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Belize: Use of Fund Resources—Request for Emergency Assistance—Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Belize

In the context of the use of Fund resources—request for emergency assistance for Belize, the following documents have been released and are included in this package:

- The staff report for the Use of Fund Resources—Request for Emergency Assistance, prepared by a staff team of the IMF, following discussions that ended on January 22, 2009, 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 February 3, 2009. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A Press Release summarizing the views of the Executive Board as expressed during its February 18, 2009 discussion of the staff report that completed the request.

- A statement by the Executive Director for Belize.

The document listed below has been separately released.

Letter of Intent sent to the IMF by the authorities of Belize*
*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

BELIZE

Use of Fund Resources—Request for Emergency Assistance

Prepared by the Western Hemisphere Department

Approved by Gilbert Terrier and Alan MacArthur

February 3, 2009

- **Belize suffered considerable damage from two tropical systems during the 2008 hurricane season**. Tropical storm Arthur in late May and heavy rains from a tropical depression in late October resulted in massive flooding across Belize and loss of lives and property. Damage to housing and infrastructure together with losses of output and export earnings and increases in imports, are estimated at 4.8 percent of GDP.

- **The reconstruction effort, which involves a reallocation of public investment, is supported by external assistance**. The government is seeking loans form the CDB (US$10 million) and the IDB (US$5 million) in support of infrastructure rehabilitation projects and has reassigned budgetary funds for this purpose.

- **The authorities have made a request for a purchase under the Fund's policy on Emergency Assistance for Natural Disasters (ENDA) equivalent to 25 percent of quota** (SDR 4.7 million). Fund financing is expected to partly offset the balance of payments impact from both floods, estimated at US$46 million, at a time when Belize's official reserves are relatively low (2 months of imports).

- **The last Article IV consultation was concluded by the Executive Board on February 22, 2008**. At that time, Directors welcomed the improvement in Belize's near-term macroeconomic prospects, supported by oil discoveries, progress in structural reforms, and the debt restructuring agreement completed in February 2007. Directors noted, however, that continued consolidation of public sector finances was needed to address risks to Belize's growth and financial stability.

- **Belize has accepted the obligations of Article VIII, Sections 2, 3, and 4**. It maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. The Belize dollar has been pegged to the U.S. dollar since 1976.

- **Staff consultation with the authorities was conducted during the last staff visit (November 11–17, 2008) and in subsequent communications from headquarters**.

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I. BACKGROUND

1. **Belize suffered considerable destruction from floods resulting from tropical rain systems in May–June and October 2008**. The weather system culminating in Tropical Storm Arthur made a landfall on May 28 in Nicaragua. Through the first week of June, total rainfall in Belize reached nearly 30 inches, resulting in extensive flooding in the Corozal, Orange Walk, and Stann Creek Districts. Tropical Depression No. 16 (TD-16) made landfall in northern Honduras on October 16, 2008 inundating the highland region of Central America with rain for about five consecutive days. The situation was exacerbated a few days later by strong rainfall in Southern Mexico. Within days, the water masses moved from the Cayo highlands eastward into the Belize River Valley, and from the Mexican border Southward, to the lower-lying regions of central and Northern Belize, flooding over 100 communities in the Eastern Cayo, Belize, Orange Walk, and Corozal Districts. Flood waters began to recede only in November. The overall direct and economic losses are estimated at about US$66 million (4.8 percent of GDP), and the balance of payments impact at US$46 million.

2. **The government promptly provided emergency assistance to the population in the regions affected by the disaster**. The floods affected 50,000 people, or roughly one-sixth of Belize's population. The government of Belize, through the National Emergency Management Organization (NEMO), has distributed food, clean water, medical care, and other emergency relief supplies to about 16,500 people in the affected areas.

3. **The authorities have requested a purchase equivalent to 25 percent of quota (SDR 4.7 million) under the Fund's policy on Emergency Assistance for Natural Disasters (ENDA)**. In the attached letter, Prime Minister Barrow describes the harm caused by the floods to the Belizean people, physical infrastructure, and the economy, including the country's balance of payments. He also explains his government's macroeconomic policies for the period ahead. The Fund's emergency assistance will bolster Belize's external reserves which are being affected by increased imports and shortfalls in export earnings resulting from the floods (see below), at a time when deteriorating global conditions are expected to adversely affect the country's external accounts.

4. **The international community is also providing assistance**. The CDB has already approved two infrastructure support loans of US$9 million to rebuild bridges destroyed by Tropical Storm Arthur. Belize has also requested additional assistance from the CDB (US$10 million) and from the IDB (US$5 million) for infrastructure projects, largely in the flood areas affected by TD-16. The International Red Cross, PAHO, UNICEF, UNDP, and USAID provided emergency grants (US$0.5 million), food items, and medical and technical assistance.

II. Economic Performance Prior to the Floods

5. **In recent years, economic growth has been sustained largely by rising oil production, while inflation has remained under control**. Despite rising oil production, economic growth was low in 2007 (1.2 percent), in part because of the impact of Hurricane Dean. In 2008, growth is estimated to have remained low (2½ percent), reflecting the impact of floods on economic activity. Rising food and fuel prices pushed 12-month inflation to 9½ percent last summer, but it declined to 4½ percent by November.

6. **Boosted by external grants, the primary surplus of the central government is projected to increase from 3¾ percent of GDP in 2007/08 to 4¾ percent in FY2008/09**. With nominal stocks broadly unchanged, total public debt declined to about 80 percent of GDP by end-2008. However, the underlying fiscal position is weaker as recurrent expenditure has been growing rapidly, at a time of rising dependence on volatile revenue sources, such as petroleum and grants.

7. **The external current account deficit widened sharply to 13 percent of GDP in 2008, largely reflecting a surge in FDI-related imports**. These increases in private inflows and associated imports are not expected to be sustained, in particular in the context of the global slowdown. The gross international reserves of the Central Bank of Belize (CBB) reached US$166 million (2 months of imports) by end-2008. Some of this recent increase, however, reflects external disbursements deposited by the government with the CBB, which will be spent during 2009 as agreed with donors.

8. **The impact of the global slowdown on Belize appears to have been limited thus far**. The authorities are confident that the banking system is stable and adequately capitalized, and largely insulated from international market turmoil. The first amortization payment on the private debt restructured in early 2007 will fall due only in 2019. However, external reserves at the CBB remain low and the economy is expected to be adversely affected by the impact of the global slowdown on tourism, FDI, and remittances, as well as by the lasting effect of the recent floods. Belize's commodity exports (mainly crude oil, citrus, fisheries, banana, sugar) will be affected by lower international prices and tourist arrivals will decline reflecting income and wealth effects of the global slowdown impacting Belize's main partner countries.

9. **Progress in the structural reform agenda continues, but significant challenges persist**. In the area of tax administration, domestic revenue collection is being computerized and the ASYCUDA system, to be rolled in the coming months, is expected to strengthen the customs department and enhance audit procedures. A paper outlining next steps in reforming monetary management will be submitted shortly for the consideration by the government. A review of public expenditure and financial accountability supported by the European Union is being finalized, setting out a reform agenda. The authorities are aware of the pressing need

to strengthen the financial position of key public sector programs, in particular with regard to the Social Security Board and the pension plan for civil servants, in order to ensure the long-term viability of public finances.

III. Economic Impact of the Floods

10. **According to a preliminary assessment by NEMO, the damage to output and infrastructure from the two floods reached 4.8 percent of GDP**. The damage to agriculture, which ruined the crops of bananas, corn, papaya, and sugarcane, was substantial, with additional secondary impact on other sectors of the economy. Tourism was also adversely affected, as many tourist destinations, including those for cruise ship passenger day-tours, were flooded or could not be accessed by road, and had to be temporarily closed. Losses to infrastructure were also significant. Flood waters undermined roads and destroyed or weakened bridges. More than 1,700 buildings were inundated, destroying private household items and private and public housing infrastructure.

