shown is consolidated public sector.

After the debt-for-marine protection swap in 2021, the government has relied increasingly more on official sector debt to meet its gross financing needs. This, and some recourse to the domestic market where borrowing costs are low and excess liquidity high, is likely to persist over the medium-term.

Figure 4. Belize: Baseline Scenario
(Percent of GDP unless indicated otherwise)

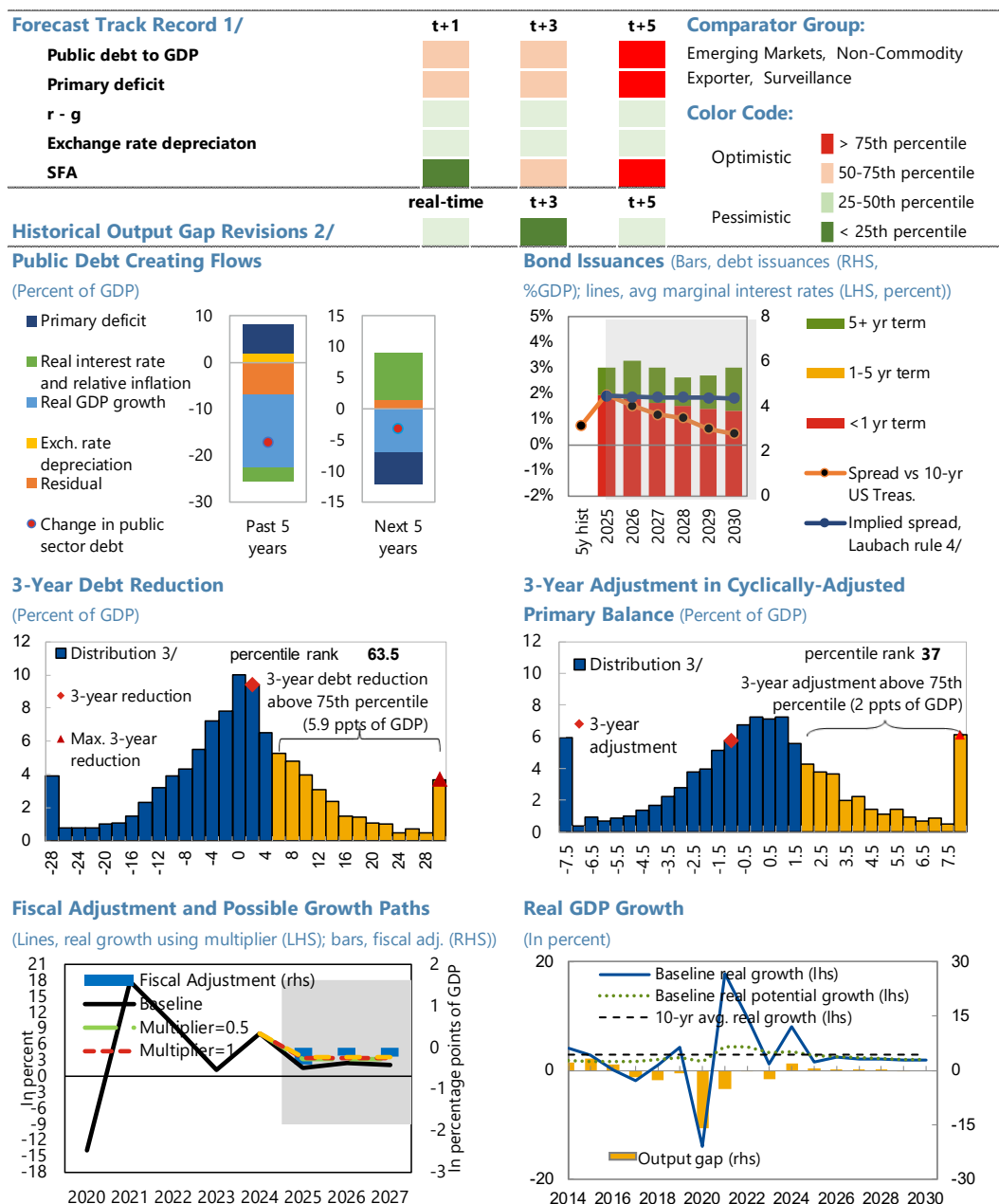
	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	61.1	60.4	59.3	59.1	58.7	58.4	58.0	57.5	57.1	56.6	56.0
Change in public debt	-6.1	-0.7	-1.1	-0.3	-0.3	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5
Contribution of identified flows	-5.8	-1.1	-1.2	-0.5	-0.6	-0.6	-0.6	-0.6	-0.7	-0.7	-0.7
Primary deficit	-1.2	-1.2	-0.9	-0.6	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Noninterest revenues	23.4	24.6	24.9	24.3	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Noninterest expenditures	22.2	23.3	24.0	23.7	23.3	23.2	23.2	23.2	23.2	23.2	23.2
Automatic debt dynamics	-4.6	0.1	-0.3	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1
Real interest rate and relative inflation	0.7	1.0	1.1	1.4	1.3	1.4	1.3	1.3	1.3	1.2	1.2
Real interest rate	0.4	1.5	1.2	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4
Relative inflation	0.3	-0.5	-0.1	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Real growth rate	-5.0	-0.9	-1.4	-1.3	-1.2	-1.2	-1.1	-1.1	-1.1	-1.1	-1.1
Real exchange rate	-0.3	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-0.2	0.5	0.1	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Gross financing needs	7.7	8.5	9.3	8.6	7.8	7.6	7.9	7.4	8.1	8.0	8.1
of which: debt service	8.9	9.8	10.2	9.2	8.5	8.4	8.7	8.2	8.9	8.8	8.9
Local currency	5.2	6.3	6.8	5.8	5.1	5.1	5.5	5.1	5.0	5.1	5.2
Foreign currency	3.7	3.4	3.4	3.4	3.4	3.4	3.2	3.1	3.9	3.8	3.7
Memo:											
Real GDP growth (percent)	8.1	1.5	2.4	2.2	2.1	2.0	2.0	2.0	2.0	2.0	2.0
Inflation (GDP deflator; percent)	3.3	1.4	1.9	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Nominal GDP growth (percent)	11.6	2.9	4.4	3.5	3.4	3.3	3.3	3.3	3.3	3.3	3.3
Effective interest rate (percent)	3.9	3.9	4.0	4.1	4.1	4.1	4.0	4.0	3.9	3.8	3.8

Contribution to Change in Public Debt



Staff projects the primary surplus to gradually narrow to 0.8 percent of GDP over the medium-term. After expanding by 8.1 percent in 2024, real GDP growth is expected to slow to 1.5 percent in 2025, and converge to 2.0 percent over the medium-term. On this path, public debt is projected to fall to 58 percent of GDP by 2030.

Figure 5. Belize: Realism of Baseline Assumptions



The sharp COVID-related contraction and the subsequent recovery complicate the interpretation of the realism tools. The rise in debt between 2017 and 2021 was due primarily to the economic contraction, the deterioration in fiscal balances, and low inflation. Nominal GDP growth has been strong since then, but is expected to slow in 2025.

Source: IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates).

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 6. Belize: Medium-Term Risk Analysis

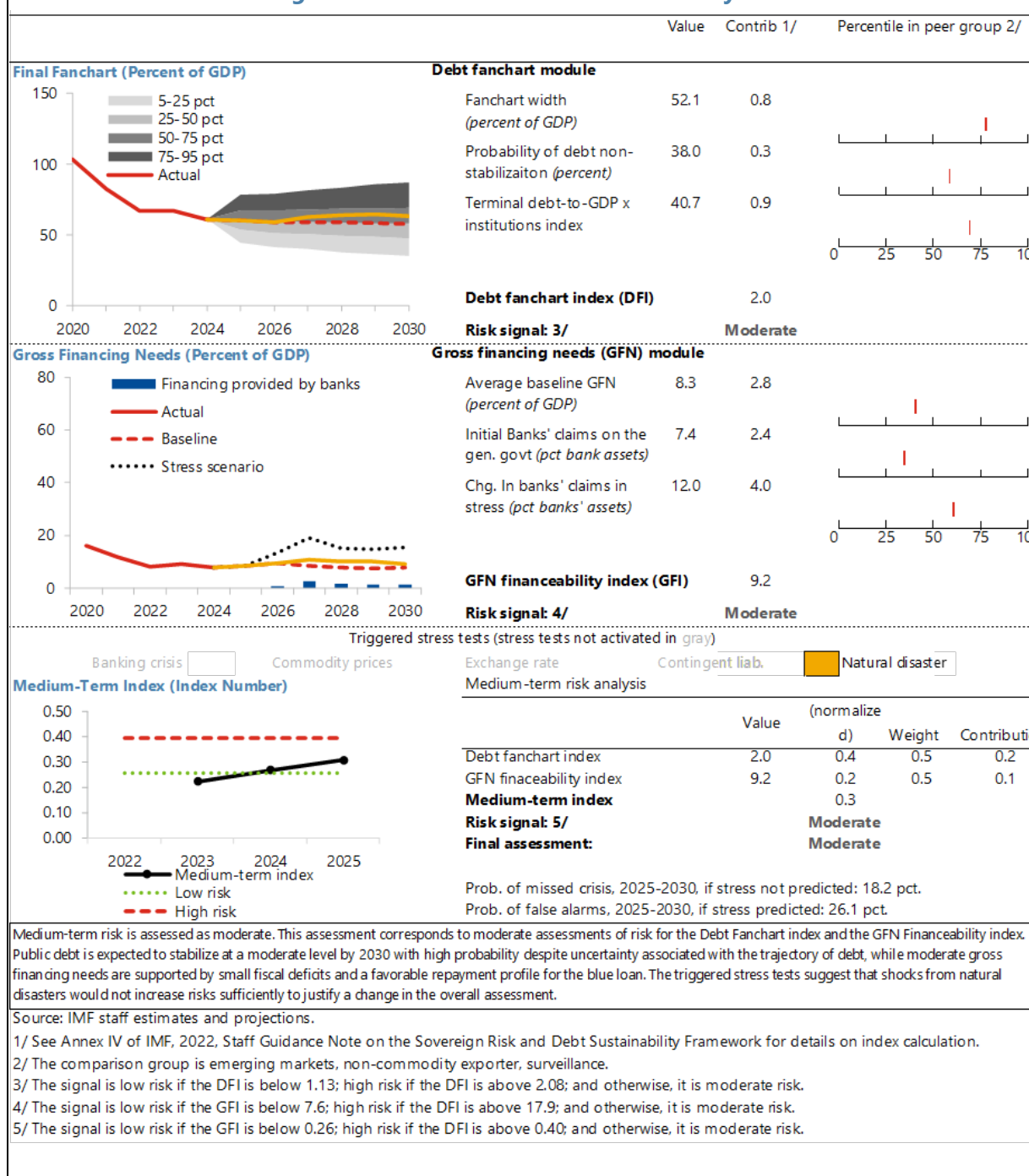


Figure 7. Belize: Long-Term Risk Analysis

Triggered Modules

Large Amortizations

Pensions

Climate Change: Adaptation

Natural Resources

Health

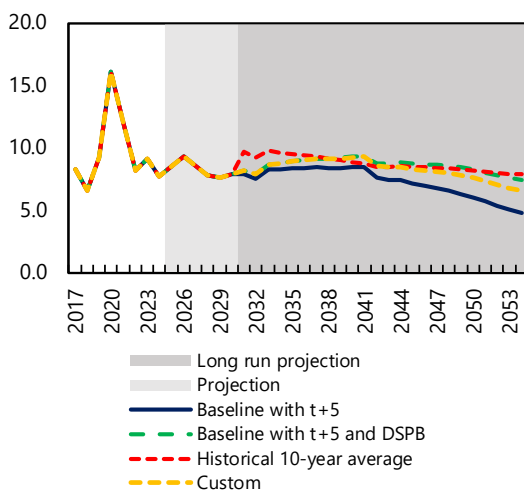
Climate Change: Mitigation

Long-Term Risk Assessment: Large Amortization Incl. Custom Scenario

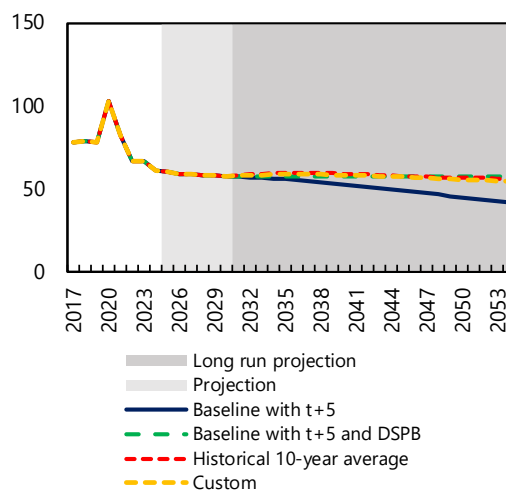
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Historical average assumptions	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Overall Risk Indication		<div></div>

Variable	2030	2034 to 2038 average	Custom Scenario
Real GDP growth	2.0%	2.0%	1.5%
Primary Balance-to-GDP ratio	0.8%	0.8%	0.5%
Real depreciation	-1.2%	-1.2%	-1.2%
Inflation (GDP deflator)	1.3%	1.3%	1.3%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

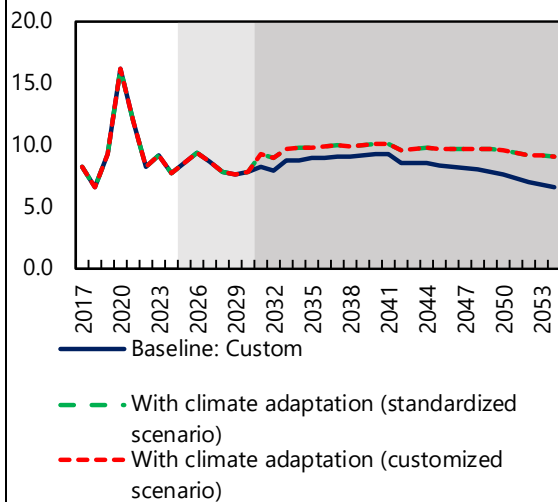


Even assuming slower long-term growth and a smaller primary balance and the commencement of principal payments on the blue loan (which end in 2040), GFNs are expected to remain manageable. The debt-to-GDP ratio is expected to stabilize in the long-run, compared to a path of declining debt under the scenario where growth and the primary balance remain at their 2026-2030 averages.

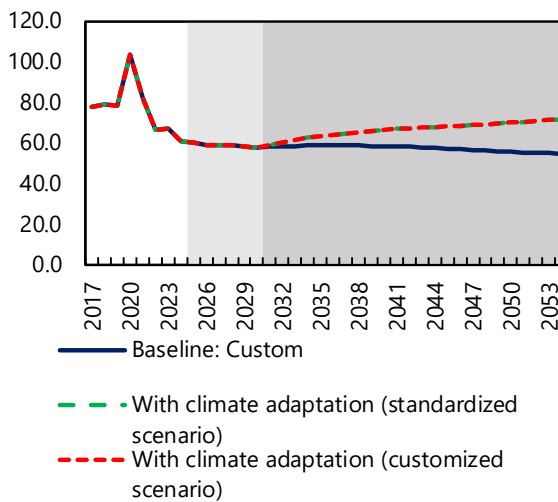
Figure 7. Belize: Long-Term Risk Analysis (Concluded)

Climate Change: Adaptation

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Both GFNs and public debt are vulnerable to higher investment associated with climate adaptation but stabilize over the long-run. However, this assessment does not include any yields from adaptation investments, which may yield different results over the long term.

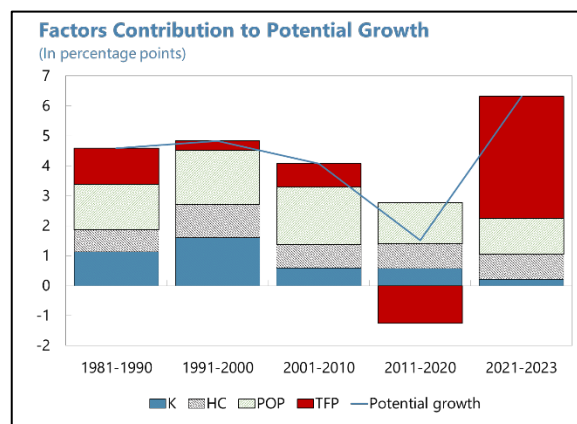
Annex V. Risk Assessment Matrix¹

Potential Downside Deviations from Baseline			
Source of Risk	Relative Likelihood	Impact	Policy Response
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High	High	Diversify trade among different partners including through closer links to regional trading partners; undertake structural reform measures to boost growth and reserve accumulation; monitor closely the banks' balance sheets. Allow fiscal stabilizers to work.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Medium	Medium	Undertake structural reform measures to boost growth and reserve accumulation; implement fiscal consolidation to reduce gross financing needs and mitigate the impact of higher-than-expected external borrowing costs; monitor closely the banks' balance sheets. The central bank has the appropriate tools to react if needed.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium	Medium	Reprioritize government spending to support the most vulnerable; avoid broad based subsidies; invest in renewable energy generation and domestic food production; monitor closely the banks' balance sheets.
Country-Specific Risks			
Natural disasters	Medium	High	Enhance ex-ante preparedness and risk reduction strategies; invest in resilient infrastructure and weather resistant seed technology; strengthen financial and post disaster resilience.
Social discontent and political instability	Medium	Low	Implement targeted measures to support vulnerable households and businesses.

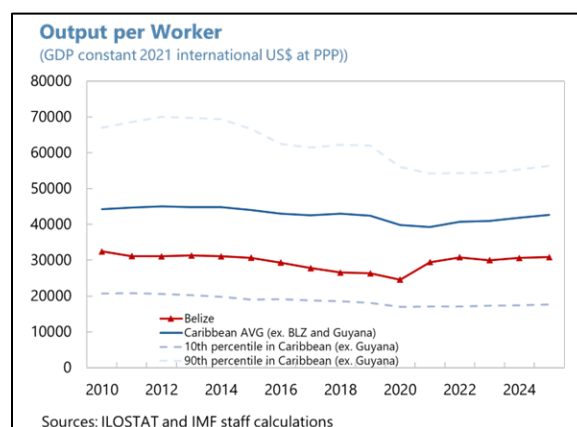
¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex VI. Improving the Business Climate and Reducing Structural Barriers in Belize¹

1. Despite a strong post-pandemic recovery, Belize suffers from low productivity and lackluster medium-term growth prospects. Estimates from Amundsen et al. (Forthcoming)² based on the growth accounting method, accounting for the impact of natural disasters, suggest that potential growth in Belize declined significantly from the 1990s to the pandemic period, driven in part by sluggish total factor productivity (TFP) growth. Although TFP growth is estimated to have risen markedly in recent years, consistent with the strong post-pandemic recovery, the observed growth is coming from a low base, and potential growth is expected to fall over the medium term as capacity constraints become binding. Similarly, despite some improvements in the post-pandemic period, labor productivity continues to lag behind regional peers.



2. Firm-level survey provides insights into structural factors influencing productivity in Belize. The Innovation, Firm Performance, and Gender (IFPG) survey in 2020—commissioned by the Inter-American Development Bank—was conducted across almost 2,000 firms from 13 Caribbean countries, covering 157 firms in Belize.³ The survey is intended to be representative of the major economic sectors in each of the covered countries and includes information on firms' balance sheets, statements of income, and responses to questions related to firm performance. Sectors in the survey are broadly defined as manufacturing and services. Data in the survey largely refers to the fiscal year 2019, prior to the COVID-19 pandemic.



3. There is significant scope to bolster medium-term growth through reducing misallocation of resources among firms. When resources are misallocated across firms, they operate at an inefficient level, resulting in lower aggregate TFP of the economy.⁴ Analysis by

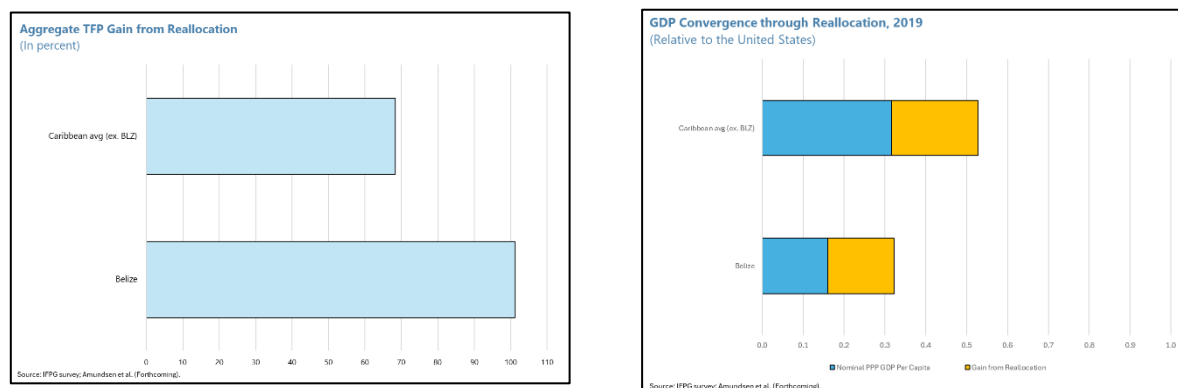
¹ Prepared by Bunyada Laoprapassorn.

² See Amundsen, A., Chen, S., Guérin, P., Kilic Celik, S., and Nishida, M. (Forthcoming). Potential Growth and Productivity in the Caribbean. IMF Working Paper.

³ The dataset is available at: [PROTEqIN & IFPG DATASETS - Compete Caribbean Partnership Facility](#).

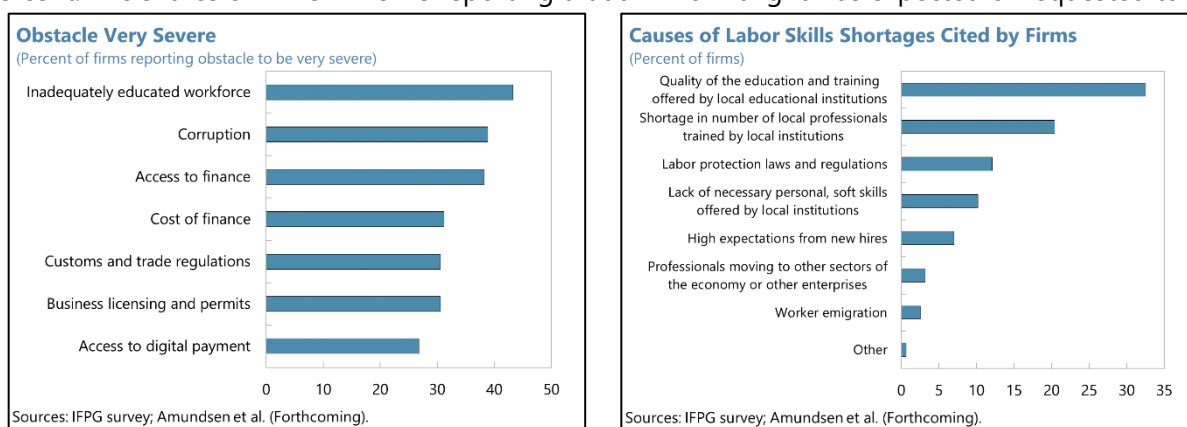
⁴ See, for example, Hsieh, C. T., & Klenow, P. J., 2009. Misallocation and Manufacturing TFP in China and India. *The Quarterly Journal of Economics*, 124(4), 1403-1448.

Amundsen et al. (Forthcoming)⁵ using Hsieh and Klenow (2009) framework on IFPG survey data suggests a notable variation in the degree of misallocation among the Caribbean countries. In particular, Belize is one of the countries in the region that stand to gain the most from removing misallocation of resources. The estimated potential aggregate TFP gain for Belize is over 100 percent should all misallocation of resources across firms be removed—an economically significant gain with



notable implications for living standards. A back-of-the-envelope calculation⁶ indicates that removing firm-level misallocation of resources could significantly help with GDP convergence relative to the US, reducing the GDP per capita gap by about 16 percentage points.

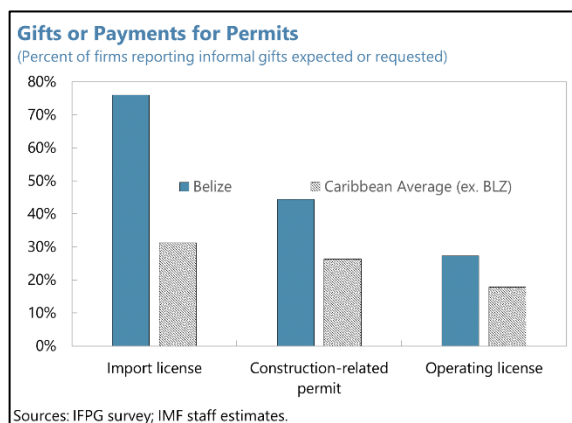
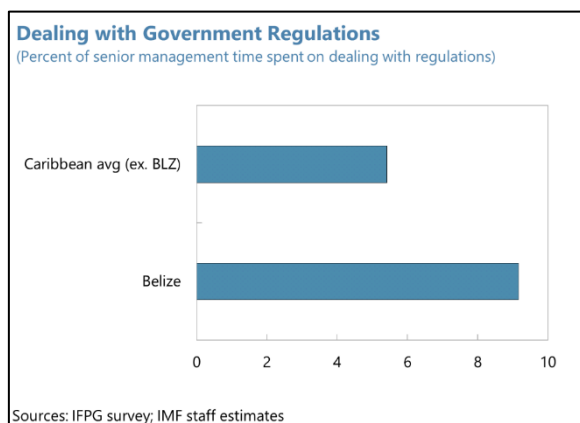
4. Misallocations of resources, along with its underlying distortions, could be driven by structural barriers to businesses. Out of 18 potential obstacles provided in the IFPG survey, the obstacles most frequently reported by Belizean firms as very severe for doing business are inadequately-educated workforce, corruption, access to and cost of finance, customs and trade regulations, business licensing and permits, and access to digital payment. Firms in Belize reported that—on average—senior management spent over 9 percent of their time dealing with requirements imposed by government regulations—higher than the Caribbean average of under 6 percent. The shares of firms in Belize reporting that an informal gift was expected or requested to



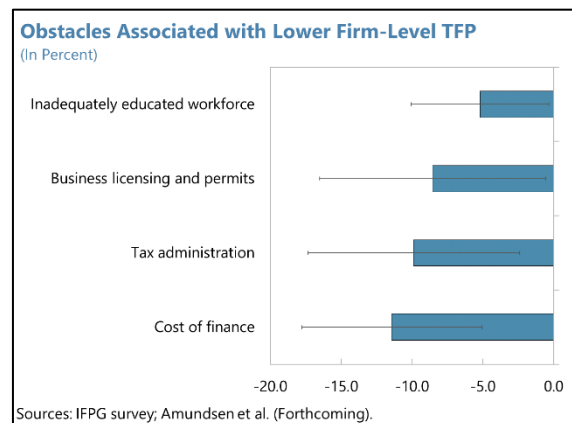
⁵ See Amundsen, A., Chen, S., Guérin, P., Kilic Celik, S., and Nishida, M. (Forthcoming). Potential Growth and Productivity in the Caribbean. IMF Working Paper.

⁶ The calculation assumes that the gains in labor productivity are the same as the gains in TFP, and that labor force participation remains unchanged.

obtain import license, construction-related permit, and operating license are also much higher relative to the Caribbean average. Additionally, quality of education is cited most by firms as the reason behind the causes of labor skills shortages. These results highlight the need to enhance the education and training programs that respond to labor demand, strengthen governance, expand private sector's access to financing, and improve the business climate.



5. Evidence from cross-Caribbean analysis also suggests notable TFP gains from removing structural obstacles. Analysis based on cross-Caribbean regressions—where firm TFP is regressed on dummy variables for potential obstacles in the survey⁷, with firm control variables and industry/country fixed effects—suggests that the presence of various structural barriers is associated with lower firm TFP. In particular, the analysis implies that (i) improving workforce skills is associated with an increase in firm TFP of 5 percentage points; (ii) addressing obstacles related to business licensing and permits and tax administration raise firm TFP by about 9 and 10 percentage points, respectively; and (iii) removing obstacles related to cost of finance is associated with an improvement in firm TFP of over 10 percentage points. Mapping the estimated regression results to Belizean firms in the survey implies significant potential gains to aggregate TFP for the economy from removing these structural



Aggregate TFP Gain from Removal of Structural Obstacles (In percent)	
Cost of finance	6.3
Tax administratio	5.5
Business licensing and permits	4.8
Workforce skills	6.0
Sources: IFPG survey; Amundsen et al. (Forthcoming).	

⁷ Dummy variables indicate whether a firm identified those obstacles to be “major” or “very severe” in the survey.

barriers. Specifically, removal of these four obstacles could increase aggregate TFP level by over 20 percent.⁸

⁸ Impact on growth during the transition depends on the duration of the transition period.

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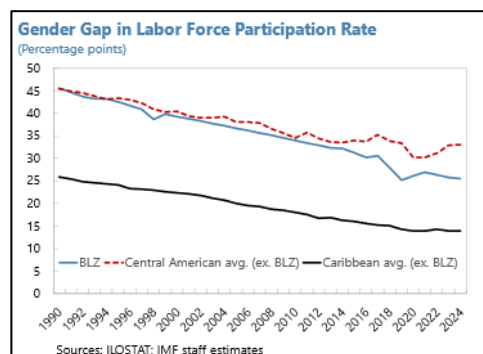
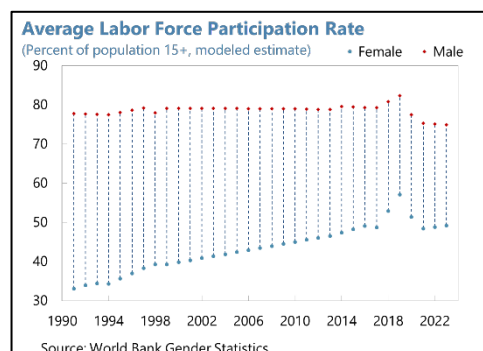
Amundsen, A., Chen, S., Guérin, P., Kilic Celik, S., & Nishida, M. (Forthcoming). Potential Growth and Productivity in the Caribbean. IMF Working Paper.

Hsieh, C. T., & Klenow, P. J. (2009). Misallocation and Manufacturing TFP in China and India. *The Quarterly Journal of Economics*, 124(4), 1403-1448.

Annex VII. Exploring Drivers of Gaps in Labor Force Participation Rates in Belize's Labor Market¹

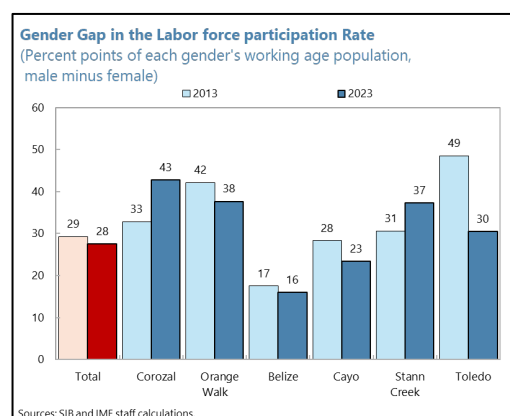
1. Though falling, the gap between male and female labor force participation rates remains large in Belize.

Belize has made significant progress in narrowing difference in labor force participation (LFP) between men and women over the past three decades, bringing the gap down from about 45 percentage points in 1991 to about 26 percentage points in 2024, with notable progress made relative to the Central American average. Nevertheless, the current gap remains high relative to other Caribbean countries. With the tight labor market² becoming a constraint to growth in addition to population aging, boosting female participation in the labor force is an important policy priority. Previous staff analysis estimates (2024 Article IV) suggest that fully closing the gap in LFP between men and women relative to 2022 level could boost GDP level by over 20 percent, pointing to a significant potential gain—among the largest in the Caribbean—from increasing female LFP.³



2. Notable heterogeneity in LFP gaps exists across districts, both in terms of levels and changes over time.

Available data by district level up to 2023 show considerable variation in the LFP gender gap, relative to the aggregate figure for Belize, as well as over time. Gaps in LFP between men and women in Corozal, Orange Walk and Stann Creek—which together represent slightly more than a third of Belize working age population—are on average 40 percent higher than the country-wide aggregate gap in 2023 and have deteriorated over the past decade (with the exception of Orange Walk that improved slightly). Meanwhile, gaps in other districts like Belize City and Cayo, representing about

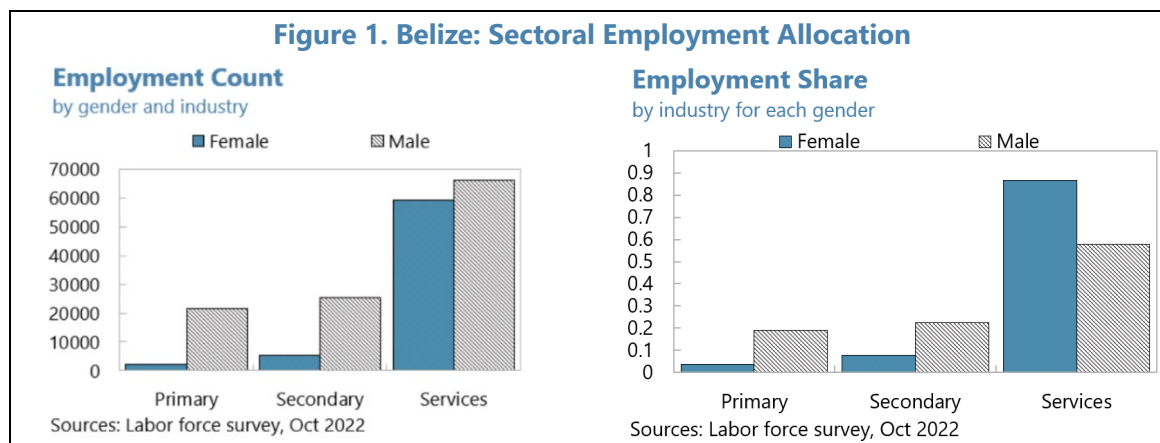


56 percent of Belize's population, are about one third lower on average compared to the country's aggregate and have improved over the past decade. Toledo, the southern district with less than 10 percent of the population, has witnessed the biggest improvement over the past decade, with its gap broadly in line with the aggregate for Belize as of 2023.

¹ Prepared by Ziad Amer, Bunyada Laoprapassorn (both WHD) and Jiajia Gu (SPR).

² Unemployment rate in September 2024 fell to 2.1 percent from 3.9 percent in September 2023, the lowest since 2020—the earliest comparable data available.

³ Impact on GDP growth during the transition period depends on the pace of transition.

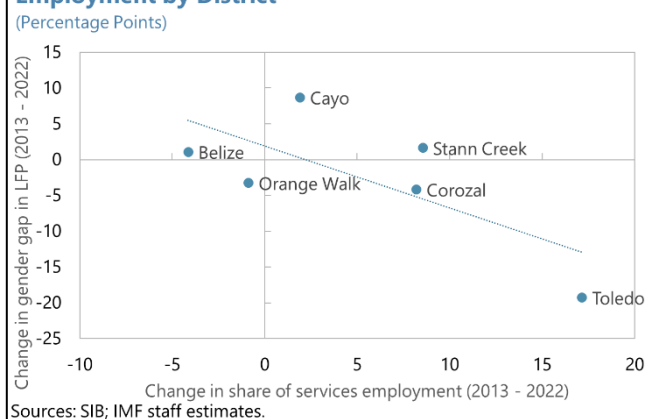


3. Share of services sector could explain the observed regional variations.

Lack of demand for female labor could be one of the reasons discouraging women from participating in the labor force. Available data from the October 2022 labor force survey indicates that women are less represented in agriculture and manufacturing, both in absolute numbers and as a share of their total employment.⁴ In contrast, services account for 88 percent of all female employment in 2022 and almost half of total employment in the services sector consists of female workers,

suggesting that the demand for female workers is notably higher in the services sector relative to agriculture and manufacturing. If the regional differences in female LFP are driven by labor demand, one would expect to see lower gaps in LFP in places where the services sector is predominant. Staff analysis using district-level data—where the gap in LFP between men and women is regressed on the share of services employment in the district, controlling for year fixed effects and district fixed effects—indicates a negative relation between services employment share and gap in LFP (column 1 of Table 1).⁵ Specifically, a one percentage point increase in the share of services employment is

Change in Gender Gap and Share of Services Employment by District



⁴ Official definition of employment excludes those who engage in subsistence agricultural work. According to the [Statistical Institute of Belize](#), persons engaged in agriculture, fishing or hunting mostly or only for family consumption, even if a portion is sold, are excluded from employment. This potentially underestimates women's contribution to the agricultural sector. A [UN reports](#) points out that, in some indigenous communities, son or male relative are more likely to inherit productive land. Girls tend to be excluded from land inheritance and land ownership. Women working on their partners' land without pay are likely not recorded as employed.

⁵ Industrial employment share by region is obtained from the [Labor force surveys tables](#) published by the Statistical Institute of Belize. The labor force participation rate by gender and district is obtained from the public available series downloaded from the [Belize National Statistical System Portal](#).

associated with a decline in the LFP gap of about half a percentage point. Looking at changes over time—with the caveat that a limited number of observations is available—a negative correlation is observed between the change of the gap in LFP and the change in the share of services employment in each district during 2013–2022.

Table 1. Belize: Gender Gap in LFP and Sectoral Employment Share

	Gender gap in LFP (M-F)		
	(1)	(2)	(3)
Services employment share	-0.463** (0.190)		
Tourism employment share in 2013		-1.369*** (0.192)	
Non-tourism services employment share in 2013		-0.114 (0.090)	
Share of tourism in services employment in 2013			-0.627*** (0.173)
Constant	0.582*** (0.152)	0.566*** (0.045)	0.469*** (0.055)
Year fixed effects	Y	Y	Y
Region fixed effects	Y	-	-
N	48	66	66

Standard errors in parentheses

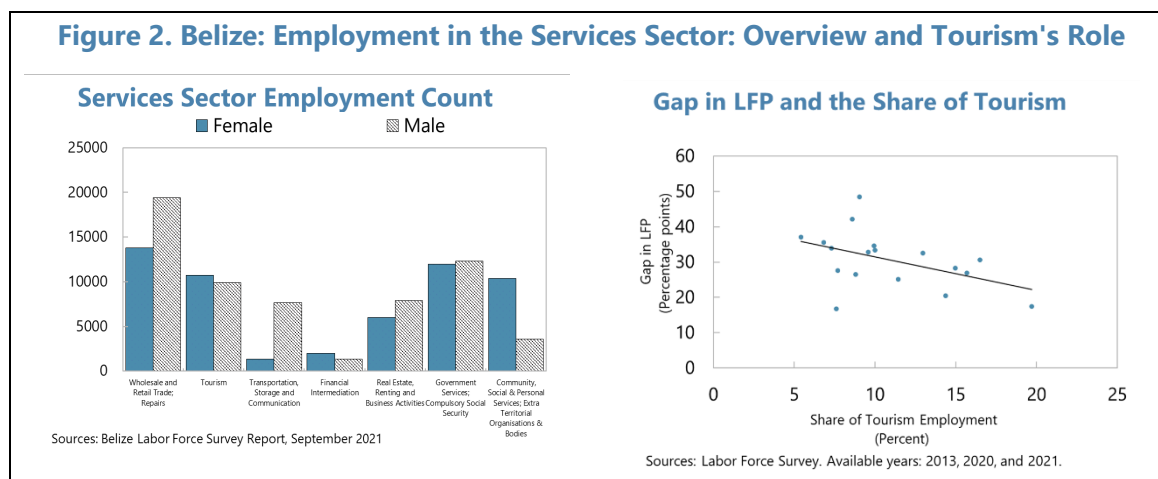
* $p < 0.10$ ** $p < 0.05$ *** $p < 0.01$

Sources: SIB; IMF staff estimates.