11. **The fiscal impact of the floods is expected to be mostly in the form of additional spending on emergency relief and reconstruction**. Revenue performance has been on target, underpinned by robust tax collections, in particular from the sales tax and petroleum extraction. The authorities have reallocated investment and additional spending to assist the affected population and rehabilitate vital infrastructure, estimated at US$30 million (2.2 percent of GDP). A significant share of additional spending on infrastructure rehabilitation will extend into FY 2009/10, and will be reflected in the next year's budget.

12. **The balance of payments impact of the two floods is estimated at US$46 million (3.3 percent of GDP)**. The external current account position will be affected by losses in exports of agricultural goods and tourism receipts, as well as increased imports of food and inputs for agriculture and infrastructure rehabilitation. Most of the export losses, conservatively estimated at the cost of destroyed unprocessed export crops, took place during 2008 and were mainly in the citrus and banana sectors. By contrast, losses in the sugar sector will be principally reflected in lower exports in 2009. On the import side, about two thirds of the impact will be from higher imports of reconstruction-related materials, and most of the remainder for agricultural inputs, which is expected to take place in 2009. Imports will also be affected by slower economic activity and lower international prices. The combined impact of the floods over the 2008–09 period is equivalent to nearly one third of end-2008 external foreign reserves.

Estimated Impact of 2008 Floods on External Current Accounts During 2008–09 1/
(In millions of U.S. dollars)

	2007	2008 Est. Before Floods	2008 Est. After Floods	2009 Proj. Before Floods	2009 Proj. After Floods
External current account balance	-51.1	-165.9	-179.2	-62.0	-94.8
Exports of goods and services	823.7	864.8	851.5	848.1	842.7
Imports of goods and services	-810.2	-977.4	-977.4	-866.5	-893.9

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

1/ These estimates are based on a preliminary assessment of losses by the authorities and do not include possible additional current flows, such as grants, insurance payments, etc.

IV. The Policy Response

13. **After focusing on emergency relief, the authorities are now concentrating their efforts on infrastructure rehabilitation and measures to restart economic activity in the affected areas**. Assessment of the repair needs to critical infrastructure is being conducted with the support of the CDB and the IDB, which are in the process of preparing their financial assistance. The government has allocated about US$6 million from its own resources for infrastructure rehabilitation during 2009. In the context of the budget preparation for FY 2009/10, the government has indicated that it will review its ongoing investment program to incorporate the additional flood relief spending in a manner consistent with medium-term debt sustainability.

14. **The authorities have reaffirmed their commitment to pursuing prudent fiscal policies**. As stated in the attached letter, the government is committed to a fiscal strategy aimed at reducing the debt ratio significantly over the medium term, maintaining price stability, and increasing Belize's external reserves. They recognize that Belize's public debt burden remains high, which limits the fiscal space for addressing the consequences of exogenous shocks. They are also aware of a growing dependence of the budget on volatile revenue sources such as petroleum and grants. Therefore, they intend to consider appropriate policy adjustments while broadly following the fiscal strategy outlined in the context of last year's Article IV consultation. The authorities have also indicated that they welcome the opportunity to discuss their fiscal strategy and needed policy adjustments in the context of the forthcoming 2009 Article IV consultation.

15. **The authorities remain committed to fiscal structural reforms to boost revenues and strengthen the viability of public finances**. Further improvements in tax administration, including more transparency and regular audits of oil taxation, are key priorities. The authorities recognize the need to develop a strategy for contingent public liabilities. The pension plan for civil servants will require additional annual budget contributions for the next decade and the Social Security Board needs to be reformed to regain a sound financial footing. Benefits coverage and participant contributions under both plans may need to be adjusted to restore financial viability. The roll-out of the National Health Insurance is being delayed pending agreement on how to achieve sustainable funding. The authorities also indicated that the Development Finance Corporation will resume its

lending operations in the coming months, with funding from the CDB, and that appropriate safeguards will be in place to ensure financial viability and avoid risks to the budget.

V. ACCESS AND CAPACITY TO REPAY

16. **The authorities have requested a purchase for an amount equivalent to SDR 4.7 million (25 percent of quota) under the Fund's policy of ENDA**. The purchase—which represents approximately 0.5 percent of Belize's 2008 GDP—would help meet the immediate foreign exchange needs stemming from the floods, thereby reducing a decline in Belize's external reserves, which remain low relative to imports and external debt service.

17. **It is expected that Belize will be able to discharge its obligations to the Fund in a timely manner**. Belize's public sector and external debt was on a declining trajectory before the tropical systems of 2008, largely reflecting improvements in the fiscal primary balance since 2005. Belize is also benefiting from a significant cash-flow relief obtained in the cooperative debt restructuring agreement concluded with external private creditors in 2007. This agreement resulted in a 21 percent NPV reduction in the external debt owed to private creditors.

18. **Belize's public debt is expected to remain on a declining path, but debt-related risks have increased in the deteriorating global environment**. Belize remains vulnerable to exogenous shocks, as its public debt burden is high and external debt service obligations are set to increase in two steps in 2010 and 2012, when the coupon rate on the private restructured debt reaches 8.5 percent, up from 4.5 percent currently. In addition, external reserves would remain low (Table 4) under unchanged policies (the authorities' commitment to increase them is reassuring in this regard). This will overlap with the period of repurchases under the ENDA falling due in 2012–14. However, in the staff's view the risks to the Fund are mitigated by the authorities' commitment to prudent fiscal and monetary policies and to maintaining macroeconomic stability.

VI. STAFF APPRAISAL

19. **Belize's economy has suffered significant losses from the tropical systems and the resulting floods during 2008**. Economic growth in 2008 was reduced by the floods that paralyzed economic activity in large parts of the country for weeks. In addition, Belize's imports will increase to provide inputs to agriculture and for repairs to damaged infrastructure. The medium-term outlook remains positive, but considerable efforts and resources are needed to rebuild productive capacity to the levels prior to the floods, particularly in the agricultural sector which is important for growth and exports. Belize is also facing higher investment needs to repair damaged public infrastructure, at a time of tight budgetary resources and limited international reserves.

20. **The staff believes that policies outlined in the letter of intent are adequate for sustaining fiscal consolidation and maintaining broad macroeconomic stability**. The authorities rightly seek to address the reconstruction effort through financial assistance from multilateral institutions on relatively favorable terms and the reallocation of public investment, cognizant of the large public debt. The staff welcomes the opportunity to review the authorities' fiscal strategy in the context of the forthcoming Article IV consultation discussions, and in particular to take into account a significant deterioration in the global environment. The authorities' fiscal strategy will need to target primary surpluses consistent with improving debt sustainability within a framework of sound macroeconomic policies and structural reforms aimed at achieving high and sustainable growth over the medium term.

21. **The staff supports the authorities' request for a purchase under the Fund's policy on emergency assistance for natural disasters**. In the staff's view, the authorities' request is justified on the basis of the considerable damage to the economy and associated balance of payment needs, in the context of low international reserves. Belize's large public debt and a relatively high vulnerability to exogenous shocks could pose some risks to the Fund's resources. Nonetheless, these risks, in staff view, are mitigated to a large degree by the soundness of policies outlined in the attached letter of intent, the expectation of continued support from the international community, and the authorities' commitment to work closely with the Fund in developing the medium-term fiscal strategy to improve debt sustainability. The staff welcomes the authorities' commitment to stay current in all debt-service payments to creditors and not to impose or intensify restrictions on the making of payments and transfers for current international transactions, introduce multiple currency practices, nor impose or intensify import restrictions for balance of payments purposes, or conclude bilateral payments' agreements that are inconsistent with Article VIII.

Table 1. Belize: Selected Economic Indicators, 2004–09

	2004	2005	2006	2007	Est. 2008	Proj. 2009
	(Annual percentage change, unless otherwise indicated)					
National income and prices						
GDP at constant prices	4.6	3.0	4.7	1.2	2.5	2.0
GDP deflator	2.2	2.4	4.0	4.0	5.0	2.5
Consumer prices (end of period)	3.1	4.2	2.9	4.1	4.4	2.5
Gross domestic investment 1/ 2/	18.9	21.6	17.7	16.9	26.9	21.3
Gross national savings 1/	4.2	8.0	15.6	12.9	13.8	14.7
External sector						
Exports of goods and services	3.0	15.3	26.0	4.3	3.4	-1.0
Imports of goods and services	-5.1	13.9	6.9	6.0	20.6	-8.5
Terms of trade (deterioration -)	-2.5	-5.9	-1.2	2.0	2.3	-3.3
Nominal effective exchange rate	-0.5	0.2	1.2	-0.7	2.1	...
Real effective exchange rate	-2.4	-1.3	0.9	-2.8	0.5	...
Money and credit						
Credit to the private sector	9.6	11.3	13.1	13.9	11.0	7.1
Money and quasi-money (M2)	7.5	5.9	17.3	22.5	11.0	3.9
Weighted average lending rates (in percent)	14.0	14.3	14.2	14.2	14.1	...
	(In percent of GDP)					
Central government 3/						
Revenue and grants	22.8	23.4	25.3	27.4	29.4	27.7
Of which: oil	0.0	0.0	0.5	2.2	1.8	2.0
grants	1.5	0.6	1.4	1.1	3.0	1.8
Current expenditure	22.6	24.7	22.9	23.3	23.4	22.9
Capital expenditure and net lending	6.5	4.1	4.4	5.1	5.7	5.9
Primary balance	0.8	2.1	3.8	3.9	4.5	2.3
Overall balance	-6.4	-5.4	-2.0	-1.1	0.3	-1.1
External sector						
External current account 4/	-14.7	-13.6	-2.1	-4.0	-13.0	-6.6
Public and publicly guaranteed debt	100.1	98.4	92.2	88.6	79.6	77.3
Domestic debt	9.0	7.3	8.3	9.0	7.8	7.5
External debt	91.1	90.9	83.9	79.5	71.9	69.8
Debt service 5/ 6/	21.5	20.1	10.5	9.9	7.9	6.3
In percent of exports of goods and services	43.6	36.6	16.2	15.3	12.7	10.8
In percent of government current revenue	106.0	90.7	44.7	39.1	30.2	24.7
	(In millions of U.S. dollars, unless otherwise specified)					
Overall balance of payments	-31	-12	50	23	61	-24
Exports of goods and services	544	627	790	824	852	843
Imports of goods and services	628	715	764	810	977	894
Gross usable official reserves	48	71	104	109	166	149
In percent of projected 12-month external public debt service	21	56	16	101	182	153
In months of imports	0.9	1.2	1.6	1.6	2.0	2.0
Nominal GDP	1,056	1,115	1,213	1,277	1,374	1,437

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

1/ In percent of GDP.

2/ Including inventory accumulation.

3/ Calendar year.

4/ Including official grants.

5/ Public and publicly guaranteed external debt.

6/ Excluding amortization and interest payments of the debt exchange operation in 2007.

Table 2a. Belize: Operations of the Central Government, 2007–10 1/

	Outturn 2007/08	Approved Budget 2008/09	Staff Proj. 2008/09	Staff Proj. 2009/10
Revenue and grants	**720**	**825**	**839**	**783**
Revenue	**695**	**738**	**739**	**748**
Current revenue	665	729	730	739
Tax revenue	592	637	642	659
Of which : petroleum operations	25	40	34	40
Of which : sales tax	175	180	182	190
Nontax revenue	73	92	88	80
Of which : petroleum operations	11	25	19	20
Capital revenue and debt service receipts	30	9	9	9
Grants	**25**	**87**	**100**	**35**
Expenditure	**736**	**825**	**821**	**858**
Current expenditure	599	650	658	685
Wages and salaries	234	263	260	273
Pensions	42	40	46	48
Goods and services	126	162	162	165
Interest payments, fees, and charges	113	109	115	120
Transfers	83	76	75	79
Capital expenditure and net lending	137	175	163	173
Capital expenditure	134	172	160	170
Domestically financed expenditure (Capital II)	72	79	85	70
Foreign financed expenditure (Capital III)	62	93	75	100
Net lending	3	3	3	3
Primary balance	**98**	**109**	**133**	**45**
Overall balance	**-16**	**0**	**18**	**-75**
Financing	16	0	-18	75
Domestic	23	0	-32	20
External	-29	-29	14	32
Disbursements	151	35	78	97
Memorandum items:				
Nominal GDP (in BZ$ millions)	2,602	2,686	2,779	2,908
Non-interest expenditure	622	716	706	738
Budgeted oil revenue	36	65	53	60
Oil revenue	36	65	53	60

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

1/ Fiscal year end-March.

Table 2b. Belize: Operations of the Central Government, 2007–10 1/

	Outturn 2007/08	Approved Budget 2008/09	Staff Proj. 2008/09	Staff Proj. 2009/10
Revenue and grants	**27.7**	**30.7**	**30.2**	**26.9**
Revenue	**26.7**	**27.5**	**26.5**	**25.7**
Non-oil revenue	**25.3**	**25.0**	**24.7**	**23.7**
Current revenue	25.5	27.1	26.2	25.4
Tax revenue	22.7	23.7	23.0	22.7
Of which : sales tax	6.7	6.7	6.5	6.5
Nontax revenue	2.8	3.4	3.2	2.8
Capital revenue and debt service receipts	1.2	0.3	0.3	0.3
Grants	**1.0**	**3.3**	**3.6**	**1.2**
Expenditure	**28.3**	**30.7**	**29.5**	**29.5**
Current expenditure	23.0	24.2	23.7	23.6
Wages and salaries	9.0	9.8	9.4	9.4
Pensions	1.6	1.5	1.7	1.7
Goods and services	4.8	6.0	5.8	5.7
Interest payments, fees, and charges	4.4	4.1	4.1	4.1
Transfers	3.2	2.8	2.7	2.7
Capital expenditure and net lending	5.3	6.5	5.9	5.9
Capital expenditure	5.1	6.4	5.8	5.8
Domestically financed expenditure (Capital II)	2.8	2.9	3.1	2.4
Foreign financed expenditure (Capital III)	2.4	3.5	2.7	3.4
Net lending	0.1	0.1	0.1	0.1
Primary balance	**3.8**	**4.1**	**4.8**	**1.6**
Non-oil, nongrant primary balance	**1.4**	**-1.6**	**-0.7**	**-1.7**
Overall balance	**-0.6**	**0**	**0.6**	**-2.6**
Financing	0.6	0.0	-0.6	2.6
Memorandum items:				
Nominal GDP (in BZ$ millions)	**2,602**	**2,686**	**2,779**	**2,908**
Non-interest expenditure	23.9	26.7	25.4	25.4
Budgeted oil revenue (in percent of GDP)	1.4	2.4	1.9	2.1
Oil revenue (in percent of GDP)	1.4	2.4	1.9	2.1

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

1/ Fiscal year end-March.