4. Within the services sector, tourism provides especially large contribution to reducing the gap between male and female labor force participation. The growing tourism sector—which represents a significant share of services sector employment in Belize (left panel of Figure 2)⁶—could explain notable variation in gaps in LFP across districts. The right panel of Figure 2 shows that in districts with higher share of tourism in total services employment, gaps in employment between men and women tend to be lower. To further examine whether the relationship between services employment and gap in LFP is largely driven by tourism, gap in LFP is regressed on share of tourism employment while controlling for the share of *non-tourism* services employment and time fixed effects. Given that data on tourism and non-tourism services employment is available only for a very limited number of years, the initial shares of tourism employment and non-tourism services employment in 2013 are used as proxies for the general prevalence of tourism and non-tourism services in each district during the 2013–2023 period. As shown in column 2 of Table 1, stronger

⁶ Based on [2021 data](#), within the services sector, tourism ranks third in employing female labor, after wholesale and retail trade (which could also be tourism related), and government services and compulsory social security. Tourism accounts for about 19 percent of female employment and 16 percent of male employment in the services sector.

negative correlation is observed between the gap in LFP between men and women and the share of tourism employment relative to the share of non-tourism services employment. As an additional exercise, the gap in LFP is regressed on the share of tourism in services employment in 2013, controlling for time fixed effects. A larger share of tourism in services employment is associated with smaller size of gap in LFP (column 3 of Table 1), highlighting the role of tourism within the services sector is contributing to smaller gap in LFP. Continued growth of tourism presents opportunities to further encourage female LFP and further reduce the gap in LFP between men and women.



5. Increasing educational attainment could facilitate female labor force participation and lower the gap in LFP among the younger population. Data in 2019 shows that, while—as expected—female LFP is consistently higher in urban areas compared to rural ones, education attainment plays an important role in lowering the LFP gap between men and women, with female LFP rates increasing in both urban and rural areas as education level increases from basic to advanced level. Educational attainment is also associated with declining LFP gaps across various age groups. Female LFP rates are generally higher among those with intermediate and advanced levels of education across all age groups under 45 years old. For men, higher education attainment levels increase LFP rates for those aged 15-24 years old but have insignificant effect on higher age groups which already have LFP rates close to 100 percent across all educational levels. Regression-based analyses indicate a negative relationship between education levels and LFP gaps.⁷ Specifically, controlling for age groups and time fixed effects, the gap in LFP rates among those with advanced education is about 32 percentage points lower than those with less than basic education level. LFP

⁷ Specifically, the first regression regresses gender gaps in labor force participation rates on education levels, controlling for rural dummies and time fixed effects. The second regression regresses gender gaps on education levels, controlling for age groups and time fixed effects.

gaps between men and women are also 30 percentage points lower for advanced education compared to basic, when controlling for rural/urban location and time fixed effects.

Table 2. Belize: Gender Gap in LFP Rates and Education

	Gender gap (M-F) in LFP rates	
	(1)	(2)
Basic education dummy	-5.162** (2.007)	-2.995 (2.755)
Intermediate education dummy	-21.761*** (2.007)	-13.627*** (2.567)
Advanced education dummy	-31.703*** (2.248)	-29.699*** (3.088)
Rural dummy		11.699*** (1.666)
Constant	39.276*** (3.100)	35.530*** (3.930)
Age group dummies	Y	-
Year dummies	Y	Y
N	166	47
Year	2012-2019	2014-2019

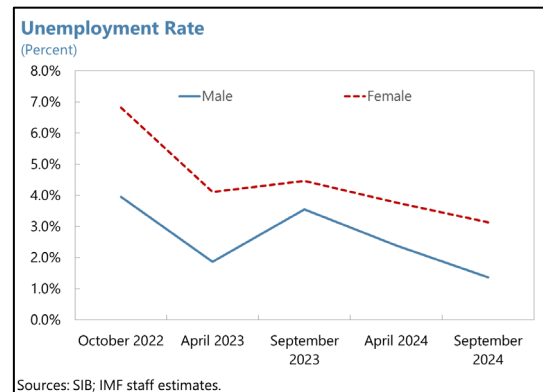
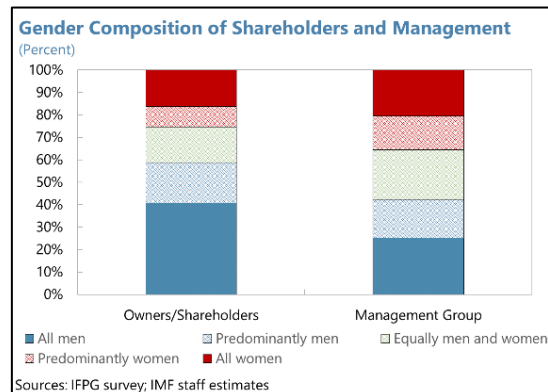
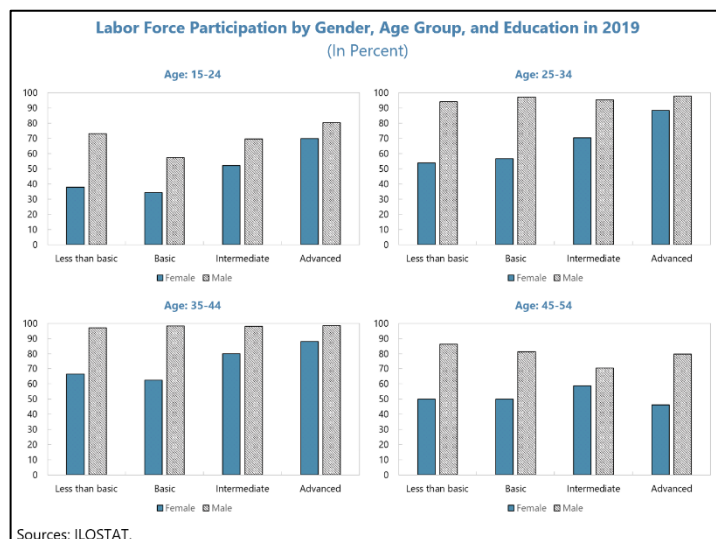
Standard errors in parentheses.

* p<0.10 ** p<0.05 *** p<0.01

Sources: ILOSTAT; IMF staff estimates.

6. Disparities in labor market outcomes between men and women, including wage disparities, could also contribute to lower female LFP.

Available data from ILOSTAT, which provides average monthly earnings by gender and education level and by gender and occupation groups, suggests substantial wage disparities across gender. After controlling for the level of education, regression estimates suggest that women tend to earn almost BZ\$200, or about 20 percent, less than men on average (columns 1 and 2 of Table 3).⁸ Gender wage disparities of similar magnitude were observed when the regression controls for occupation group. Moreover, results from the Innovation, Firm Performance and Gender Survey suggest that women are underrepresented in shareholder and management roles



⁸ Data from the Statistical Institute of Belize show that wage disparities have improved with female median wage being 44 percent lower than the corresponding median for men as of 2019, compared to 58 percent in 2013.

in Belize. About 25 percent of surveyed firms reported having owners or shareholders who are all women or predominantly women, whereas nearly 60 percent indicated that their owners/shareholders are all men or predominantly men. Similarly, about 36 percent of firms reported that their management group is all or predominantly women, while 42 percent reported a management group that is all or predominantly men. Female unemployment rates also tend to be higher than the corresponding rate for males, despite having lower wages on average.

Table 3. Belize: Gender Wage Disparities

	(1) Real wage	(2) ln(Real wage)	(3) Real wage	(4) ln(Real wage)
Female dummy	-197.230*** (20.202)	-0.199*** (0.022)	-196.661*** (52.723)	-0.198*** (0.042)
Constant	1013.556*** (37.785)	6.877*** (0.034)	1555.774*** (120.013)	7.394*** (0.099)
Education level dummies	Y	Y	-	-
Occupation (ISCO-08 Major Group) dummies	-	-	Y	Y
Year fixed effects	Y	Y	Y	Y
Year	2014-2019	2014-2019	2014-2020	2014-2020
N	48	48	139	139

Standard errors in parentheses.
 * p<0.10 ** p<0.05 *** p<0.01
 Sources: ILOSTAT; IMF staff estimates.

7. Childcare services that directly reduce the economic and logistical barriers women face could help increase female labor force participation. An existing cross-country study⁹ points to female LFP generally dropping around motherhood, while male LFP remains broadly unaffected or slightly increases. [Women, Business, and the Law 2024 \(WBL 2024\) report](#) indicates that (i) Belize's legal framework establishes provision of childcare services in center-based settings; and (ii) there are no applicable provisions that establish support to families for childcare services, support to non-state childcare providers, and quality standards for the provision of childcare services. The report also indicates that while there is a publicly available registry of childcare providers, there is no clearly outlined application procedure to request financial support from the government for childcare services by parents or non-state childcare providers, and the government has not published any reports on the quality of childcare services within the last 3 years. Expanding access to affordable, high-quality early childcare could significantly ease the caregiving burden, and reduce the

⁹ The analysis uses data from Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay. For more information see Background Paper 1 of the October 2024 IMF *Regional Economic Outlook, Western Hemisphere*.

opportunity costs of employment for women, making it more financially and practically feasible for them to participate in the paid labor market.

Conclusion

8. Addressing drivers of LFP gaps between men and women in Belize is key to unleash untapped labor force and increase productivity over the medium term. Lowering LFP gaps in Belize is key to unleash untapped female labor force which dominates the services sector, a key potential contributor to growth not only in Belize but also in the Caribbean. Several drivers explaining the heterogeneity in LFP gaps across several districts include the share of tourism sector within the services sector, the educational attainment for the younger workforce cohorts as well as the availability of childcare services. Design of the tax system and parental leave policies have also been known to influence female LFP (Background Paper 1 of October 2024 IMF REO, WHD). Further investigation into these drivers especially in districts where the trend in LFP gaps has been worsening over the past decade and/or substantially above the aggregate for Belize would help further inform policy options. Notable districts here are Orange Walk, Corozal and Stann Creek, all of which have touristic sites that could be further developed to encourage female labor force participation, provided other key factors like education and availability of high-quality childcare services are addressed.

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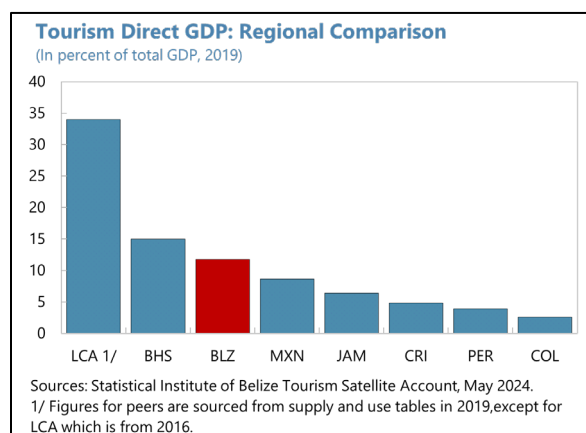
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<https://personal.lse.ac.uk/ngai/NgaiOlivettiPetrongolo.pdf>

Annex VIII. Tourism Carrying Capacity in Belize¹

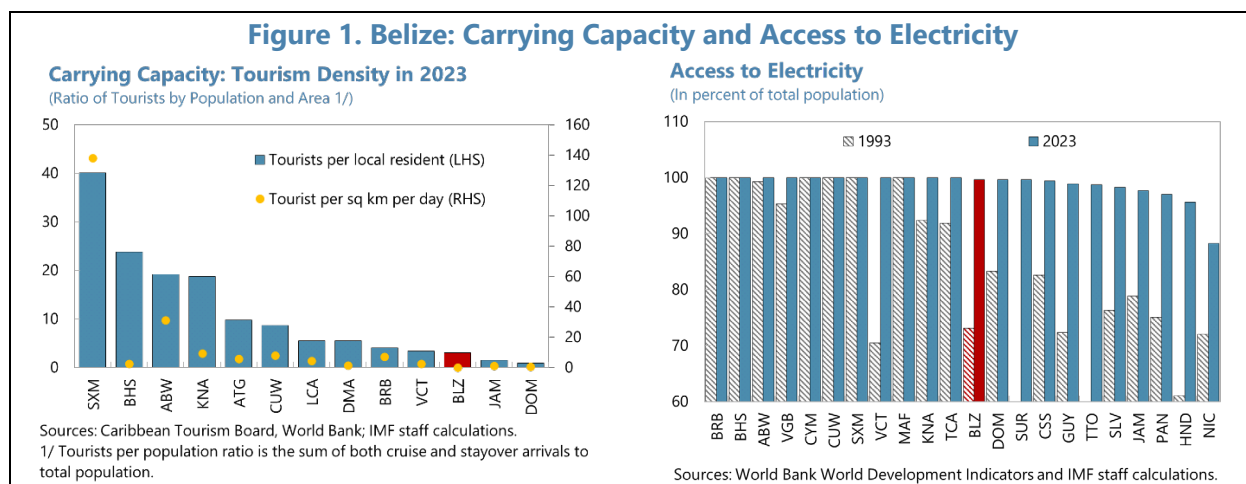
Belize has outperformed the Caribbean in terms of growth in stayover arrivals in 2024, and the country's large land area and population relative to regional peers suggest more carrying capacity over the medium term. Its aggregate hotel capacity, almost double the actual stayover nights, further supports such a conjecture, albeit the distribution by district level is not necessarily aligned with the number of visitors to key tourist sites across districts. Staff further estimate that flight capacity utilization is relatively high compared to peers, particularly in the European flight segment. However, cost competitiveness across travel, sightseeing, transportation and food could support the momentum in 2024 growth going forward.

1. Tourism is a key driver of growth in Belize and the recent momentum in stayover growth can be sustained by increasing diversification into new source markets. Belize's economy is highly dependent on tourism for growth, contributing directly to about 12 percent of the economy, according to the latest Tourism Satellite Account by the Statistical Institute of Belize (SIB). Relative to pre-pandemic levels, Belize stayover arrivals were broadly in line with the Caribbean average in 2024 (Figure 2). However, the country has been a late bloomer in the stayover market recently, outperforming growth in the Caribbean in the same year, and could potentially increase its market share beyond the pre-pandemic level if it can maintain such momentum. Staff calculations suggest that some countries that have outperformed the stayover arrivals level so far, relative to the pre-pandemic, have also increased diversification away from traditional tourists from advanced economies (US, Canada and the EU, see Figure 2).



2. Belize's relatively large land area and population—in addition to upgraded infrastructure—imply more room for tourism carrying capacity compared to Caribbean peers. Looking at broad tourism capacity measures—defined relative to land area and population—suggest that the country can receive considerably more tourists than is currently the case. For instance, the ratio of total stayover and cruise tourists to Belize population and the ratio of total tourists per land area are quite low compared to Caribbean peers (see Figure 1). Moreover, the relative abundance of Mayan ruins as well as the largest coral reef reserve in the Western Hemisphere add significant potential for tourism growth. In addition, the country has markedly improved its infrastructure over the past three decades, with electricity access approaching 100 percent (full coverage) benchmark from about 75 percent three decades ago (see Figure 1).

¹ Prepared by Ziad Amer and Siyao Chen (all WHD). Staff would like to thank Alberto Sanchez Rodelgo (STA-Big Data Center) for sharing the Flight Radar database with the team.



3. While country-wide estimates suggest ample hotel capacity, there is substantial heterogeneity in hotel capacity across districts. Hotel capacity estimates suggest that Belize can accommodate sustained rise in tourist arrivals overall. However, hotel capacity estimates vary substantially across districts—with sharp contrast between Belize District (capacity oscillating around 100 percent of total Belize tourist nights) on one hand, and Orange Walk, Corozal, and Toledo on the other hand (with capacity typically about 10 percent).^{2 3} More than three quarters of stayover tourists arrive in the country via its only international airport in Belize City, which has hotel capacity to accommodate only about 20 percent of them, according to staff estimates (see panel Figure 3).⁴

4. Distribution of hotel capacity is not necessarily geographically aligned with the number of visits to tourist sites, implying potential transport bottlenecks. Belize’s relatively large land area in the Caribbean context means more hours driving/sailing to key touristic sites, some of which are more than 2-hours’ drive from the international airport. Furthermore, estimated hotel capacity by district is not necessarily aligned with aggregate visits of key touristic sites, which implies that driving/sailing from Belize District (that has the largest hotel capacity by far) is the only way to reach these sites. Key examples of potential bottlenecks would apply to Cayo and Orange Walk districts, which have several touristic sites that receive significant proportion of tourist visits annually and yet their hotel capacity is either at or below the aggregate number of visits (see panel Figure 3).⁵ Increasing investments in hotel capacity, including short-term villa rentals in districts with identified bottlenecks is key to accommodate growth in stayover tourists going forward.

² These estimates do not include short-term villa rentals which could potentially increase capacity within each district.

³ Staff estimates hotel capacity in each district as the product of the number of rooms per city/district, the average number of beds per room, and the number of days per year, divided by the total number of tourist nights per year.

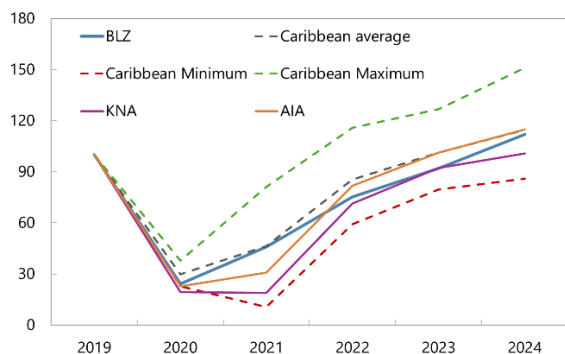
⁴ Belize district includes hotel beds in Caye Caulker and San Pedro islands, in addition to Belize City.

⁵ Aggregating total tourist visits per district could be subject to duplication as a single tourist can visit multiple touristic sites during his average 7 nights stay in the country. Nonetheless, comparing this aggregate to hotel capacity can give a broad picture of where bottlenecks, in terms of hotel capacity, may exist.

Figure 2. Belize: Recent Developments in the Caribbean Tourism Sector

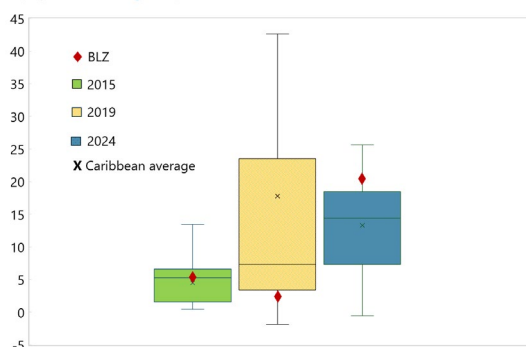
Stayover arrivals for Belize remain below the Caribbean average.