Table 3. Belize: Operations of the Banking System, 2006–11

	2006	2007	Est. 2008	Proj. 2009	2010	2011
	(In millions of Belize dollars)					
Central Bank of Belize (CBB)						
Net foreign assets 1/	206	215	330	297	296	305
Net international reserves	206	215	330	297	296	305
Medium-term foreign liabilities	0	0	0	0	0	0
Net domestic assets	115	121	29	77	92	98
Credit to the public sector (net)	144	148	53	100	115	122
Central government	179	184	85	134	150	157
Other nonfinancial public sector	-35	-37	-32	-33	-34	-35
Claims on commercial banks	0	0	0	0	0	0
Capital and other assets (net)	-29	-26	-23	-23	-24	-24
Base money	321	336	359	373	388	403
Currency issue	169	186	179	198	206	213
Reserves of commercial banks	152	150	180	175	182	189
Commercial banks						
Net foreign assets	65	136	70	75	96	117
Net claims on central bank	185	183	210	219	227	236
Net domestic assets	1,341	1,528	1,718	1,821	1,897	1,968
Credit to the public sector (net)	-48	-55	-42	-91	-109	-118
Central government	23	47	97	50	34	26
Other nonfinancial public sector	-71	-102	-139	-141	-143	-145
Credit to the private sector	1,528	1,740	1,932	2,069	2,163	2,244
Other assets (net)	-139	-157	-172	-157	-157	-157
Liabilities to the private sector	1,590	1,847	1,998	2,115	2,219	2,321
Monetary survey						
Net foreign assets	271	351	403	372	392	422
Net domestic assets	1,456	1,649	1,744	1,898	1,988	2,066
Public sector (net)	96	92	11	9	6	3
Central government	202	231	182	183	183	183
Other nonfinancial public sector	-106	-138	-171	-174	-177	-180
Credit to private sector (by comm. banks)	1,528	1,740	1,932	2,069	2,163	2,244
Other items (net)	-168	-184	-199	-181	-181	-181
Liabilities to the private sector	1,728	2,000	2,147	2,270	2,380	2,488
Money and quasi-money (M2)	1,338	1,539	1,729	1,797	1,867	1,939
Currency in circulation	137	153	149	155	161	167
Deposits	1,201	1,386	1,580	1,642	1,706	1,772
Foreign currency deposits	68	79	50	68	68	68
Capital and reserves of commercial banks	321	382	368	404	445	480
	(In millions of U.S. dollars)					
Net international reserves of the CBB	103	108	165	148	148	153
	(In percent change, unless otherwise indicated)					
Memorandum items:						
Comm. bank credit to the private sector	13.1	13.9	11.0	7.1	4.5	3.7
Private sector deposits in local currency	17.3	15.4	14.0	3.9	3.9	3.9
Base money	25.9	4.6	6.8	3.9	3.9	3.9
Money and quasi-money (M2)	17.3	22.5	11.0	3.9	3.9	3.9
Required cash reserve ratio (percent)	10.0	10.0	10.0	10.0	10.0	10.0
Velocity (M2)	1.81	1.66	1.59	1.60	1.61	1.63
Loan deposit ratio	120.4	118.8	118.5	121.0	121.9	121.9

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

1/ Includes Central Government's foreign assets.

Table 4. Belize: Balance of Payments, 2006–14

	2006	2007	2008	2009 Proj.	2010	2011	2012	2013	2014
	(In millions of U.S. dollars)								
Current account balance	**-25**	**-51**	**-179**	**-95**	**-77**	**-82**	**-82**	**-93**	**-102**
Trade balance	-185	-216	-349	-245	-269	-266	-296	-316	-334
Total exports, f.o.b.	427	426	460	445	496	512	511	528	545
Of which:									
Oil	39	64	101	70	76	74	68	63	58
Total imports, fob	-612	-642	-809	-690	-765	-777	-807	-844	-880
Of which:									
Fuel and lubricants	-99	-102	-127	-68	-84	-92	-97	-102	-107
Services	211	230	223	194	237	262	309	331	348
Income	-125	-158	-178	-139	-135	-170	-188	-203	-212
Of which:									
Public sector interest payments	-67	-59	-45	-46	-52	-62	-74	-84	-89
Current transfers	74	93	124	96	90	92	93	95	97
Private (net)	65	78	84	70	80	82	83	85	87
Official (net)	8	16	41	26	10	10	10	10	10
Capital and financial account balance	**83**	**102**	**256**	**71**	**77**	**87**	**88**	**104**	**112**
Capital transfers	9	4	8	6	1	1	1	1	1
Public sector	17	16	-14	6	15	25	25	40	47
Of which:									
Change in assets	0	0	0	0	0	0	0	0	0
Change in liabilities 1)	17	16	-12	6	15	25	25	40	47
Disbursements	84	77	40	51	61	65	62	76	87
Central government	84	77	38	49	60	64	62	76	87
Amortization	-66	-62	-52	-45	-45	-40	-37	-36	-39
Central government	-61	-62	-42	-33	-26	-29	-28	-31	-35
Private sector 2/	57	82	263	60	61	61	62	63	64
Errors and omissions	**-8**	**-28**	**-16**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**50**	**23**	**61**	**-24**	**0**	**4**	**6**	**11**	**10**
Financing									
Change in reserves (- increase)	**-50**	**-23**	**-61**	**24**	**0**	**-4**	**-6**	**-11**	**-10**
	(In percent of GDP, unless otherwise stated)								
Memorandum items:									
Gross international reserves (US$ millions)	104	109	166	142	142	146	153	164	174
Months of imports	1.3	1.6	2.0	2.0	1.9	1.9	1.9	1.9	1.9
Current account balance	-2.1	-4.0	-13.0	-6.6	-5.1	-5.2	-4.9	-5.3	-5.6
Merchandise trade balance	-15.2	-17.0	-25.4	-17.1	-17.8	-16.8	-17.9	-18.1	-18.3
Capital and financial account balance	6.9	8.0	18.6	4.9	5.1	5.5	5.3	6.0	6.1
Private sector	4.8	6.5	19.2	4.2	4.1	3.9	3.8	3.7	3.5
Public sector	2.1	1.5	-0.5	0.5	1.0	1.6	1.5	2.3	2.6
Overall balance	4.1	1.8	4.4	-1.7	0.0	0.3	0.4	0.7	0.6

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

1/ Disbursements and amortization are net of the debt exchange operation in 2007.

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

Table 5. Belize: Financial and External Vulnerability Indicators, 2004-08

(In percent of GDP, unless otherwise indicated)

	2004	2005	2006	2007	Est. 2008
Financial indicators					
Broad money (percent change)	7.5	5.9	17.3	22.5	11.0
Private sector credit	9.6	11.3	13.1	13.9	11.0
Adversely classified loans/total loans (in percent) 1/	6.0	8.7	6.2	6.8	8.7
Provision for loan losses/total loans (in percent) 1/	2.2	2.0	2.2	2.2	2.8
Total capital/risk-weighted assets (in percent) 1/	17.5	18.4	21.4	22.9	19.1
Tier 1 capital/risk-weighted assets (in percent) 1/	16.3	17.5	20.4	21.6	18.0
Net profit before taxes/average assets (in percent) 1/	4.9	4.3	4.1	3.9	3.6
Three-month treasury bill rate	3.3	3.3	3.3	3.3	3.3
Three-month treasury bill rate (real) 2/	0.2	-0.9	0.3	-0.8	-1.2
External indicators					
Exports of goods and services (percent change, U.S. dollars basis)	3.0	15.3	26.0	4.3	3.4
Imports of goods and services (percent change, U.S. dollars basis)	-5.1	13.9	6.9	6.0	20.6
Current account balance	-14.7	-13.6	-2.1	-4.0	-13.0
Capital and financial account balance	12.0	13.2	6.9	8.0	18.6
Gross official reserves (US$ million)	48.0	71.3	104.4	108.8	165.8
In percent of broad money	8.9	12.5	15.6	14.1	19.2
In months of imports of goods and services	0.9	1.2	1.6	1.6	2.0
In percent of external public debt service due in the following year	20.9	55.8	15.8	100.9	181.9
Public sector external debt	91.1	90.9	83.9	79.5	71.9
External public debt in percent of exports of goods and services	177.0	161.6	128.8	123.3	116.0
Public debt service in percent of exports of goods and services 3/	43.6	36.6	16.2	15.3	12.7
External interest payments to exports of goods and nonfactor services	11.5	11.3	8.5	7.8	6.3
External amortization payments to exports of goods and nonfactor services	30.3	24.5	7.7	72.6	6.3
Exchange rate (per U.S. dollar)	2.0	2.0	2.0	2.0	2.0
REER appreciation (average of period; - depreciation)	-2.4	-1.3	0.9	-2.8	0.5

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

1/ Data for 2008 is for the period ending in Sep.

2/ Treasury bill rate adjusted by end-of-period inflation.

3/ Excluding amortization and interest payments of the debt exchange operation in 2007.

Table 6. Belize: Medium-Term Outlook, 2006–14

	2006	2007	2008	Proj. 2009	2010	2011	2012	2013	2014
	(Annual percentage change)								
Real economy									
GDP at constant prices	4.7	1.2	2.5	2.0	2.3	2.3	2.4	2.5	2.5
GDP at current market prices	8.8	5.2	7.6	4.5	4.9	4.9	5.0	5.1	5.0
Prices (GDP deflator)	4.0	4.0	5.0	2.5	2.5	2.5	2.5	2.5	2.5
	(In percent of GDP, unless otherwise indicated)								
National accounts									
Consumption	80.2	82.1	82.3	82.3	82.1	82.1	82.0	82.0	82.0
Gross domestic investment	17.7	16.9	26.9	21.3	20.0	18.1	17.2	17.2	17.2
Net exports	2.1	1.1	-9.2	-3.6	-2.1	-0.2	0.7	0.9	0.8
Gross national savings	15.6	12.9	13.8	14.7	14.9	12.9	12.3	11.9	11.7
Central government 1/									
Revenue and grants	25.3	27.4	29.4	27.7	26.7	26.6	26.3	26.0	25.8
Of which : oil revenue	0.5	2.6	1.8	2.0	2.1	2.0	1.8	1.5	1.3
Total expenditure	27.3	28.5	29.1	28.9	28.9	28.8	28.3	28.6	28.6
Noninterest expenditure	21.5	23.5	24.9	25.4	25.2	24.7	23.7	23.7	23.6
Primary balance	3.8	3.9	4.5	2.3	1.5	1.9	2.6	2.4	2.2
Interest	5.8	5.0	4.2	3.5	3.7	4.1	4.6	5.0	5.0
Overall balance	-2.0	-1.1	0.3	-1.1	-2.3	-2.2	-2.0	-2.6	-2.8
External sector									
Current account balance	-2.1	-4.0	-13.0	-6.6	-5.1	-5.2	-4.9	-5.3	-5.6
Of which: exports of goods and services	65.1	64.5	62.0	58.7	62.0	62.3	61.8	61.5	61.5
Of which: petroleum exports	3.2	5.0	7.4	4.9	5.0	4.7	4.1	3.6	3.2
Of which: imports of goods and services	-63.0	-63.5	-71.1	-62.2	-64.1	-62.5	-61.1	-60.7	-60.8
Capital and financial account	6.9	8.0	18.6	4.9	5.1	5.5	5.3	6.0	6.1
Public sector disbursements 2/	6.9	6.1	2.9	3.5	4.0	4.1	3.7	4.4	4.7
Public sector amortization 2/	-5.5	-4.8	-3.8	-3.1	-3.0	-2.5	-2.2	-2.1	-2.1
Other capital and fin. account transactions 3/	5.4	6.8	19.5	4.6	4.1	3.9	3.8	3.7	3.5
Change in reserves (- increase)	-4.1	-1.8	-4.4	1.2	0.0	-0.3	-0.2	-0.4	-0.5
Gross official reserves (in months of imports)	1.6	1.6	2.0	2.0	1.9	1.9	1.9	1.9	1.9
Public and publicly guaranteed debt	92.2	88.6	79.6	77.3	76.0	74.7	73.1	72.2	71.6
Domestic	8.3	9.0	7.8	7.5	7.1	6.8	6.5	6.2	5.9
External	83.9	79.5	71.9	69.8	68.8	67.9	66.7	66.0	65.7

Source: Fund staff projections.

1/ Fiscal projections are on a calendar year basis.

2/ Disbursements and amortization exclude the gross flows of the debt exchange operation in 2007.

3/ Includes errors and omissions.

Table 7a. Belize: Public Sector Debt Sustainability Framework, 2003-2013

(In percent of GDP, unless otherwise indicated)

	Actual					Projections						
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Debt-stabilizing primary balance 9/
Baseline: Public sector debt 1/	102.3	99.5	98.7	92.1	88.5	**79.6**	**77.3**	**76.0**	**74.7**	**73.1**	**72.2**	**1.6**
Of which: foreign-currency denominated	96.7	91.2	90.8	83.8	79.5	71.9	69.8	68.8	67.9	66.7	66.0	
Change in public sector debt	13.3	-2.8	-0.8	-6.5	-3.6	-8.9	-2.3	-1.3	-1.3	-1.5	-1.0	
Identified debt-creating flows (4+7+12)	0.3	-10.7	-4.5	-6.4	-4.3	-6.6	-2.3	-1.3	-1.3	-1.5	-1.0	
Primary deficit	5.9	-0.8	-1.2	-3.8	-3.9	-4.5	-2.3	-1.5	-1.9	-2.6	-2.4	
Revenue and grants	21.4	22.8	23.4	25.3	27.4	29.4	27.7	26.7	26.6	26.3	26.0	
Primary (noninterest) expenditure	27.3	22.0	22.2	21.5	23.5	24.9	25.4	25.2	24.7	23.7	23.7	
Automatic debt dynamics 2/	-0.2	0.6	0.5	-2.2	-0.4	-2.1	0.0	0.2	0.6	1.1	1.4	
Contribution from interest rate/growth differential 3/	-0.2	0.6	0.5	-2.2	-0.4	-2.1	0.0	0.2	0.6	1.1	1.4	
Of which: contribution from real interest rate	7.5	5.0	4.1	2.9	0.6	0.0	1.5	1.9	2.2	2.8	3.2	
Of which: contribution from real GDP growth	-7.7	-4.4	-3.6	-5.1	-1.0	-2.1	-1.5	-1.7	-1.7	-1.7	-1.7	
Contribution from exchange rate depreciation 4/	0.0	0.0	0.0	0.0	0.0	...	...	...	...	...	...	
Other identified debt-creating flows	-5.4	-10.6	-3.8	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Privatization receipts (negative)	4.1	-1.9	-2.3	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other (specify, e.g., bank recapitalization)	-9.5	-8.6	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes (2-3) 5/	13.0	7.9	3.7	-0.2	0.7	-2.3	0.0	0.0	0.0	0.0	0.0	
Public sector debt-to-revenue ratio 1/	478.5	436.5	421.6	364.5	323.6	270.5	278.7	285.0	281.2	278.0	277.2	
Gross financing need 6/	15.7	18.2	19.4	7.0	5.1	2.7	3.4	4.0	4.1	3.7	4.4	
in billions of U.S. dollars	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1	
Scenario with key variables at their historical averages 7/						**79.6**	**80.2**	**80.8**	**81.4**	**82.0**	**82.5**	**-1.3**
Scenario with no policy change (constant primary balance) in -2013						**79.6**	**77.3**	**76.0**	**74.7**	**73.1**	**72.2**	**1.6**
Key Macroeconomic and Fiscal Assumptions Underlying Baseline												
Real GDP growth (in percent)	9.2	4.6	3.9	5.6	1.2	2.5	2.0	2.3	2.3	2.4	2.5	
Average nominal interest rate on public debt (in percent) 8/	5.5	7.5	7.0	6.4	5.7	5.1	4.5	5.1	5.7	6.5	7.1	
Average real interest rate (nominal rate minus change in GDP deflator, in percent)	8.6	5.4	4.5	3.3	0.8	0.1	2.0	2.6	3.2	4.0	4.6	
Nominal appreciation (increase in US dollar value of local currency, in percent)	0.0	0.0	0.0	0.0	0.0	...	...	...	...	...	...	
Inflation rate (GDP deflator, in percent)	-3.1	2.1	2.5	3.1	4.9	5.0	2.5	2.5	2.5	2.5	2.5	
Growth of real primary spending (deflated by GDP deflator, in percent)	7.7	-15.6	4.1	2.2	9.5	8.7	3.9	1.4	0.4	-1.7	2.3	
Primary deficit	5.9	-0.8	-1.2	-3.8	-3.9	-4.5	-2.3	-1.5	-1.9	-2.6	-2.4	
A2. No policy change (constant primary balance) in 2005-09						**79.6**	**77.3**	**76.0**	**74.7**	**73.1**	**72.2**	**1.6**
B. Bound Tests												
B1. Real interest rate is at historical average plus one standard deviation						**79.6**	**78.2**	**77.7**	**77.2**	**76.6**	**76.5**	**2.3**
B2. Real GDP growth is at historical average minus one standard deviation						**79.6**	**79.1**	**80.0**	**81.4**	**83.0**	**85.8**	**3.2**
B3. Primary balance is at historical average minus one standard deviation						**79.6**	**79.4**	**80.1**	**81.0**	**81.6**	**82.9**	**1.6**
B4. Combination of B1-B3 using 1/2 standard deviation shocks						**79.6**	**79.5**	**80.3**	**81.2**	**81.9**	**83.3**	**2.8**
B5. One time 30 percent real depreciation in 2006 10/						**79.6**	**111.9**	**110.7**	**109.6**	**108.6**	**108.4**	**2.1**
B6. 10 percent of GDP increase in other debt-creating flows in 2006						**79.6**	**87.3**	**86.0**	**84.8**	**83.4**	**82.6**	**1.6**