Stayover Arrivals Level Indicator 1/
(Index rebased to December 2019 = 100)



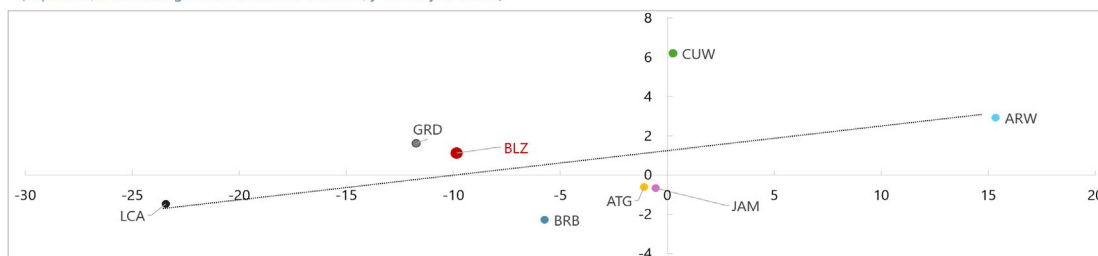
But momentum suggests Belize is catching up (late bloomer in the Caribbean).

Stayover Arrivals Momentum Indicator
(In percent, annual growth)



Attracting non-AE nationalities can help explain outperforming vs underperforming countries in 2024 relative to 2019.

Stayover Tourists Diversification VS. CAGR (2019 & 2024) 3/
(In percent, x-axis: change in diversification indicator; y-axis: 5-year CAGR)



Sources: Caribbean Tourism Board, National Statistical Authorities and IMF staff calculations.

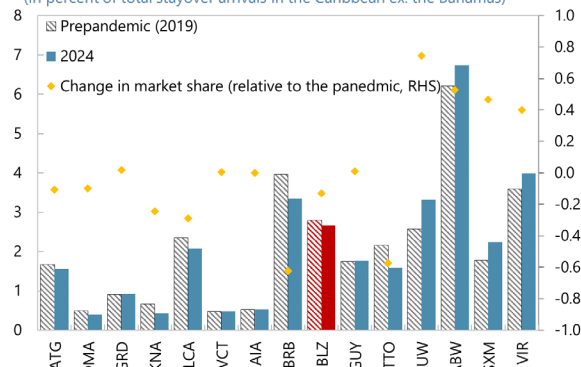
1/ Stayover and cruise passenger peer groups include 14 and 12 Caribbean islands including Belize, respectively.

2/ Figures for Jamaica, Costa Rica and the Dominican Republic were omitted to ease visibility. 2024 market shares were: JAM (13.7 percent, down from 14.9 in 2019); CRI (13.8 percent, down from 17.4 percent in 2019) and DOM (40.4 percent, up from 35.8 percent in 2019).

3/ Calculated as the difference between the ratio of market share of all nationalities ex. Advanced economies (US, EU and Canada) to advanced economies nationalities (US, EU and Canada) in 2024 vs. 2019. CAGR is the compounded annual growth rate in the same period. 2024 data is for the first 11 months of the year.

Cruise passenger recovery continues to underperform Caribbean peers.

Stayover Market Share: Caribbean Ex. the Bahamas 2/
(In percent of total stayover arrivals in the Caribbean ex. the Bahamas)



Meanwhile, cruise passenger recovery continues to underperform Caribbean peers.

Cruise Passengers Developments 1/
(Index level, 2019 = 100)

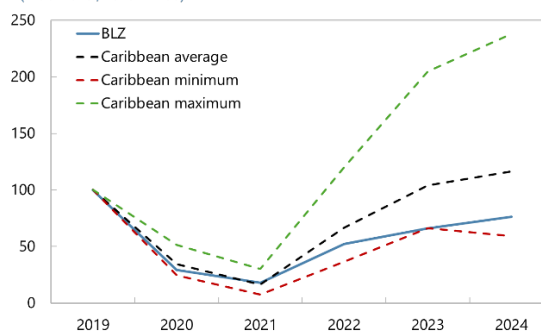
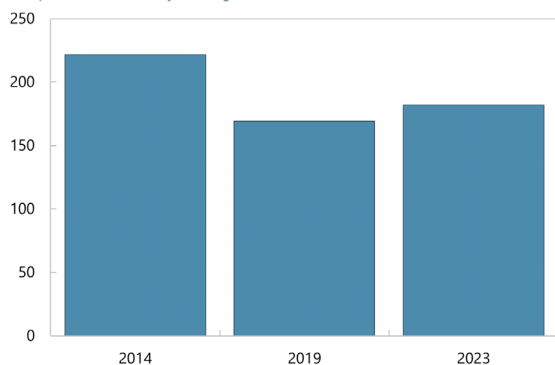


Figure 3. Belize: Assessment of Hotel Capacity Utilization in Belize

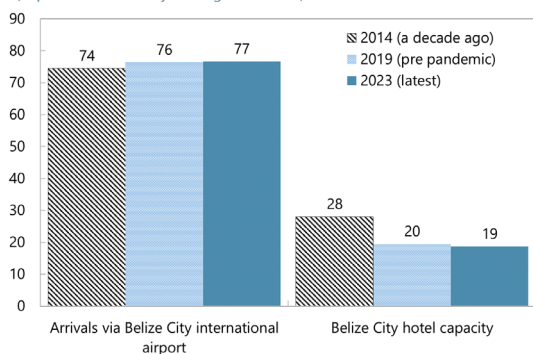
There is ample hotel capacity in Belize relative to total nights.

Aggregate Hotel Capacity Estimate 1/ 2/
(In percent of total stayover nights in Belize)



Less than one third of total Belize City airport arrivals can stay within the city's hotels.

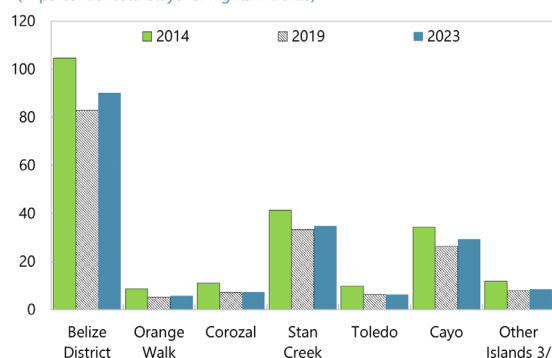
Belize City Hotel Supply VS. Airport Arrivals 1/ 2/
(In percent of total stayover nights in Belize)



Many famous tourist sites are more than 2 hours' drive from Belize City airport.

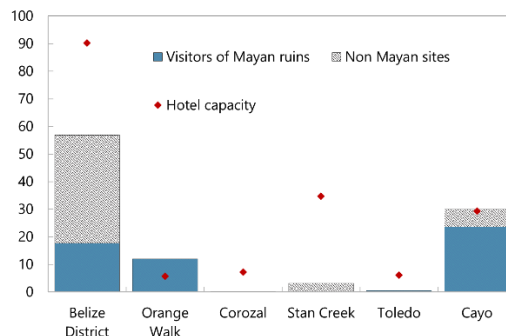
However, there is marked variation in hotel capacity across districts.

Hotel Capacity Estimates by District 1/ 2/
(In percent of total stayover nights in Belize)

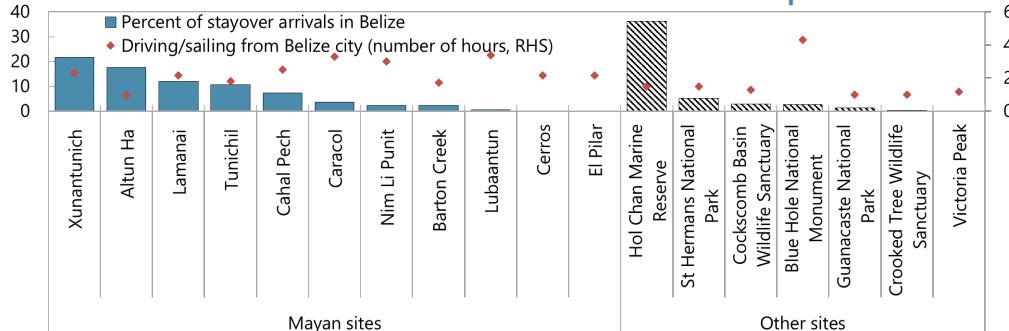


Additionally, the hotel capacity by district is not necessarily aligned with visits to key tourist sites.

Hotel Capacity VS. Visits to Key Tourist Sites 1/ 2/ 4/
(In percent of total stayover arrivals unless otherwise specified)



Belize Most Visited Tourist Sites in 2023 VS. Distance from Belize Airport



Sources: Belize Tourism Board, Central Bank of Belize, Statistical Institute of Belize and IMF staff estimates.

1/Staff estimates hotel capacity in each district as the product of the number of rooms per city/district, the average number of beds per room, and the number of days per year, divided by the total number of tourist nights per year.

2/These estimates do not include short-term villa rentals which could potentially increase capacity within each district.

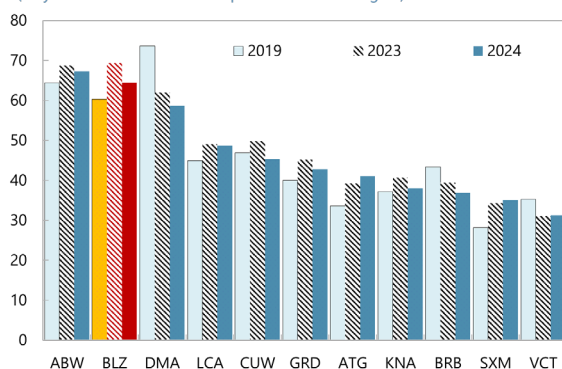
3/ Other islands are not classified under any district and are presented on a standalone.

4/ It is possible that a single tourist can visit several sites at the same time, hence the stacked bars could potentially be subject to duplication, leading to underestimating hotel capacity relative to tourist visits across districts.

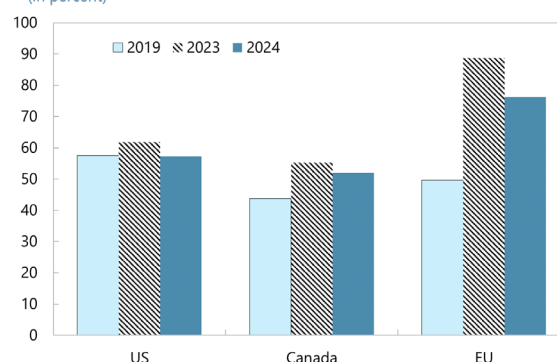
5. Additionally, Belize has one of the highest flight capacity utilization rates across the Caribbean, which could further limit tourist growth over the medium term. A comparison of capacity estimates of persons on board each flight arriving to Belize International Airport (using FlightRadar24 database) with the actual stayover arrivals reveals that Belize has one of the highest arrivals-to-flight capacity ratios in the region, hinting at limited room for further growth. Looking across tourist source markets, the relatively high flight capacity utilization is mainly attributed to flights from Europe, which is consistently higher than for the US and Canada.⁶ In turn, such high flight capacity utilization suggests that growth from European source markets could be constrained in the absence of additional flights. Recognizing these bottlenecks, the authorities continue to add flights to the international airport, which have contributed to somewhat lower capacity utilization in 2024 relative to 2019 (pre-pandemic).

Figure 4. Belize: Tourist Arrivals to Flights Capacity

Caribbean Tourist Arrivals to Airport Capacity 1/
(Stayover arrivals to estimated persons on board flights)



Arrivals to Flight Capacity by Tourist Origin
(In percent)



Sources: FlightRadar24 Database, IMF Big Data Center calculations for persons on board flights. IMF staff estimates for capacity utilization, using data from Caribbean Tourism Board and US International Air Travel Statistics.

1/ Figures for Belize stayover arrivals refer to the total stayover arrivals via the airport only.

6. Belize has a cost competitiveness advantage relative to the Caribbean which could further boost growth over the medium term. According to an analysis based on *Budget your Trip* survey results Belize has a significantly lower cost of travel compared to Caribbean peers (Panel Figure 5). The survey results suggest a similar highly competitive cost structure across sightseeing, cost of food at restaurants, and transportation. This suggests that cost is not a key constraint over

⁶ Flight capacity utilization by origin country within Belize is adjusted for actual stayover arrivals via the international airport. In addition, to account for potential underestimation of the US capacity estimate due to the country being the major transit hub for tourists heading to Belize from elsewhere, staff adjusted the capacity estimate from flight radar by data for US citizens and non-US citizens travelling from the US to Belize using the International Air Transport Association. Staff also accounted for potential non-US citizens travelling from the US as an origin country using the share of European and Canadian residents to total US population from the latest US population census.

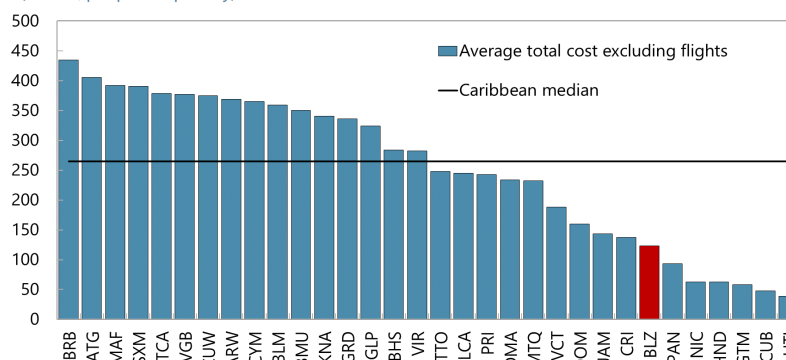
the medium term and could potentially boost growth in stayover arrivals if other bottlenecks are addressed (see panel B figures).

Figure 5. Belize: Caribbean Travel Cost Competitiveness

Belize is cheaper in terms of travel costs compared to peers according to Budget your trip survey.¹

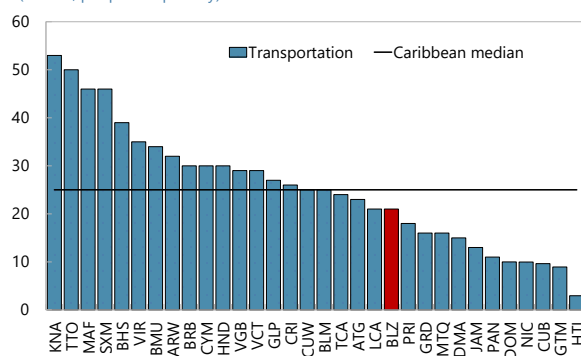
Average Total Cost of Travel Excluding Flights

(In USD, per person per day)



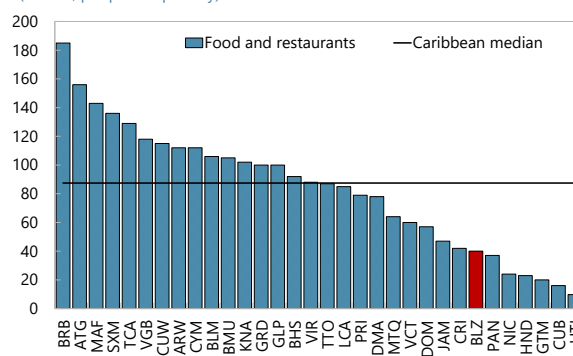
Average Cost of Transportation²

(In USD, per person per day)



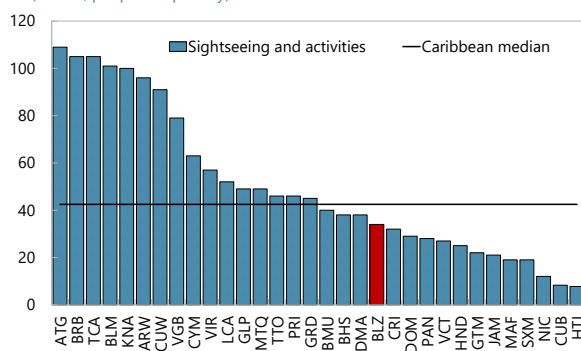
Average Cost of Food in Restaurants

(In USD, per person per day)



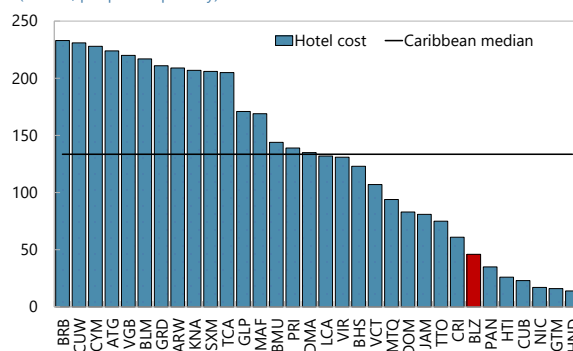
Average Cost of Sightseeing²

(In USD, per person per day)



Average Cost of Hotel / Hostel

(In USD, per person per day)



Sources: Budget your trip. data accessed on April 23, 2025.

¹In line with the Guidance Note and Supplement for Third Party Indicators, staff acknowledge that the results depend on the accuracy and comprehensiveness of the *Budget your trip* survey, which should be complemented with other data sources for robust results on cost competitiveness.

²Due to data unavailability, staff assumed SXM cost to be the same as the French side of the island (MAF).

References

Scott, R., Sattler, E., & Highfill, J. (1995). *A hotel capacity utilization model*. Journal of Economic Insight, 21(2). Retrieved from <https://journalofeconomicinsight.com/index.php/joei/article/view/1120>

AISSMS College of Hotel Management. (n.d.). *Hotel capacity and occupancy calculations*. Retrieved from <https://aissmschmct.in>

Annex IX. External Sector Assessment

Overall Assessment: Belize's external position in 2024 was stronger than the level implied by fundamentals and desirable policies. The estimated current account gap of 2.8 percent of GDP in 2024 is slightly lower than the gap of 3.1 percent of GDP estimated for 2023¹ and reflects the sustained post-pandemic improvement in tourism receipts despite a lower CA balance amid a decrease in free zone net exports and higher services payments. International reserves are projected to gradually increase from 3.5 months of imports, which is below the ARA metric, to reach the standard ARA metric by 2034 under the baseline scenario. The risk of capital outflows remains modest as most external debt is with official creditors. The Central Bank can use appropriate tools to manage capital outflows, in line with the Fund's Institutional View, if needed.

Potential Policy Responses: Accelerating the pace of convergence of international reserves towards the ARA metric would strengthen the currency peg and limit vulnerabilities. This could be implemented via fiscal consolidation and structural reforms that increase competitiveness and exports and attract FDI. Additionally, investing in climate-resilient infrastructure, and road connectivity, would support growth in the agriculture and tourism sectors and become more interconnected over the long term.

Foreign Assets and Liabilities: Position and Trajectory

Background. Belize's net international investment position (NIIP) is estimated at -97 percent of GDP in 2024, broadly stable compared to -104 percent of GDP in 2023, but narrower than the pre-pandemic historical average of -132 percent of GDP (2010-2019) and -168 percent of GDP during the pandemic (2020). The broad improvement relative to the historical average reflects recent strong economic growth; a decline in public external debt due to fiscal consolidation, a debt-for-marine-protection swap with The Nature Conservancy, and a discount in Belize's Petrocaribe debt with Venezuela; and a fall in the ratio of FDI liabilities to GDP as the stock of FDI did not grow as fast as GDP. Gross liabilities amounted to 130 percent of GDP in 2024, with external public debt amounting to 39 percent of GDP and FDI to 81 percent of GDP. Gross assets totaled 34 percent of GDP, with reserve assets amounting to 14 percent of GDP and other investments to 16 percent of GDP.

Assessment. Belize's NIIP is assessed as broadly sustainable as it is projected to continue improving over the medium term in line with the projected decline in public external debt.

2024 (% of GDP)	NIIP: -97	Gross Assets: 34	Debt Assets: 16.7	Gross Liab.: 130	Debt liab.: 49.6
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¹In the previous Article IV staff report, staff estimated the 2023 CA gap to be 2.6 percent, which was derived from an estimated CA of -2.9 percent and CA norm of 5.6 percent. Recently, the authorities revised the CA balance in 2023 to be only -0.6 percent of GDP. Using the latter figure, in addition to the revised norm of 4.0 percent, the CA gap in 2023 would have been 3.1 percent instead of 2.6 percent.