1/ Public sector debt includes central government, publicly guaranteed external debt, anectodal external public debt and other public sector external debt. External debt is on a gross basis, while domestic debt is on a net basis.

2/ Derived as $[(r - \pi(1+g) - g + \alpha\varepsilon(1+r)]/(1+g+\pi+g\pi))$ times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; α = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

3/ The real interest rate contribution is derived from the denominator in footnote 2/ as $r - \pi(1+g)$ and the real growth contribution as -g.

4/ The exchange rate contribution is derived from the numerator in footnote 2/ as $\alpha\varepsilon(1+r)$.

5/ For projections, this line includes exchange rate changes.

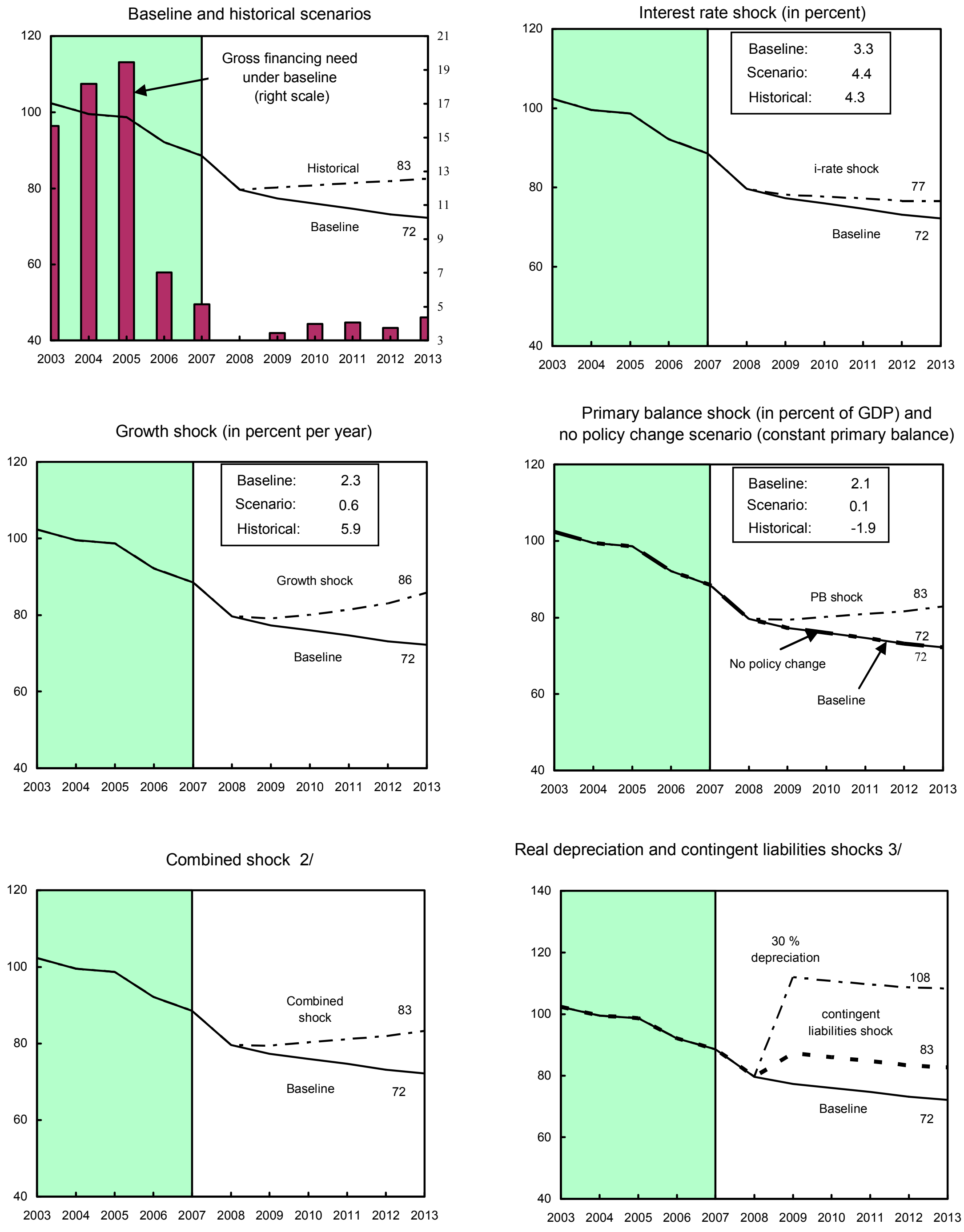
6/ Defined as public sector deficit, plus amortization of medium and long-term public sector debt, plus short-term debt at end of previous period.

7/ The key variables include real GDP growth; real interest rate; and primary balance in percent of GDP.

8/ Derived as nominal interest expenditure divided by previous period debt stock.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of 2013 to capture the increased interest rates starting from 2013 due to the step-up structure of the exchanged bond.

Figure 1a. Belize Public Debt Sustainability: Bound Tests 1/
(Public debt in percent of GDP)



Sources: International Monetary Fund, country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and primary balance.

3/ One-time real depreciation of 30 percent and 10 percent of GDP shock to contingent liabilities occur in 2008, with real depreciation defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).

Table 7b. Belize: External Debt Sustainability Framework, 2003-2013

(In percent of GDP, unless otherwise indicated)

	Actual					Projections						
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	**Debt-stabilizing non-interest current account 6/**
Baseline: External debt	96.7	91.2	90.8	83.8	79.5	**71.9**	**69.8**	**68.8**	**67.9**	**66.7**	**66.0**	**-2.4**
Change in external debt	10.8	-5.5	-0.4	-7.0	-4.3	-7.6	-2.0	-1.0	-1.0	-1.2	-0.6	
Identified external debt-creating flows (4+8+9)	9.7	-2.7	-0.8	-14.1	-9.8	-2.7	1.1	-0.5	-0.2	-0.4	0.1	
Current account deficit, excluding interest payments	12.4	8.5	7.6	-2.8	-0.3	9.5	3.7	1.9	1.7	0.8	0.8	
Deficit in balance of goods and services	16.9	8.1	8.7	-1.6	-1.1	9.2	3.6	2.1	0.2	-0.7	-0.9	
Exports	50.0	51.4	55.4	64.4	64.5	62.0	58.7	62.0	62.3	61.8	61.5	
Imports	67.0	59.5	64.1	62.8	63.5	71.1	62.2	64.1	62.5	61.1	60.7	
Net non-debt creating capital inflows (negative)	-3.7	-11.3	-10.3	-8.7	-9.6	-13.9	-4.2	-4.0	-3.9	-3.7	-3.6	
Automatic debt dynamics 1/	1.0	0.1	1.9	-2.5	0.2	1.7	1.5	1.6	2.0	2.5	2.9	
Contribution from nominal interest rate	5.8	6.3	6.8	4.9	4.3	3.6	2.9	3.2	3.6	4.1	4.5	
Contribution from real GDP growth	-7.4	-4.2	-3.3	-4.7	-1.0	-1.8	-1.4	-1.5	-1.5	-1.6	-1.6	
Contribution from price and exchange rate changes 2/	2.6	-2.0	-1.5	-2.7	-3.2	...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	1.1	-2.8	0.4	7.1	5.4	-4.9	-3.1	-0.5	-0.8	-0.8	-0.7	
External debt-to-exports ratio (in percent)	193.2	177.3	163.9	130.2	123.2	116.0	119.0	111.1	109.0	107.8	107.3	
Gross external financing need (in billions of US dollars) 4/	0.2	0.3	0.3	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	
in percent of GDP	23.3	27.1	28.5	8.1	8.0	17.0	9.7	8.1	7.7	7.1	7.4	
Scenario with key variables at their historical averages 5/						**71.9**	**72.5**	**75.6**	**78.5**	**81.2**	**83.9**	**-6.7**
Key Macroeconomic Assumptions Underlying Baseline												
Real GDP growth (in percent)	9.2	4.6	3.9	5.6	1.2	2.5	2.0	2.3	2.3	2.4	2.5	
GDP deflator in U.S. dollars (change in percent)	-2.9	2.1	1.7	3.1	3.9	5.0	2.5	2.5	2.5	2.5	2.5	
Nominal external interest rate (in percent)	7.2	7.0	7.8	5.8	5.4	4.8	4.2	4.8	5.4	6.3	7.1	
Growth of exports (U.S. dollar terms, in percent)	0.3	9.8	13.8	26.6	5.4	3.4	-1.0	10.8	5.4	4.2	4.5	
Growth of imports (U.S. dollar terms, in percent)	5.2	-5.1	13.9	6.6	6.3	20.6	-8.5	8.0	2.3	2.6	4.3	
Current account balance, excluding interest payments	-12.4	-8.5	-7.6	2.8	0.3	-9.5	-3.7	-1.9	-1.7	-0.8	-0.8	
Net nondebt creating capital inflows	3.7	11.3	10.3	8.7	9.6	13.9	4.2	4.0	3.9	3.7	3.6	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in U.S. dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and alpha = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

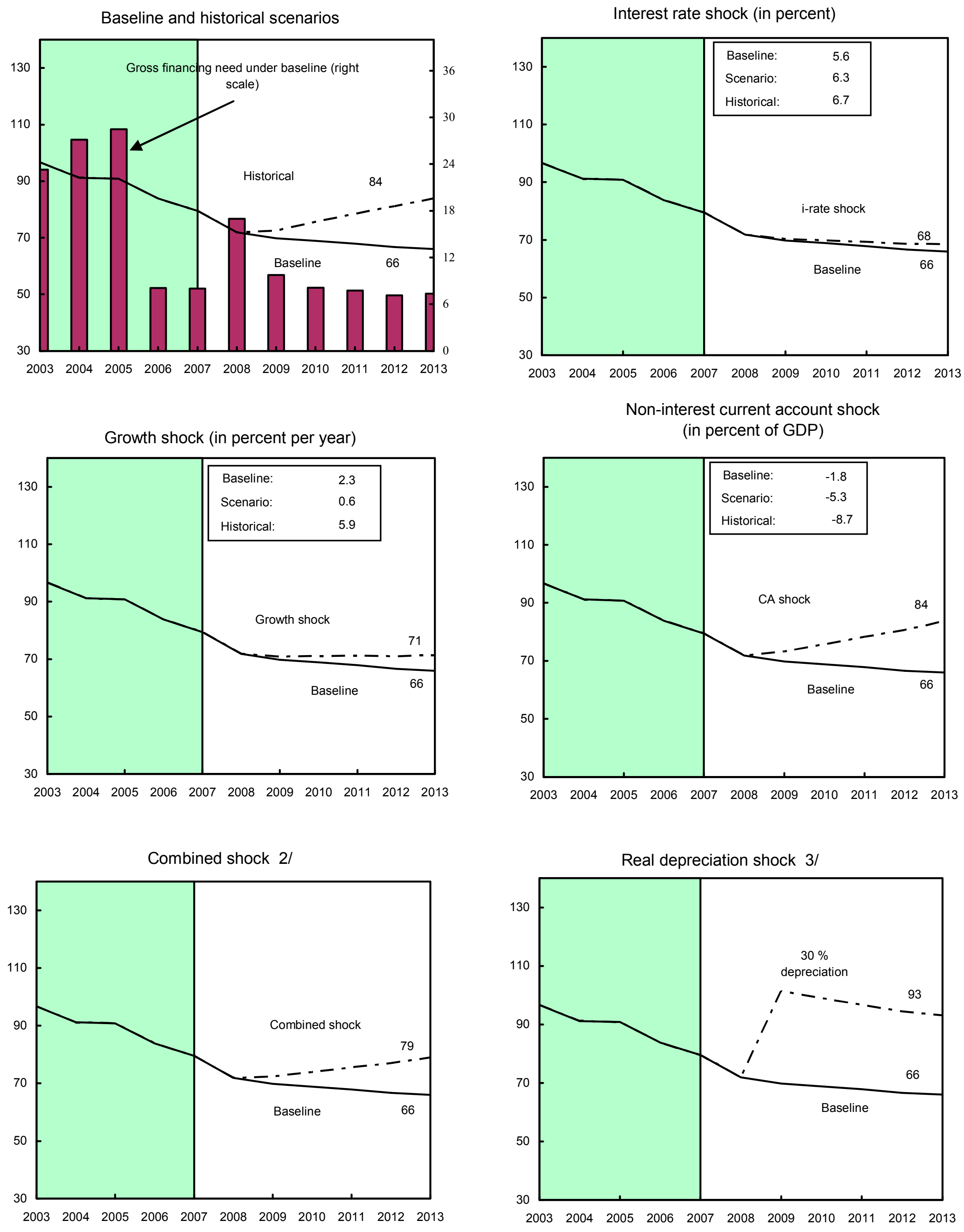
3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 1b. Belize: External Debt Sustainability: Bound Tests 1/
(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.

3/ One-time real depreciation of 30 percent occurs in 2008.