Current Account

Background. The current account balance (CAB) worsened from -0.6 percent of GDP in 2023 to -1.5 percent in 2024. This was driven by a lower net services balance (0.9 percent of GDP), mostly due to higher payments (both tourism and non-tourism related, relative to GDP), while tourist receipts grew in line with GDP; a deterioration in the goods trade deficit (0.4 percent of GDP) amid lower free zone net exports; and a slight deterioration in the primary income balance (0.2 percent of GDP), all of which were partially offset by an improvement in the secondary income balance (0.5 percent of GDP). Going forward, the CAB is projected to improve slightly towards -1.2 percent of GDP led by a gradual pickup in tourism receipts as well as lower oil imports in line with lower international oil prices.

Assessment. The current account model estimates a current account norm of -4.0 percent of GDP, while the cyclically-adjusted CAB is -1.2 percent of GDP, implying a current account gap of 2.8 percent of GDP and a real effective exchange rate undervaluation of 8.3 percent. The cyclically-adjusted CAB reflects a cyclical adjustment of 0.3 percent of GDP due to a positive output gap due to higher real GDP growth. The current account gap places Belize in the range of [2, 4] percent of GDP, stronger than the level implied by fundamentals and desirable policies.

Belize: EBA-lite Model Results, 2024

	CA model 1/ (in percent of GDP)	REER model 1/
CA-Actual	-1.5	
Cyclical contributions (from model) (-)	-0.3	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	-1.2	
CA Norm (from model) 2/	-4.0	
Adjusted CA Norm	-4.0	
CA Gap	2.8	3.3
o/w Relative policy gap	0.8	
Elasticity	-0.3	
REER Gap (in percent)	-8.3	-9.9
1/ Based on the EBA-lite 3.0 methodology		
2/ Cyclically adjusted, including multilateral consistency adjustments.		

Real Exchange Rate

Background. Belize's real effective exchange rate (REER) appreciated by 1.1 percent in 2024 as a 1.2 percent nominal effective exchange rate appreciation was only slightly offset by marginally lower inflation in Belize than in its trading partners.

Assessment. The REER gap is estimated at 9.9 percent, while the CA gap using the REER model is estimated at 3.3 percent, implying stronger than fundamentals assessment and broadly in line with the CA approach.

Capital and Financial Accounts: Flows and Policy Measures

Background. The capital and financial accounts balance increased from 2.0 percent of GDP in 2023 to 2.6 percent in 2024. This was mainly driven by the increase in FDI flows to 3.7 percent of GDP, converging back to its historical average, from 0.4 percent a year earlier. The FDI outturn in 2023 was due largely to the government's purchase of the Belize City Port and payment of long-standing disputes as part of a settlement with a foreign investor. Other investment outflows, mainly via increased commercial bank foreign assets abroad, had partially offset FDI inflows. Going forward, the capital and financial account is expected to stabilize at 2.3 percent of GDP over the medium term in line with the expected moderation in FDI inflows, with international reserves increasing in both nominal terms and import coverage terms to hover around 4.1 months of imports by 2030, up from 3.5 months in 2024.

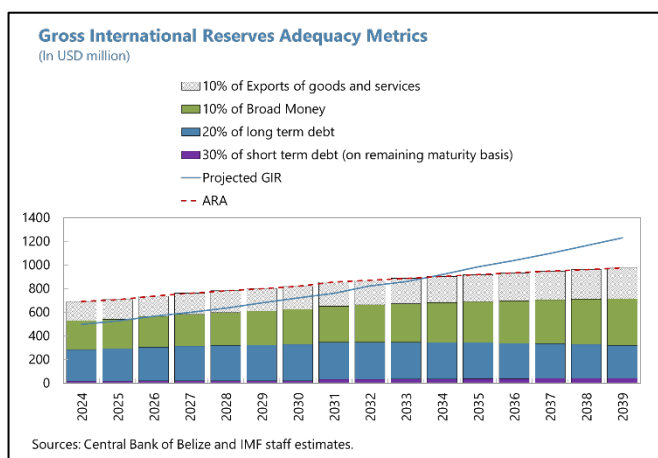
Assessment. There are no major risks of capital outflows from nonresidents as Belize is *de facto* excluded from the international capital market and the government relies on multilateral and bilateral loans. The risk of capital outflows from residents is also limited as the Central Bank can use appropriate tools to manage capital outflows, in line with the Fund's Institutional View² if needed. Downside risks include lower FDI inflows than projected under the baseline scenario, which could materialize if adverse shocks hurt the tourism sector or if external financing costs for FDI projects increase further or remain higher for longer than currently expected.

²For additional information, please refer to the IMF institutional view on capital flow measures: [Capital Flows - Review of Experience with the Institutional View](#); [Managing Capital Outflows - Further Operational Considerations](#); [Guidance Note for the Liberalization and Management of Capital Flows](#); [The Liberalization and Management of Capital Flows: An Institutional View \(November 2012\)](#).

FX Intervention and Reserves Level

Background. Gross international reserves stood at US\$498 million or 3.5 months of imports at end-2024, US\$221 million above the level in 2019. The increase in reserves since 2019 reflects disbursements of large official loans to the government, robust FDI inflows, and the IMF SDR allocation in 2021. No intervention data is published by the Central Bank, but the authorities maintain a fixed exchange rate against the US dollar.

Assessment. Raising the level of international reserves closer to the ARA metric would strengthen the currency peg. Reserves are projected to increase gradually to reach the ARA metric by 2034. The ARA benchmark considers short, medium- and long-term external debt and broad money as proxies for risks of capital outflows by nonresidents and residents, respectively. Increasing the level of international reserves requires implementing fiscal consolidation and structural reforms that improve competitiveness, increase exports, and attract FDI. Additionally, investing in climate-resilient infrastructure, and road connectivity, would support growth in the agriculture and tourism sectors and become more interconnected over the long term.

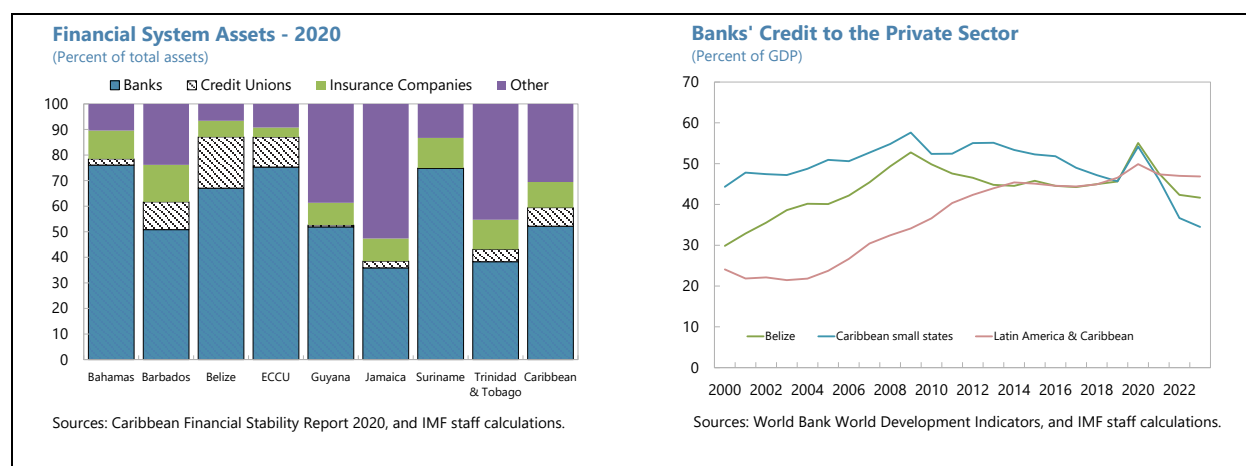


Annex X. Improving Access to Credit in Belize¹

Private sector credit from banks as a share of GDP has trended downward in Belize since the global financial crisis, constrained by demand and supply factors. A high degree of firm informality, difficult collateral and loan application processes, and relatively high lending rates limit credit demand. Insufficient regulatory capital and a history of large loan losses have previously restricted credit supply.

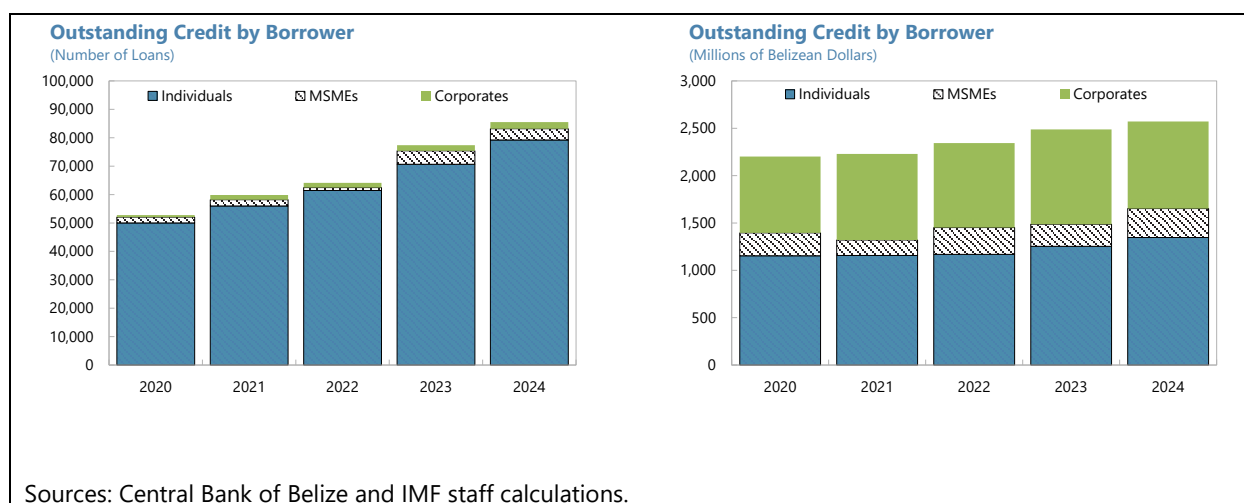
A. Introduction

1. After peaking in 2009 and extracting the effects of the Covid-19 pandemic, private sector credit from banks has trended downward as a share of GDP. Commercial banks have traditionally dominated financial sectors across the Caribbean, contributing primarily to changes in overall private sector credit. In Belize, private sector credit expanded rapidly in the decade prior to the global financial crisis, led by a sharp increase in lending to the building and construction, household, real estate, and distribution sectors. In the 15 years since, domestic bank lending has slowed considerably, constrained by sharp declines in lending to the mining and exploration, marine, and distribution sectors. Still, Belizean domestic banks' loan portfolios continue to be concentrated in lending to the private sector. By the end of 2024, loans to the government accounted for less than 1 percent of total loans, with lending concentrated in loans for building and construction, individuals, real estate and tourism.



2. Financial inclusion has increased but firms cite access to finance as among the major constraints to business development. Since the pandemic, access to credit for firms and households has increased, with the number of loans owed by individuals, Micro, Small and Medium-sized enterprises (MSMEs) and corporates increasing between 2020 and 2024. However, firms cite the access to and cost of finance as among the most severe obstacles to growth (Compete Caribbean, 2020).

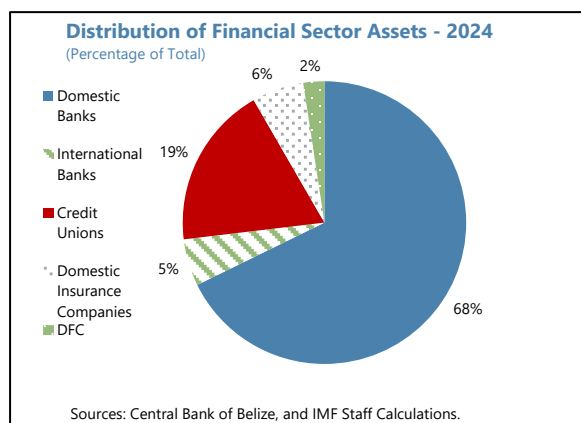
¹ Prepared by Shane Lowe.



3. This annex describes the constraints facing both borrowers and banks to accelerating the growth in private sector credit. First, it describes the structure of the Belizean financial system, highlighting the characteristics that may contribute to lower private sector credit. Next, the annex discusses the factors which limit the demand and supply of private credit.

B. The Belizean Financial System

4. Domestic banks dominate Belize's financial system. Domestic banks hold about two-thirds of the financial system's assets, totalling 75 percent of GDP in 2024. Credit unions are systemically less important, holding 19 percent of financial system assets, but have almost doubled in share over the last decade and a half. However, the largest credit union—which accounts for over half of the sector's assets—is larger than the two smallest domestic banks. International banks' assets have declined to 5 percent of total assets, from 28 percent in 2014, after the loss of correspondent banking relationships and reflecting the closure of two large banks.² The Development Finance Corporation (DFC) accounts for the other 2 percent of financial system assets (Box 1).³



² International banks in this context refer to banks licensed under the International Banking Act of Belize. These banks are permitted to transact international banking business through their business offices in Belize. The [International Banking Act, 2020](#) defines international banking business as "...receiving, borrowing or taking up foreign money exclusively from non-residents...or carrying on exclusively with non-residents such other activities as are customarily related or ancillary to international banking." Licensees under this act are prohibited from conducting international banking business with Belizean residents except in specific circumstances.

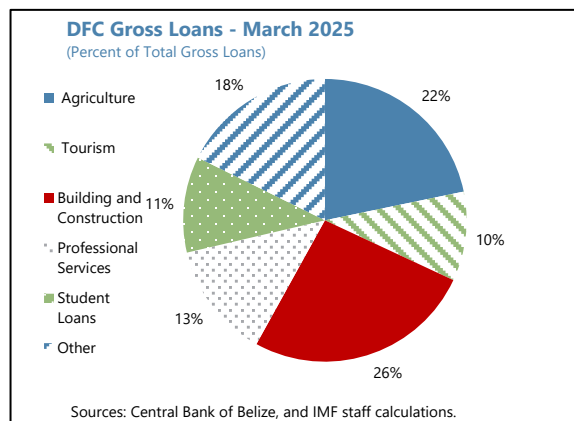
³ These estimates exclude the international nonbanking sector and the Social Security Board (SSB). The latter's assets were 12 percent of GDP in 2023. The authorities exclude the SSB from financial sector aggregates (IMF Country Report No. 14/281).

Box 1. The Development Finance Corporation

The Development Finance Corporation provides development finance to Belizean firms and individuals to support economic growth in Belize. The DFC—Belize’s only development bank—was originally incorporated in 1963 as a private sector-owned entity, but became state owned a decade later.¹ The DFC temporarily closed in 2005, due to insolvency triggered by governance issues and large losses on non-performing assets, but reopened in 2009 under the Development Finance Corporation Act, 2009.²

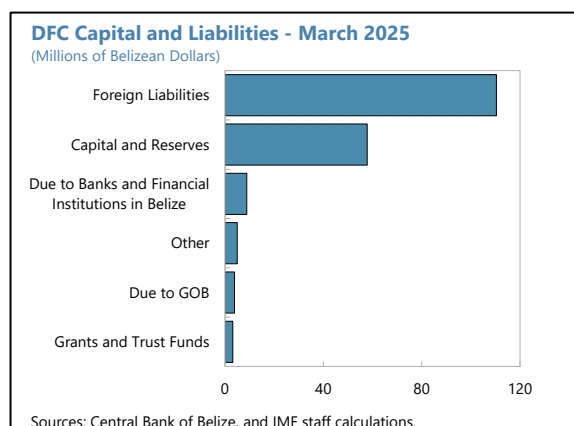
The DFC’s loan portfolio is concentrated in lending for housing, agriculture, professional services, tourism, and to students. The institution offers

flexible financing for both new and expanding businesses, with grace periods on loan repayments of up to 5 years. In many cases, borrowers benefit from technical assistance and supervision offered during the planning and implementation stages of their projects. However, the DFC requires at least 15 percent in equity investment from borrowers – in the form of property, cash and/or labor – for several facilities, but offers 100 percent financing for projects related to sustainable energy. The DFC’s share of non-performing loans – a large proportion concentrated in loans to commercial fishing and agriculture – remained high (at 15 percent in 2023) but reached its lowest level since 2009.



The DFC’s funding comes largely from regional and international financial institutions, with long-term loans – mostly from the Caribbean Development Bank (CDB) – guaranteed by the Government of Belize (GOB). In many cases, this

funding is tied to specific objectives, with recently approved facilities from the IDB and International Cooperation and Development Fund (ICDF) Taiwan Province of China aimed at supporting Micro, Small and Medium Enterprises (MSMEs) with emphasis on women and green financing and two 2023 CDB lines of credit aimed at students and MSMEs, respectively. The Social Security Board also provides some financing, approving a BZ\$20 million facility in December 2023 to support the DFC’s mortgage program.

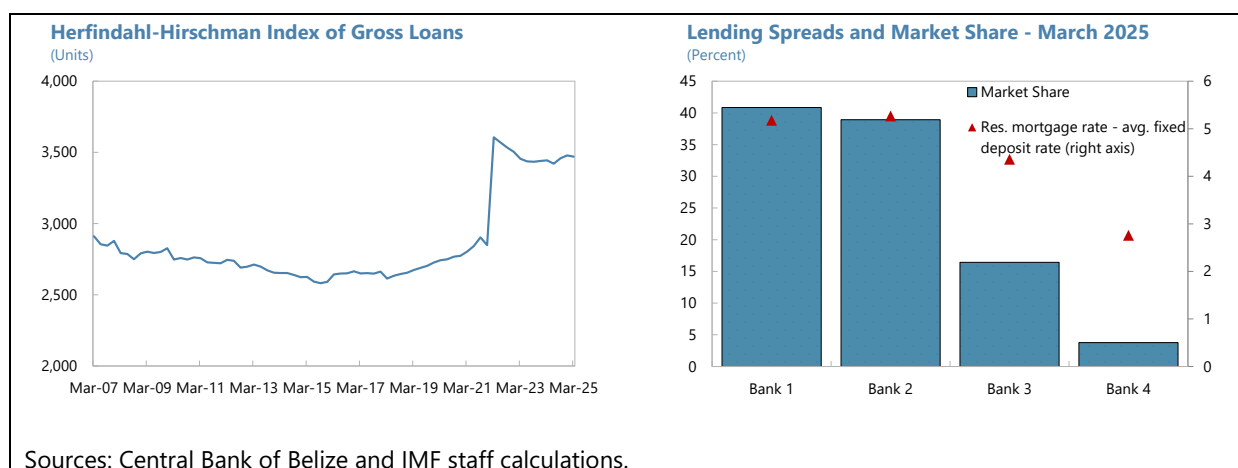


¹https://www.dfcbelize.org/who-we-are-2/#DFC_History

²IMF (2014)

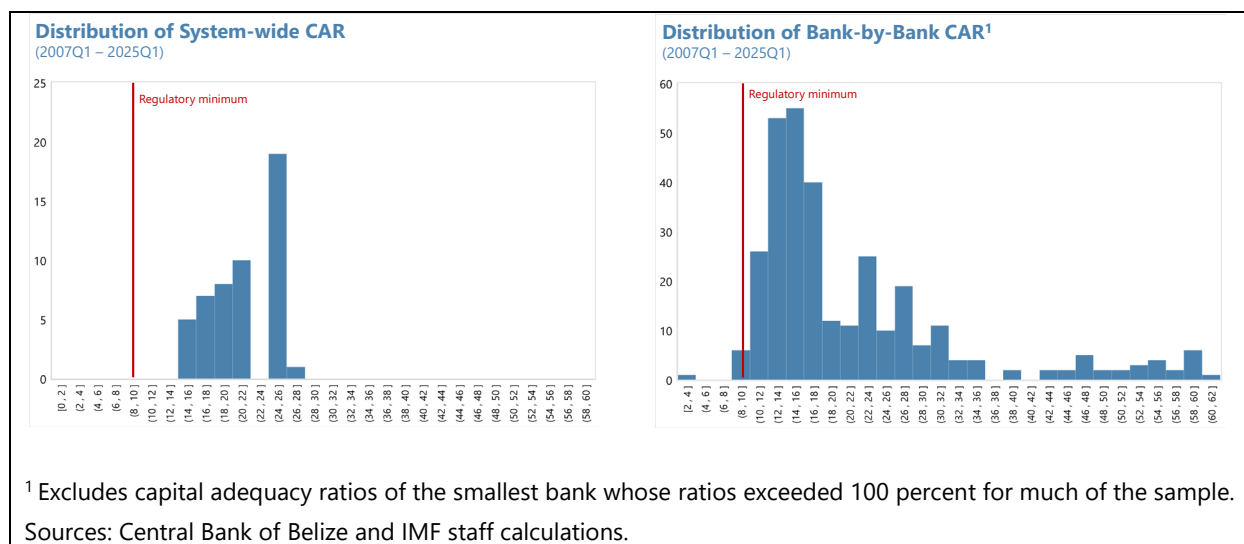
5. The domestic banking system has become increasingly concentrated. A series of acquisitions have reduced the number of domestic banks operating in Belize to 4 in March 2025

from 6 a decade earlier. In 2016, Heritage Bank assumed control of CIBC FirstCaribbean International Bank's assets in Belize, while Belize Bank completed a similar transaction when it acquired Scotiabank's assets in 2021. Of the remaining 4 banks, Belize Bank and Atlantic Bank now hold approximately four-fifths of total banks' assets and gross loans. This degree of concentration and market power may also help explain the aggregate degree of private sector lending and spreads charged by individual banks – the difference between the average rate charged on residential mortgages and the rate paid on fixed deposits is widest for the largest institutions.⁴

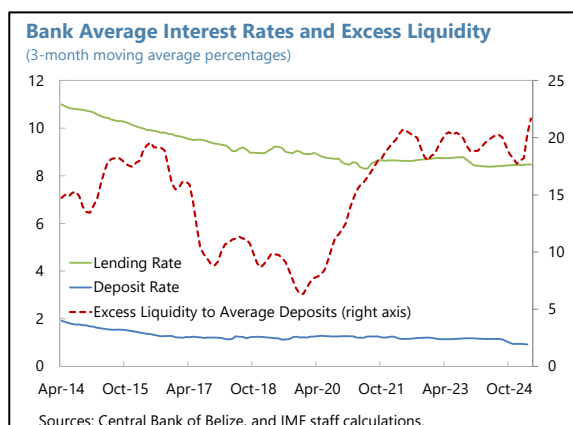


6. Banks' regulatory capital and liquidity have historically been broadly adequate but unevenly distributed across institutions. For example, since 2007, the domestic banking system's aggregate capital adequacy ratio has comfortably exceeded the regulatory minimum of 9 percent of risk-weighted assets, falling only to as low as 14.9 percent in the aftermath of the pandemic. However, individual banks' capital ratios have gotten close to or fallen below 9 percent during this period, with the sector's aggregate masked by large excess capital held by some institutions. As of March 2025, domestic banks' system-wide regulatory capital accounted for 15.5 percent of risk-weighted assets, while 45 percent of deposits were held as liquid assets. These figures significantly exceed the regulatory minimums of 9 and 21 percent, respectively. Even then, only one bank holds capital at or above 15.5 percent, with more than 80 percent of the system's capital and excess liquidity concentrated in two institutions.

⁴ Ghossoub and Reed (2015) find that, among European banks, more concentrated banking systems tended to be more liquid, with lower degrees of credit activity.



7. Commercial bank interest rates remain elevated, despite high excess liquidity. The weighted average lending rate has trended downward since 2000, falling faster than deposit rates, with lending spreads close to their historical low. However, despite banks holding twice the share of liquid assets as required by the central bank, average deposit rates remain around 1 percent, reflecting, to some extent, the 2½ percent floor imposed on savings deposits.



C. Alleviating Constraints to Private Sector Credit

Obstacles to the Demand for Credit

This subsection discusses the obstacles that may constrain domestic firms' access to credit in Belize. It highlights the (i) challenges related to business creation and the high degree of firm informality; (ii) onerous collateral and administrative requirements; and (iii) high interest rates.

8. Fostering an environment for the development of new and existing businesses could increase the demand for credit. The authorities' efforts at encouraging the formalization of firms (Annex XI), combined with initiatives to support potential entrepreneurs with the preparation of business plans or grants to support businesses in their nascent stages could foster business creation and position firms as eligible borrowers.

9. Although lending rates have trended downward over the last decade, the cost of credit continues to be cited as a major obstacle to accessing private sector credit. An IDB survey of MSMEs revealed that some firms opt not to apply for credit from domestic financial institutions due

to what they perceive as high interest rates and administrative costs, a difficult (and in some ways manual) application process, and onerous collateral requirements (IDB, 2024).⁵ Improving the demand for credit, particularly among smaller firms, could therefore benefit from recent efforts to establish a collateral registry, automating the application process for credit, and reducing lending rates across lending institutions.

10. Reducing the interest rate on savings deposits could reduce lending rates further but may increase banks' net interest margins in the near- to medium-term. IMF (2014) noted that previous reductions in the floor on savings deposits have helped to reduce lending rates, albeit with some widening of spreads.⁶ Impulse response functions generated from local projections popularized by Jordà (2005) confirm this finding and suggest that a further reduction or elimination of this floor would reduce the weighted average lending rate further. The analysis uses quarterly data for Q1 2000 to Q4 2024 to estimate cumulative impulse response functions of the form:

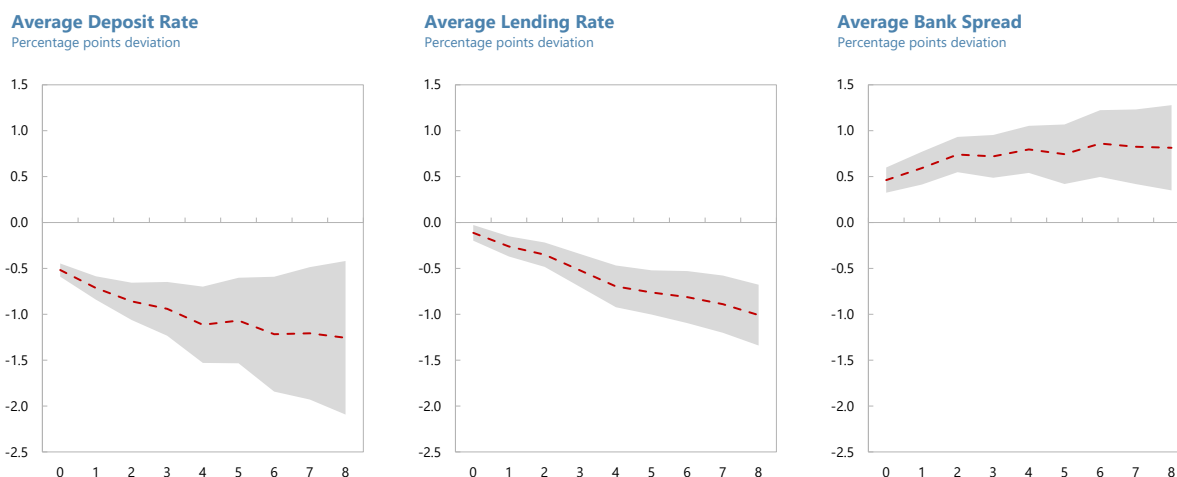
$$r_{t+h}^i - r_t^i = \beta_0 + \beta_h \Delta SR_t + \sum_{j=1}^k \gamma_h \Delta SR_{t-j} + \sum_{j=1}^z \delta_h \Delta r_{t-j}^i + \sum_{j=1}^z \delta_h \Delta x_{t-j}^i + u_t \quad \forall h = 1, \dots, 8 \quad (1):$$

where r_t^i is the relevant domestic interest rate on each bank product i (i.e., domestic banks' average lending and deposit rates), SR_t is domestic banks' average interest rate on savings deposits, and x_t are a set of other control variables (including the rate on 3-month Treasury Bills and the ratio of excess liquid assets to average deposits). β_h , the coefficient of interest, is the impact of changes in the SR_t on the relevant interest rate at horizon h . The results suggest that a 1 percentage point cut in the interest rate on savings deposits reduces both the weighted average lending and deposit rates over the next 8 quarters, with the impact being greater on the latter than the former. Consequently, while private sector borrowing costs decline, banking sector lending spreads widen, likely reflecting the shorter duration of banks' liabilities and fixed lending rates on a significant share of banks' pre-existing loan books. As a result, net interest margins will likely increase over the medium-term, potentially increasing banking sector profitability and capital accumulation.

⁵ <https://publications.iadb.org/en/access-finance-msmes-belize-challenges-and-opportunities>

⁶ <https://www.imf.org/external/pubs/ft/scr/2014/cr14281.pdf>

Figure 1. Belize: Cumulative Impulse Responses to 1 pp Cuts in Interest Rate on Savings Deposits over 8 Quarter Horizon

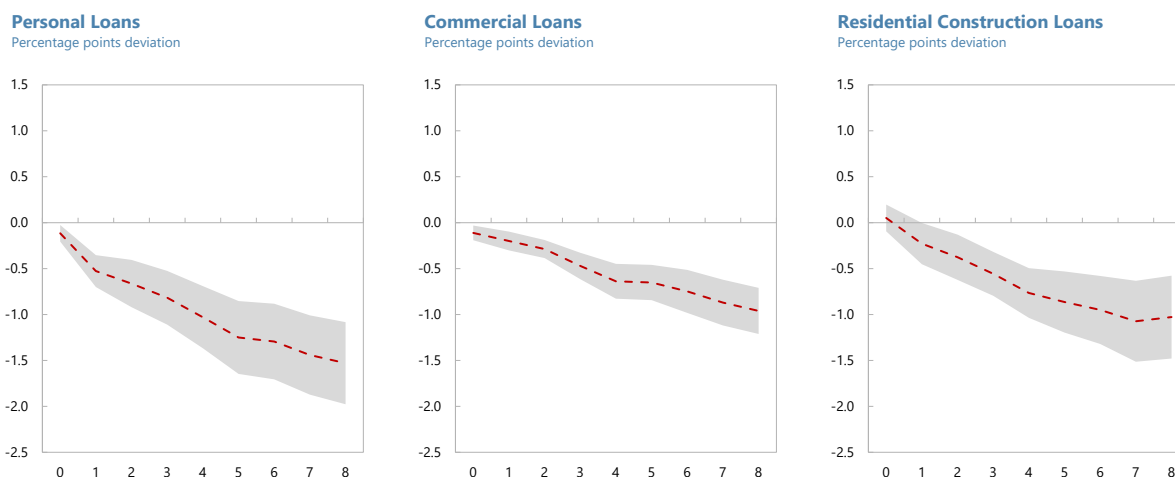


Note: Shaded grey areas represent 90 percent confidence bands

Source: IMF staff calculations.

11. Banks with greater exposure to personal loans will likely experience a sharper reduction in average lending rates, in response to cuts to deposit rates. Results from re-estimating equation 1 with interest rates on personal, commercial, and residential construction loans as the dependent variables suggest that interest rates on personal loans are more sensitive to cuts in the interest rate on savings deposits than rates on commercial loans and those for residential construction. This likely reflects the former's shorter average duration compared to lending for mortgages and other long-term investments.

Figure 2. Belize: Cumulative Responses of Various Lending Rates to 1 pp Cuts in Interest Rate on Savings Deposits over 8 Quarter Horizon



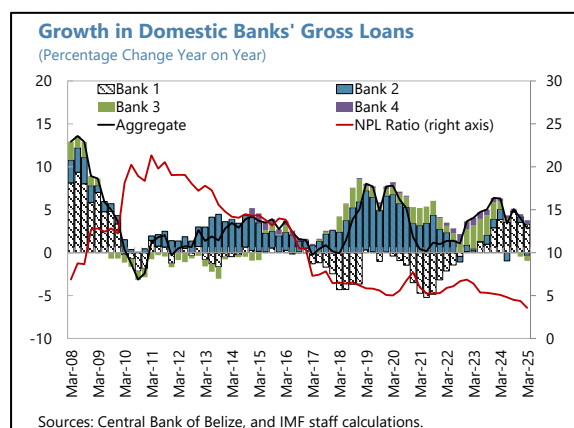
Note: Shaded grey areas represent 90 percent confidence bands

Source: IMF staff calculations.

Obstacles to the Supply of Credit

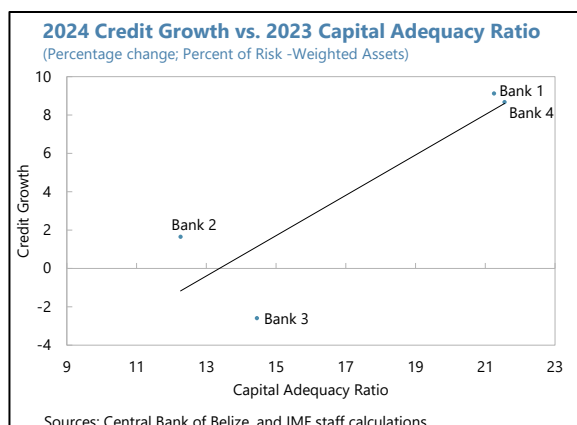
This subsection discusses some of the financial obstacles that may constrain domestic banks' supply of credit to domestic firms. Among these are (i) the legacy impact of and possible risk aversion from past losses incurred from high non-performing loans and (ii) insufficient regulatory capital above the minimum requirement among some institutions.

12. High NPLs and loan losses constrained credit growth immediately after the global financial crisis (IMF, 2013). Gross NPLs surged and peaked at 21 percent of gross loans in March 2011, with 69 percent of NPLs concentrated in the largest bank, where NPLs rose to 38 percent. Loan loss provisions also rose substantially, peaking later at 8.8 percent in June 2015. Domestic bank lending decelerated sharply during this period, led primarily by a substantial slowdown in the largest bank's previously strong credit growth.



Sources: Central Bank of Belize, and IMF staff calculations.

13. Insufficient regulatory capital above the regulatory requirement among some banks can limit growth in private sector credit. In recent years, the supply of private sector credit has been constrained by weak credit growth in the least capitalized banks. In this regard, this section assesses the extent to which the relationship between credit growth and economic activity is dependent on banks' pre-existing stock of capital.



14. Linear and nonlinear panel regressions are estimated to assess the impact of expansions in real GDP on domestic banks' loan portfolios:

$$\ln (Loans)_{it} = \beta_{i0} + \beta_1 \ln (Loans)_{it-1} + \beta_2 \ln (Loans)_{it-2} + \beta_3 \ln (GDP)_{t-4} + \beta_4 CAR_{it-4} + \beta_5 Liquidity_{it-4} + \beta_6 Loan Losses_{it-4} + u_{it} \quad (2a)$$

$$\ln (Loans)_{it} = \beta_{i0} + \beta_1 \ln (Loans)_{it-1} + \beta_2 \ln (Loans)_{it-2} + \beta_{3a} \ln (GDP)_{t-4} I(x \leq \emptyset) + \beta_{3b} \ln (GDP)_{t-4} I(x > \emptyset) + \beta_4 CAR_{it-4} + \beta_5 Liquidity_{it-4} + \beta_6 Loan Losses_{it-4} + u_{it} \quad (2b)$$

where:

- $\ln (Loans)$ is the natural log of domestic banks' gross loans deflated by the quarterly consumer price index,
- $\ln (GDP)$ is the natural log of quarterly, real seasonally adjusted gross domestic product (GDP). An expansion in real GDP is expected to reflect a greater demand for credit and lead to an increase in its supply,
- CAR is domestic banks' total regulatory capital ratio calculated as total regulatory capital as a share of risk-weighted assets. A larger stock of capital relative to risk-weighted assets provides greater capacity to extend additional credit, without fear of reducing capital below the regulatory minimum,
- $Liquidity$ captures domestic banks' excess liquidity ratio, calculated as the stock of eligible liquid assets in excess of the regulatory requirement as a share of average deposits. A larger stock of liquidity implies greater lending space,
- $Loan Losses$ are the stock of loan loss provisions on loans as a share of total gross loans. A larger stock of loan losses may reduce banks' risk appetite and curtail lending,
- u captures the standard white noise error term.

For each variable included above (excluding the error term), the series are detrended using a Hodrick-Prescott (HP) filter to ensure stationarity.⁷ Finally, x is the threshold variable (the lagged value of the unfiltered capital adequacy ratio) and \emptyset captures its value.⁸

15. The analysis includes an unbalanced panel which covers the period 2007Q1 through 2024Q4 and includes the six domestic banks – Atlantic Bank, Belize Bank, FirstCaribbean International Bank, Heritage Bank, National Bank of Belize, and Scotiabank – operating over that period. All bank-specific data were sourced from the Central Bank of Belize’s quarterly publication of domestic bank financials, while seasonally adjusted real gross domestic product and the consumer price index were sourced from the Statistical Institute of Belize.

16. The regression results suggest that an expansion in real GDP and lower loan loss provisions can spur additional credit growth, particularly in an environment where banks are well capitalized (Table 1). However, the relationship between real GDP and credit changes at different levels of capital adequacy – below a capital adequacy ratio of 13 percent, 4 percentage points above the regulatory minimum, an expansion in real GDP induces a negative but statistically insignificant impact on credit as banks have limited capacity to expand the stock of risk-weighted assets without breaching regulatory requirements. Above this threshold however, the positive relationship is stronger than under the baseline. This result is consistent with Kopp (Forthcoming), who notes that banks’ lending space is constrained by their capital ratios, at levels potentially above the regulatory minimum. Among the other control variables, higher excess liquidity also has a statistically significant impact on credit, but the effects are economically modest. An increase in capital adequacy above its long-term trend in itself has no impact on bank credit. These results are qualitatively and quantitatively similar when using each of the Random Effects, Arellano-Bond, and Arellano-Bover estimators.

⁷ The Im-Pesaran-Shin unit root tests rejected the null hypothesis that all panels contain unit roots at the 1 percent level of statistical significance for all detrended variables.

⁸ The optimal \emptyset is chosen as the value which maximizes the R-squared from a series of regressions that test a range of \emptyset between the 10th and 90th percentiles of the CAR_{it-4} .

Table 1. Belize: Regression Estimates of Equations 2a and 2b 1/

Variable	Dependent Variable = $\ln(Loans)_{it}$			
	Baseline, RE	Baseline, Arellano-Bond	Baseline, Arellano-Bover	Threshold, RE
$\ln(Loans)_{it-1}$	0.978*** (0.078)	0.970*** (0.047)	0.953*** (0.035)	0.974*** (0.076)
$\ln(Loans)_{it-2}$	-0.159** (0.063)	-0.153*** (0.047)	-0.150*** (0.035)	-0.159** (0.063)
$\ln(GDP)_{t-4}$	0.093** (0.046)	0.094* (0.049)	0.148*** (0.043)	
$\ln(GDP)_{t-4} I(x \leq \emptyset)$				-0.098 (0.070)
$\ln(GDP)_{t-4} I(x > \emptyset)$				0.119*** (0.038)
CAR_{it-4}	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
$Liquidity_{it-4}$	0.000*** (0.000)	0.000* (0.000)	0.000*** (0.000)	0.000*** (0.000)
$Loan\ Losses_{it-4}$	-0.002*** (0.001)	-0.002** (0.001)	-0.002*** (0.001)	-0.002** (0.001)
Constant	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Threshold (\emptyset)				13
Observations	329	323	329	329

N.B. *, **, *** indicate statistical significance at the 10%, 5% and 1% levels respectively; standard errors (se) are robust standard errors to correct for potential heteroskedasticity and autocorrelation.
 1/ Each regression also includes dummy variables which capture the effects of large changes in gross loans, including those due to bank acquisitions.

D. Conclusion

17. Private sector credit to GDP in Belize has trended downward since 2009, with firms citing access to finance as among the major constraints to their business development. Private credit is concentrated in the banking sector, which has itself become more concentrated over time and lending spreads highest among the largest banks.

18. Private sector credit growth is constrained by both demand and supply factors. On the demand side, a high degree of firm informality, onerous collateral and application processes for prospective borrowers, and the high cost of credit restrict firms' demand for finance. Similarly, the legacy of high NPLs and loan losses and insufficient regulatory capital above the regulatory minimum have limited banks' expansion of credit in the past. Recent efforts to incentivize the

formalization of firms, the establishment of the collateral registry, and the future implementation of the credit bureau could support faster credit expansion in the future.

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Annex XI. Estimating The Size of the Informal Economy in Belize¹

1. High levels of informality are often associated with less favorable economic and social outcomes among emerging markets and developing economies (EMDEs).^{2, 3} EMDEs with a large share of firms operating in the informal sector tend to have higher rates of poverty and inequality and lower levels of GDP per capita ([Ohnsorge and Shu Yu, 2022](#)).⁴ Moreover, tax revenues in these economies tend to be lower with knock-on effects on the scale of government spending, while firms operating in the informal sector tend to enjoy lower access to external finance, with owners relying more on family members and moneylenders for funding. Informal firms tend to be less productive than formal ones and at the same time, competition against informal firms could reduce formal firms' market share and resources ([Amin, Ohnsorge, Okou 2019](#)), weighing on aggregate productivity. Additionally, informal employment is often associated with poor working conditions, low wages, and lack of social protection. While labor informality can provide some buffer during economic downturns, it slows the speed of adjustment to aggregate and sectoral shocks, having a negative impact on growth.⁵

2. This annex leverages the work of [Elgin and others \(2021\)](#) to understand the historical trends in the degree of informality in Belize (Box 1). Elgin and others (2021) produce indirect estimates of informality using two models: the multiple indicators multiple causes (MIMIC) model and a dynamic general equilibrium (DGE) model. Both approaches require a baseline estimate of the size of the informal economy for at least one year from other sources for initial calibration.

¹ Prepared by Bunyada Laoprapassorn and Shane Lowe (both WHD). Staff would like to thank Jiaxiong Yao (EUR) for sharing his estimates of informality with the team.

² For the purpose of this annex, informality refers to the "...market-based production of legal goods and services that escapes detection in the official estimates of GDP." ([Smith, 1994](#)). However, several definitions of the informal economy/sector exist, including "...market- and non-market based production of goods and services, whether legal or illegal, that escapes detection in or is intentionally excluded from the official estimates of GDP" ([Smith, 1994](#)), and a "sector, which produces legal goods but does not comply with government regulations..." ([Ihrig and Moe, 2004](#)). The terms informal sector and informal employment are also not synonymous, with [Dell'Anno \(2022\)](#) noting that "...informal employment and informal sector are conceptually different phenomena because, while informal employment refers to the characteristics of the job, the concept of informal sector refers to characteristics of production units." ([Dell'Anno, 2022](#)). See [Dell'Anno \(2022\)](#) for a more thorough discussion of the various definitions of informality.

³ See "[Lagging Behind: Informality and Development](#)," in [The Long Shadow of Informality: Challenges and Policies](#).

⁴ "[Overview](#)," in [The Long Shadow of Informality: Challenges and Policies](#).

⁵ See Chapter 4 of the [October 2019 Regional Economic Outlook: Western Hemisphere](#).

Box 1. The MIMIC and DGE Models¹

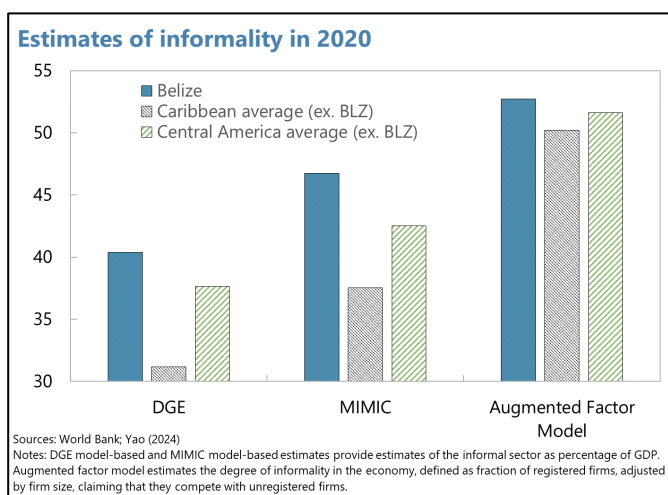
The MIMIC model is a structural equations model which accounts for possible causes and indicators of informal activity. [Elgin and others' \(2021\)](#) preferred specification includes 4 causal variables – the size of government (measured as general government final consumption expenditure as a percent of GDP), real GDP per capita, the unemployment rate, and government effectiveness—and 3 indicator variables—the growth rate of GDP per capita, the labor force participation rate, and the ratio of M0 to M1. The size of government—a proxy for the degree of tax and social security burdens on the population—is thought to be positively associated with the degree of informality, while more job opportunities (measured by a lower unemployment rate) and a more prosperous economy (captured by higher GDP per capita) are likely to reduce incentives to participate in the informal economy in order to earn an income ([Schneider, Buehn, Montenegro, 2010](#)). Similarly, the quality of public services—captured by the World Governance Indicator's score for Government Effectiveness—is typically negatively related to the relative size of the informal sector ([Schneider, Buehn, Montenegro, 2010](#)). The MIMIC approach is particularly attractive because it directly accounts for several potential causes of informal activity and includes several indicators of it and can easily generate estimates of the size of the informal economy across time and countries (Elgin and others, 2021). However, the approach's use of GDP per capita (as both cause and indicator) and the sensitivity of model coefficients to other specifications and sample coverage have been cited among its major limitations.

In contrast, the DGE model assumes that households allocate their labor across informal and formal parts of the economy. This approach relies on strong assumptions about the drivers of economic activity in both the formal and informal sectors. The DGE model can benefit from wide country and period coverage, but its estimates are difficult to match with a comprehensive view of informality, given data limitations in emerging markets and developing economies. Estimates from the DGE model are also influenced by structural assumptions and model calibration.

¹See [Elgin and others \(2021\)](#) for a more comprehensive discussion about the pros and cons of the MIMIC and DGE models.

3. The degree of informality in Belize is high compared to its regional peers across various model-based estimates.

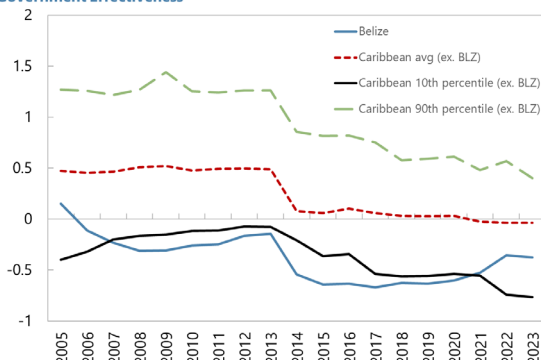
For example, DGE and MIMIC model-based estimates from [Elgin and others \(2021\)](#) indicate that in 2020 (most recent available estimates), informality in Belize represented about 40 and 47 percent of official GDP respectively, standing above the Caribbean and Central America averages. ⁶ This observed high degree of informality in Belize relative to regional standards is broadly consistent with an alternative estimate by [Yao \(2024\)](#) using an augmented factor model approach.



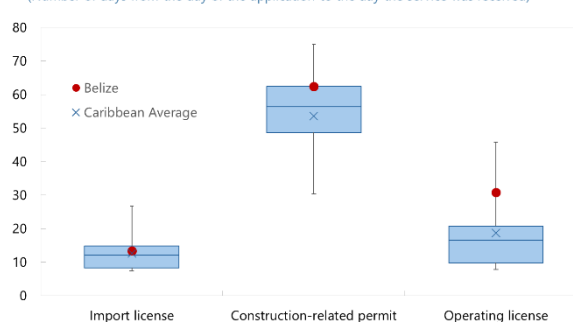
4. The high level of informality in Belize is likely driven by both structural and institutional factors. The World Governance Indicators (WGI) point to weaker perceptions of government effectiveness in Belize relative to regional peers. Belize's WGI index for government effectiveness has consistently performed below the Caribbean average and only rose above the 10th percentile across the Caribbean countries in recent years. Results from the [Innovation, Firm Performance and Gender Survey](#) conducted in 2020 also suggest that bureaucracy and regulatory barriers could be higher in Belize relative to Caribbean peers. For instance, firms in Belize report that it takes more time to obtain import licenses, construction-related permits, and operating licenses relative to the Caribbean average. Limited access to finance for small businesses, labor market rigidities, limited benefits and high costs to formality, and inefficient tax systems have also been known to contribute to high levels of informality in EMDEs.⁷ Shifts in the structure of the economy over time toward industries with higher propensities for attracting informal activity would also impact the aggregate level of informality in the economy.

⁶ While the MIMIC model has well documented drawbacks, staff leans more on the estimates produced from this approach rather than the DGE model, given data availability for use in the former and the latter's strong assumptions about the drivers of economic activity in both the formal and informal sectors.

⁷ See Chapter 4 of the [October 2019 Regional Economic Outlook: Western Hemisphere](#) and <https://www.imf.org/en/Publications/fandd/issues/2020/12/what-is-the-informal-economy-basics>.

Figure 1. Belize: Government Effectiveness and Administrative Environment¹**Government Effectiveness****Time Taken to Obtain Permits and Licenses**

(Number of days from the day of the application to the day the service was received)



¹In line with the Guidance Note and Supplement for Third Party Indicators, staff acknowledge that the results depend on the accuracy and comprehensiveness of the World Governance Indicators and IFPG survey, which should be complemented with other data sources for robust results on the assessment of government effectiveness and the administrative environment.

5. The progress in reducing informality in Belize stalled after the global financial crisis and informality is likely to have increased sharply during the pandemic.

Between 1996 and 2007, the degree of informality in Belize (as estimated by the MIMIC model) declined in line with strong growth in real GDP per capita, falling unemployment and little change in the relative size of the government. However, between 2007 and 2019, the sharp slowdown in economic expansion, combined with a decline in government effectiveness and the growing size of the government coincided with a partial reversal in the decline in informality. The degree of informality (as a share of official GDP) likely spiked in 2020, commensurate with the sharp contraction in economic activity.

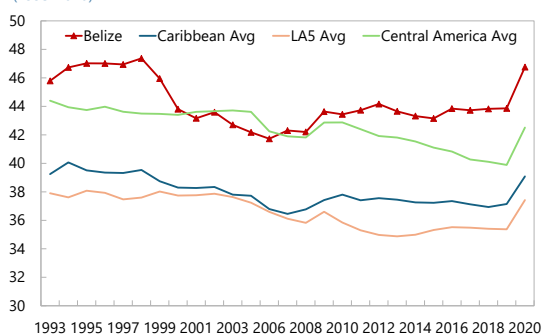
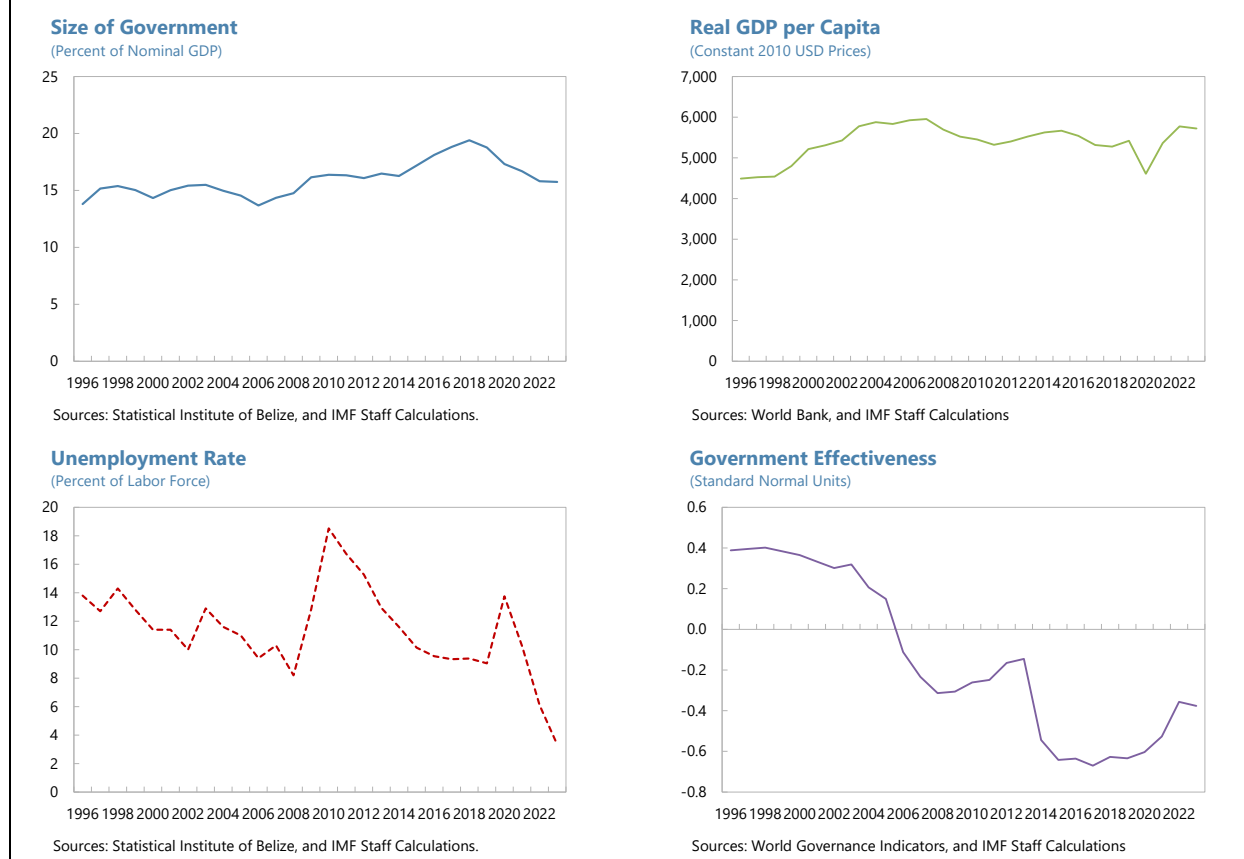
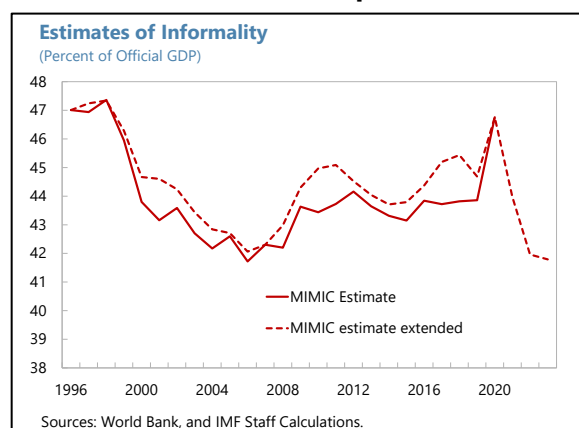
MIMIC model-based estimates of informal output (1993-2020)

Figure 2. Belize: Trends in Key Causal Variables

6. The degree of informality is likely to have declined since the COVID-19 pandemic.

Since 2020, the sharp recovery in real GDP has pushed real GDP per capita higher, reduced the unemployment rate, and reduced the size of government relative to nominal GDP. This has coincided with an improvement in government effectiveness as measured by the World Governance Indicators. Extending the estimates of informality generated by the MIMIC model estimated by [Elgin and others \(2021\)](#) using more recent data, staff finds that informality as a percent of official GDP likely declined between 2020 and 2023 and is now close to the pre-pandemic low.



7. Since 2023, the Belizean authorities have sought to encourage the formalization of Micro, Small and Medium-sized enterprises (MSMEs) with tax incentives. [The Fiscal Incentives Act, passed in March 2023](#), extends access to incentives for MSMEs, waives penalties or interest related to past unpaid business taxes, and exempts the payment of business taxes for up to one year

for unregistered firms who register with the Belize Companies and Corporate Affairs Registry and the Belize Tax Service Department (BTSD) before a pre-defined date. Many of these unregistered firms are likely to have operated in the informal sector, with significant tax liabilities owed to the BTSD. If successfully implemented, this initiative could help to reduce the level of informality further.

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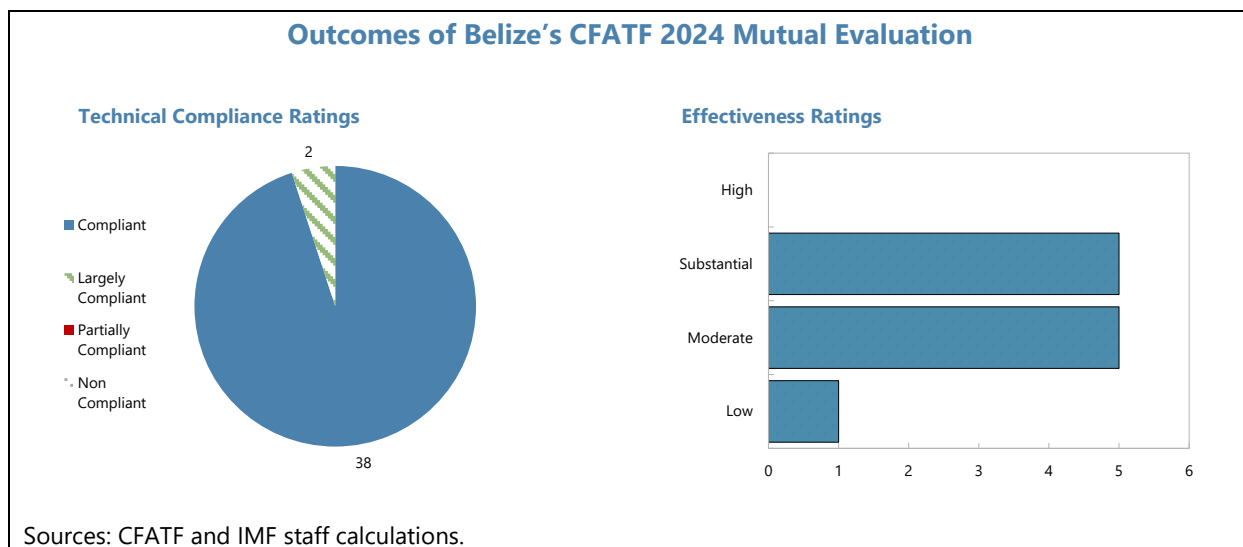
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Annex XII. The 2024 Mutual Evaluation¹

1. Belize’s 4th round Mutual Evaluation was concluded by the CFATF in December 2024.

This evaluation—based on the findings of an onsite visit during December 2023—assessed the legal framework’s technical compliance with the Financial Action Task Force’s (FATF’s) 40 Recommendations and the authorities’ effectiveness at combating money laundering (ML), terrorist financing (TF), and the financing of proliferation of weapons of mass destruction (PF).

2. The authorities have substantially strengthened Belize’s AML/CFT framework. Belize was assessed as compliant with 38 of the FATF’s 40 recommendations, and largely compliant with the remaining two recommendations. Belize was also assessed as substantially effective in several pillars of its AML/CFT framework, such as in its understanding of ML/TF risks, the investigation and prosecution of TF, the implementation of TF and PF-related targeted financial sanctions, and international cooperation. This assessment reflects a substantial improvement from the previous 2011 mutual evaluation, when Belize was assessed as noncompliant with FATF recommendations in several areas—including transparency and beneficial ownership of legal persons and arrangements, customer due diligence by financial institutions, and the regulation, supervision, and monitoring of designated non-financial businesses and professions (DNFBPs)—and was placed in enhanced follow-up.



3. Notwithstanding Belize’s strong technical compliance, several priority actions remain.

These include finalizing the National Risk Assessment, ensuring effective risk-based AML/CFT supervision of financial institutions and DNFBPs, and strengthening the collection of beneficial ownership information through improved sanctioning of non-compliance. Also important are ensuring that law enforcement agencies are appropriately staffed and undertake money laundering investigations and prosecutions in line with Belize’s risk profile.

¹ Prepared by Shane Lowe.

Annex XIII. Data Issues

Table 1. Belize: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/

B

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	B	C	C	B	B	C

Detailed Questionnaire Results

Data Quality Characteristics

Coverage	B	B	C	C	B	
Granularity 3/	C		C	B	B	
			B		B	
Consistency			B	C		B
Frequency and Timeliness	C	A	C	B	A	

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see *IMF Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Table 1. Belize: Data Adequacy Assessment for Surveillance (Concluded)**Rationale for staff assessment.**

Data provisions have some shortcomings, but are broadly adequate for surveillance. All critical macroeconomic data are regularly published by the Statistical Institute of Belize and the Central Bank of Belize. National accounts data from the Statistical Institute of Belize is available quarterly on the supply side, with sufficient granularity and with one quarter lag. However, data on the expenditure side is only available annually, with a long lag, and sometime with large discrepancies relative to data on the supply side. Additionally, there can be large discrepancies between the initial quarterly data and the annual numbers as well as some unscheduled data revisions. Nominal GDP and GDP deflator are also only available annually. On the other hand, prices data is available monthly and is adequate for surveillance. For external sector data, there is sufficient granularity in the Balance of payments and goods trade which are available on a quarterly frequency (from the Central Bank of Belize) and monthly frequency (from the Statistical Institute of Belize), respectively. IIP data is available on annual basis but there are some inconsistencies between financial account components in the IIP and their respective flows in the BoP, thereby somewhat hampering surveillance. Fiscal data is published by the central bank, but often with a long lag and with unexplained revisions. Monetary and financial sector statistics are published frequently, with significant coverage of the banking sector which accounts for two-thirds of financial sector assets. There is less coverage of non-bank financial institutions, including the insurance sector. While the coverage of the insurance sector is limited compared to those of domestic banks and credit unions, staff assesses overall coverage of monetary and financial statistics as "B", given that the insurance sector is small compared to domestic banks and credit unions, for which the authorities publish balance sheet and financial soundness indicators.

Changes since the last Article IV consultation.

None.

Corrective actions and capacity development priorities.

Staff supports the authorities' continued efforts toward addressing the data gaps. On the national accounts, priorities should be toward increasing the frequency and timeliness of GDP data on the expenditure side, and improving consistency between quarterly and annual GDP data. The authorities have requested assistance from CARTAC with developing new producer price indices and international trade price indices, which will be used to deflate nominal output, improving measurement of GDP in volume terms and also serve as standalone inflationary indicators. On the fiscal side, additional work is needed to improve the coverage of government accounts, accounting and fiscal reporting. For the external sector, efforts should be made to improve the timeliness of the balance of payments and international investment position data, which are published with a significant lag, including improved compilation of foreign direct investment data, and improve the granularity of tourism data.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff.

Staff does not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps.

More frequent publication of labor statistics, including unemployment, and publication of consistent time series on wages, labor market statistics, inequality, poverty and literacy-related social indicators would help enhance staff's analysis.

Data on the consolidated operations of the public sector are unavailable. Priorities for the period ahead include preparing a comprehensive list of institutions that comprise the central government, general government, and the public sector including extra budgetary units. The Social Security Board is not treated as part of the general government. Instead, the Central Bank classifies the entity as other non-financial public corporation and includes its claims (deposits) on the banking system as part of broad money. Also, difficulties persist in the compilation of capital expenditure as several Capital II (government-funded capital and project expenditures) items that started life as fixed-term project contributions have become permanent funding allocations. In addition, the current accounting practices follow neither a cash basis nor an accrual basis of accounting, which contributes to an inconsistent accounting and reporting of assets, liabilities, revenues, and expenses. Finally, data on domestic debt and domestic debt service needs to be improved, particularly regarding amortization.

Table 2. Belize: Data Standards Initiatives

Belize participates in the Enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in September 2006 but is yet to disseminate the data recommended under the e-GDDS, but it is still in process of doing so with support from the IMF's Statistics Department.

Table 3. Belize: Table of Common Indicators Required for Surveillance

	As of July 10, 2025				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Data Provision to the Fund							
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Belize ⁸	Expected Timeliness ^{6,7}	Belize ⁸
Exchange Rates	July 2025	July 2025	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	June 2025	June 2025	W	W	M	...	1M	...
Reserve/Base Money	June 2025	June 2025	W	W	M	...	2M	...
Broad Money	June 2025	June 2025	W	W	M	...	1Q	...
Central Bank Balance Sheet	May 2025	July 2025	M	M	M	...	2M	...
Consolidated Balance Sheet of the Banking System	May 2025	July 2025	M	M	M	...	1Q	...
Interest Rates ²	May 2025	July 2025	M	M	M	...	...	...
Consumer Price Index	May 2025	June 2025	M	M	M	...	2M	...
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	NA	NA	NA	NA	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	March 2025	June 2025	Q	Q	Q	...	1Q	...
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	May 2025	July 2025	M	M	Q	...	2Q	...
External Current Account Balance	March 2025	June 2025	Q	Q	Q	...	1Q	...
Exports and Imports of Goods and Services	March 2025	June 2025	Q	Q	M	...	12W	...
GDP/GNP	Q1 2025	June 2025	Q	Q	Q	...	1Q	...
Gross External Debt	May 2025	July 2025	M	M	Q	...	2Q	...
International Investment Position	2024	March 2025	A	A	A	...	3Q	...
¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions. ² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds. ³ Foreign, domestic bank, and domestic nonbank financing. ⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments. ⁵ Including currency and maturity composition. ⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than. ⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan. ⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".								



BELIZE

July 28, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Western Hemisphere Department

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FUND RELATIONS

(As of June 30, 2025)

Membership Status: Joined: March 16, 1982; Article VIII

General Resources Account:	SDR Million	%Quota
Quota	26.70	100.00
IMF's Holdings of Currency (Holdings Rate)	20.49	76.73
Reserve Tranche Position	6.21	23.27

SDR Department:	SDR Million	%Allocation
Net cumulative allocation	43.49	100.00
Holdings	37.28	85.72

Outstanding Purchases and Loans: None

Latest Financial Commitments:

Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
Stand-By	Dec 03, 1984	Jun 01, 1986	7.13	7.13

Overdue Obligations and Projected Payments to Fund 1/

(SDR Million; based on existing use of resources and present holdings of SDRs)

			Forthcoming		
	2025	2026	2027	2028	2029
Principal					
Charges/Interest	0.09	0.18	0.18	0.18	0.18
Total	0.09	0.18	0.18	0.18	0.18

1/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangement: The exchange rate arrangement is a conventional peg. Since 1976, the Belize dollar has been pegged to the U.S. dollar, the intervention currency, at the rate of BZ\$ 2 per U.S. dollar. Belize has accepted the obligations under Article VIII, Sections 2, 3, and 4, and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

Last Article IV Consultation: The last Article IV consultation was concluded by the Executive Board on May 15, 2024 (IMF Country Report No. 24/124). Belize is on the standard 12-month consultation cycle.

Recent Technical Assistance:

- STA advised on financial soundness indicators in January 2019.
- MCM advised on contingency planning in March 2019.
- MCM advised on cyber risk supervision framework in April 2019.
- FAD advised on tax and customs administration reform in April 2019.
- MCM advised on banking supervision and regulation in May 2019.
- FAD advised on mainstreaming international taxation in August 2019.
- FAD conducted a public investment management assessment (PIMA) in January 2020.
- FAD advised on tax reform policy options in May 2020.
- LEG advised on income taxation in May 2020
- FAD advised on tax administration in April 2021.
- MCM advised on bank resolution in April 2021.
- MCM advised on NPL management in July 2021.
- MCM advised on improving the FX Regulatory Framework in February-June 2022.
- MCM advised on FX reserve management in March 2022.
- STA advised on the production of new Financial Soundness Indicators in line with the FSIs Guide in May-June 2022
- FAD advised on modernization of the Belize Tax Service Department (BTSD) and the Belize Customs and Excise Department (BCED) in October-November 2022
- FAD advised on the implementation of accrual accounting in March 2023
- FAD advised on finalizing Government's AFS for FYs 2013/14-2017/18 and resolving Bank Reconciliation challenges for FYs 2013/14-2022/23 in June 2023
- FAD advised on efforts to strengthen capacity for financial reporting at the Treasury in October 2023
- STA advised the Central Bank of Belize on external sector statistics in October 2023

- FAD advised on tax procedures for new property tax and stamp duties legislation in February 2024.
- FAD advised on implementation of a revenue authority in March-April 2024.
- MCM advised on implementation of Basel Pillar III in April 2024.
- FAD advised on strengthening organizational arrangements in May 2024 and July-November 2024.
- MCM advised on risk based supervision for securities in May-July 2024 and August-October 2024.
- FAD advised on restructuring the Treasury in June 2024.
- MCM advised on risk based supervision for payment service providers in October 2024.
- FAD advised on property tax reform in October-November 2024.
- LEG advised on designing legislation for semi-autonomous revenue regime November 2024.

CARTAC Technical Assistance to Belize in FY2021-FY2025¹

Description	Start Date	End Date
Customs and Tax Administration		
Strengthening audit capacity (training)	01/11/2021	01/23/2021
Strengthening risk management capacity	02/15/2021	02/24/2021
Tax Administration	05/01/2021	05/15/2021
Customs Developing Performance Targets and KPI	06/07/2021	06/11/2021
Strengthening Core Business Function - Arrears Management	06/29/2021	07/13/2021
Strengthening Core Business Functions - Arrears Management Training	11/01/2021	11/19/2021
Merger of different tax departments	08/29/2022	09/16/2022
Long Term Expert (LTX) Visit	10/05/2022	10/07/2022
Strengthening Performance Management	10/10/2022	10/21/2022
Strengthening Core Business function	11/07/2022	11/18/2022
Strengthening HQ function and performance management	02/06/2023	02/15/2023
Improving customs administration towards a more gender focused approach	03/20/2023	03/31/2023
Defining organizational/institutional/governance struct. for est. of Revenue Authority	09/18/2023	11/30/2023
Public Financial Management (PFM)		
Review of Belize's PFM legislation	04/06/2021	04/15/2021
Providing internal audit support	03/26/2021	03/31/2021
Developing Performance Targets and KPI	06/07/2021	06/11/2021
Support development of new PFM Laws & Regulations FY22	05/10/2021	06/03/2021
Accruals Accounting Implementation Plan FY23	09/26/2022	09/30/2022
Improving Treasury reporting function FY23	01/09/2023	01/20/2023
Statistics		
Updating CPI	02/06/2023	02/17/2023
External Sector Statistics	10/16/2023	10/27/2023
Developing new PPI	03/03/2025	03/14/2025
Financial Markets		

¹ Sources: <https://www.cartac.org/content/CARTAC/Home/WorkPlans.html> and internal IMF TA Reports.

Financial stability – Monitoring and detection of systemic risks	02/08/2021	02/21/2021
RBS Implementation	10/25/2021	11/02/2021
Review and Update of Insurance Legislation and Regulation	08/16/2021	01/14/2022
Drafting regulations supporting the new Securities Act	02/14/2022	03/25/2022
RBS Implementation (Follow-up)	05/11/2022	05/23/2022
Basel II-III - Implementation of LCR (Follow-up)	07/07/2022	07/15/2022
Scoping Mission	09/12/2022	09/16/2022
Development of Liquidity and Capital Standards for Registrants	10/12/2022	11/23/2022
Basel II-III - Implementation of Capital Buffers	10/12/2022	10/24/2022
RBS Implementation (Follow-up)	11/02/2022	11/14/2022
Macro stress testing	05/11/2022	06/14/2022
Basel II-III - Implementation of LCR and liquidity monitoring tools	02/13/2023	02/17/2023
Interactive learning capacity development (CD) activity on the implementation of RBS	02/20/2023	02/24/2023
FSC – Organizational Framework & Roadmap	02/27/2023	03/03/2023
Basel Pillar III Implementation	03/12/2024	03/15/2024
Workshop on Statistical Modelling: Credit and Market Risk	04/15/2024	04/19/2024
Basel Pillar III Implementation	04/23/2024	04/26/2024
RBS for Securities Firms Interactive learning and Workshops	05/15/2024	07/15/2024
RBS of Trading and Securities Markets	08/01/2024	10/31/2024
Corporate Governance and Internal Audit Guide	09/02/2024	09/06/2024
E-Money Supervision	10/15/2024	10/21/2024
RBS for Moneylenders	01/27/2025	01/31/2025

COLLABORATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

As of June 30, 2025, Belize has collaborations with The World Bank Group, Inter-American Development Bank, Caribbean Development Bank, and Central American Bank for Economic Integration.

Further information can be obtained from the following hyperlinks:

Institution	Link
The World Bank Group	https://www.worldbank.org/en/country/belize/overview
Inter-American Development Bank	https://www.iadb.org/en/who-we-are/country-offices/belize
Caribbean Development Bank	https://www.caribank.org/countries-and-members/borrowing-members/belize
Central American Bank for Economic Integration	https://www.bcie.org/en/member-countries/regional-non-founding-members/belize

**Statement by Gina Fitzgerald, Alternate Executive Director for Belize
and Ziana Ahmed, Advisor to Executive Director
September 10, 2025**

On behalf of the authorities of Belize, we express gratitude to Mr. Hadzi-Vaskov and the mission team for the consultations, valuable analysis, and constructive exchange of views. Our authorities broadly share staff's assessment of the economic outlook, risks, and policy priorities for the period ahead.

Recent Developments and Macroeconomic Outlook

Since coming into office in 2020, our Belizean authorities have taken decisive steps through their ambitious homegrown reform agenda to reduce imbalances and anchor strong and inclusive growth. Economic activity has rebounded strongly from the pandemic. After declining by 13.9 percent in 2020, real GDP rebounded by a cumulative 30.6 percent between 2021 and 2023 led by the recovery of tourism and strong growth in business process outsourcing. In 2024, Belize grew at 8.1 percent, the among the highest in the Caribbean. The fiscal position has also strengthened significantly, with the primary balance shifting from -8.3 percent of GDP in 2020 to a surplus of 1.7 percent of GDP in 2024 due to a combination of strong economic recovery, expenditure containment and revenue mobilization measures. Public debt has also fallen substantially from 103.3 percent of GDP in 2020 to 61.1 percent in 2024. Inflation decelerated to 1 percent in 2025, down from 4 percent last year. These fiscal gains have also translated into reductions in poverty and inequality, with the incidence of multi-dimensional poverty decreasing from 26.5 percent in 2021 to 22.1 percent in 2024.

Despite the strong recovery and significant reduction in public debt, risks to the outlook remain tilted to the downside. Increased global trade policy uncertainty and climate-related disasters, combined with slowing tourism growth and unfavorable weather conditions affecting the agricultural sector, continue to weigh on the Belizean economy. In this context, growth is expected to slow to 2 percent over the medium-term, with inflation converging to 1.3 percent.

Policy Priorities

Our Belizean authorities remain steadfast in their commitment to building on the important reforms undertaken since 2020. Following the 2025 general election, the new government has committed to pursuing prudent fiscal policy, while making investments in health, education, infrastructure and energy as well as structural reforms to boost medium-term growth.

Fiscal Policy

Belize is taking steps to maintain fiscal prudence and to create the necessary buffers to respond to adverse shocks. In the recent FY2025 Budget, our authorities committed to reduce the debt-to-GDP ratio to 50 percent by 2029 and achieve primary surpluses of no less than 1.5 percent of GDP over the medium-term. They have been undertaking various expenditure and revenue mobilization measures to achieve this. Legislative amendments for electronic tax

invoicing and new penalties for non-compliance have recently been implemented, and work is underway to move forward with the Streamlining Property Transactions Bill, which will address long standing inefficiencies in taxation of property transfers. The authorities have also begun to transform the Belize Tax Services Department (BTSD) into a semi-autonomous revenue authority and to transfer the responsibility for land tax collection to BTSD to help improve operational efficiency and administration. Following staff's recommendations, the authorities remain committed to reform the Pension Plan for Public Officials to improve its sustainability and reduce the deficit. Following consultations with labour unions, the government will pursue phased implementation of a new contributory pension scheme, beginning with new entrants to the public service.

To enhance overall fiscal discipline, the authorities have committed to prepare and publish an annual detailed Fiscal Strategy Plan, as part of concessional financing through the World Bank's Catastrophe Deferred Drawdown Option. This has recently been approved by Cabinet and will include a Medium-Term Fiscal Framework to provide a transparent, forward-looking roadmap for revenue and expenditure projections, integrating disaster risk contingencies to enhance resilience against climate shocks.

Structural Reforms

Boosting inclusive growth is a key priority for the government. To this end, our authorities have an ambitious pipeline of infrastructure projects for improved road connectivity and transportation – including a new airport in San Pedro and a possible international airport in Placencia. The Belize Investment and Business Climate Action Plan (BICAP) was also launched this year with various initiatives to improve the business climate, including the establishment of a digital single investment window and easing the processes for new business registrations. The *Fiscal Incentives Act*, passed in 2023, is also helping to bring micro, small and medium-sized enterprises into the formal sector. In recognition of the substantial labour market gender gap, the authorities are also pursuing various initiatives to improve access to childcare and training programs to support greater female labour force participation. Finally, our authorities remain committed to continue investing in health, education, crime prevention and targeted social programs for the most vulnerable.

Belize is making progress towards building resilience to natural disaster given its macro-criticality. In addition to ongoing investments in renewable energy and climate resilient infrastructure, a new Battery Energy Storage System was recently announced to strengthen the country's power supply and improve the reliability of electricity services, in partnership with the World Bank and Government of Canada. Our authorities are also developing an integrated national financial framework to help address the financing gap for its development and climate goals. They are committed to taking a proactive and preventative approach to climate change and underscore the important role of the IMF and MDBs in supporting such efforts.

Monetary and Financial Policies

Belize's currency peg is a key macroeconomic anchor. The currency peg has a long-proven track record of providing the stability needed to promote investment and growth in a small country

like Belize. Our authorities are committed to maintaining the peg and undertaking additional fiscal consolidation and growth-enhancing structural reforms to help increase international reserves.

The Central Bank of Belize remains committed to continue enhancing their monetary policy framework, ensuring financial sector stability and expanding private sector's access to financing. The recently amended *Securities Industry Act* will create an environment to attract institutional capital, and the new credit bureau and collateral registry will improve firms' access to credit. Our authorities look forward to continuing discussions on how to further develop the domestic yield curve and foster the domestic capital market. Substantial progress has been made in the area of AML/CFT, with the recent successful completion of the Caribbean Financial Action Task Force Mutual Evaluation report, which assessed Belize as compliant or largely compliant with all forty recommendations. Our authorities remain committed to continue addressing the remaining shortcomings through the action plan currently in development.

Our Belizean authorities highly value the close collaboration and engagement with the Fund in developing their homegrown reform agenda. Our authorities are grateful for the Fund's continued policy advice and technical assistance, including through the Caribbean Regional Technical Assistance Centre (CARTAC). They look forward to staying closely engaged with the Fund on implementing their reform agenda and building a Belize that works for everyone.