Table 8. Belize: Indicators of Capacity to Repay the Fund, 2006–14

(Under obligation schedule)

	2006	2007	2008	Proj. 2009	2010	2011	2012	2013	2014
Payments from existing drawings									
				(In millions of SDRs)					
Principal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges/interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments from existing and prospective drawings									
				(In millions of SDRs)					
Principal 1/	0.0	0.0	0.0	0.0	0.0	0.0	1.8	2.4	0.6
Charges/interest	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0
Total outstanding and prospective obligations									
In millions of SDRs 1/	0.0	0.0	0.0	0.1	0.1	0.1	1.9	2.4	0.6
In millions of USD 2/	0.0	0.0	0.0	0.2	0.2	0.2	2.8	3.6	0.9
In percent of exports of goods and services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In percent of debt service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In percent of quota	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.0
In percent of net international reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.0
Fund credit outstanding									
In millions of SDRs	0.0	0.0	0.0	4.7	4.7	4.7	2.9	0.6	0.0
In millions of USD 1/	0.0	0.0	0.0	7.1	7.1	7.1	4.4	0.9	0.0
In percent of exports of goods and services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In percent of debt service	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0
In percent of quota	0.0	0.0	0.0	0.4	0.4	0.4	0.2	0.0	0.0
In percent of net international reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Exports of goods and services (millions of U.S. dollars)	790.0	823.7	851.5	872.7	966.9	1,020.4	1,054.1	1,106.7	1,163.1
Debt service (millions of U.S. dollars)	140.4	681.2	107.9	91.2	97.7	101.5	110.3	119.8	128.0
Quota (millions of SDRs)	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8
Net international reserves (millions of U.S. dollars)	103.2	107.6	165.0	148.3	148.5	153.7	150.1	155.1	163.9
GDP (millions of U.S. dollars)	1,213.1	1,276.8	1,374.1	1,436.5	1,506.6	1,580.2	1,659.0	1,743.0	1,830.9

Sources: Belize authorities and Fund staff estimates and projections.

1/ Totals might not add up due to rounding.

2/ 1 USD = 0.664029 SDR (as of Jan 6th 2009).

APPENDIX I. Belize—Fund Relations

(As of January 16, 2009)

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

II. General Resources Account:	**SDR Million**	**%Quota**
Quota	18.80	100.00
Fund holdings of currency	14.56	77.46
Reserve Position	4.24	22.55
Holdings Exchange Rate		

III. SDR Department:	**SDR Million**	**%Allocation**
Holdings	1.84	N/A

IV. Outstanding Purchases and Loans: None

V. Latest Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-by	Dec 03, 1984	May 31, 1986	7.13	7.13

VI. Projected Payments to Fund: None

VII. Implementation of HIPC Initiative: Not Applicable

VIII. Implementation of MDRI Assistance: Not Applicable

B. Nonfinancial Relations

IX. Exchange Rate

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. Since the second quarter of 1995, the central bank has been resorting to the rationing of its sales of foreign exchange to commercial banks on an ad-hoc basis, except for some essential import items, which has given rise to restrictions on the making of payments and transfers for current international transactions.

ATTACHMENT I

January 23, 2009

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

Belize has been badly affected by two tropical weather events during the 2008 Hurricane Season. In late May, the southern part of Belize suffered significant damage following the passage of Tropical Storm Arthur. The second event occurred over the period mid-October to early November 2008 when the effects of Tropical Depression 16 (TD 16) caused severe flooding in western and northern Belize, and the Belize River Valley.

Overall, the entire country was affected by torrential rains following the passage of these two tropical storms, which resulted in unprecedented flooding causing loss to human lives and severe damage to the country's infrastructure including the transportation system and income earning sectors. The agricultural sector, in particular sugar cane, corn, papayas, vegetables, rice and bananas, took the brunt of the damage while commercial and residential buildings and other key physical infrastructure were also affected. In the tourism sector, the cottage industries along the Belize River Valley were partially or completely inundated by flood waters. Additionally, tourism earnings were impacted through cancellations and poor access to primary destinations and ancillary facilities. The overall damage is estimated at US$66 million, 4.8 percent of GDP, and the balance of payments impact at US$45 million, 3.3 percent of GDP.

Our preliminary estimates suggest that growth in the economy may slow to 1.5 percent in 2009 after 3 years of growth not only as a result of these two natural disasters, but also because of the global economic slowdown. The external current account deficit will remain large as earnings from agricultural exports and tourism revenues fall and rehabilitation and reconstruction imports rise.

The Government moved immediately after these two events to provide relief to those affected by the disasters and repair and reconstruct the damaged homes and dwellings while seeking financing to repair and rehabilitate damaged infrastructure particularly the road network. Donors, including the IDB and CDB, have indicated their willingness to help meet these priorities but the process will require a considerable amount of time and resources.

Accordingly, the Government of Belize requests a purchase equivalent to SDR 4.7 million (25 percent of quota) under the Fund's Policy on Emergency Assistance for Natural Disasters. The purchase will help meet the foreign exchange needs related to the disaster response, the rise in imports of food, and the replacement of damaged household items, thereby easing pressure on our external reserves and maintaining confidence in the external position.

The Government's overall strategy for dealing with the crisis is mindful of its commitment to implement prudent fiscal and monetary policies that would bring about a reduction of external public debt ratios over the medium term in order to regain market access. We remain committed to fiscal structural reforms to boost revenue and strengthen the viability of public finances. Our monetary policy will continue to aim at maintaining price stability and increasing Belize's international reserves. The first and immediate priority is to provide assistance to those who suffered abrupt losses in earnings and repair critical infrastructure (roads, bridges, drains and culverts). The emergency response has been largely expenditure-related facilitated in part by the reallocation of previously budgeted capital expenditure of US$1.5 million and by additional expenditure of US$4 million to repair and rebuild critical infrastructure, and to assist those who were displaced and/or severely affected by the floods.

The Caribbean Development Bank (CDB) and the Inter-American Development Bank (IDB) have both been approached for emergency reconstruction assistance. The CDB has approved already two loans in the sum of US $9.3 million for the reconstruction of two bridges destroyed by Tropical Storm Arthur and for clean-up and restoration to damaged infrastructure. Negotiations are well advanced to access quick-disbursing loans from the CDB (US $10 million) and the IDB (US $5 million) to repair the major highway network affected by TD 16. Over the medium-to-long term, we will restore normalcy to the roads and bridges affected by the floods, replace the housing stock, and assist farmers in the rehabilitation of their fields and replacement of livestock lost in the floods.

The government will continue to cooperate with the Fund in an effort to strengthen Belize's balance of payments' situation and maintain economic stability and expect to finalize our medium term and fiscal strategy during the upcoming Article IV Mission scheduled for the latter half of March 2009. The government will stay current in all debt-service payments to creditors and does not intend to impose or intensify restrictions on the making of payments and transfers for current international transactions, introduce multiple currency practices, impose or intensify import restrictions for balance of payments purposes, or conclude bilateral payments' agreements that are inconsistent with Article VIII.

Sincerely yours,

_______________/s/_______________

Dean Oliver Barrow
Prime Minister and Minister of Finance

Press Release No. 09/41
FOR IMMEDIATE RELEASE
February 18, 2009

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$6.9 Million in Emergency Assistance to Belize

The Executive Board of the International Monetary Fund (IMF) approved today SDR 4.7 million (about US$6.9 million) in financing under emergency assistance for natural disasters to support the nation's recovery from the economic after-affects of serious storm damage and flooding in 2008.

Belize sustained considerable damage from flooding, which is estimated to have caused overall direct and economic losses of about US$66 million, or 4.8 percent of Belize's gross domestic product. The balance of payments impact is estimated at about US$46 million.

IMF financial support to Belize is part of a range of efforts by the international community to assist the country in its recovery, including infrastructure loans from the Caribbean Development Bank and the Inter-American Development Bank, plus humanitarian aid and technical assistance from UN agencies and international aid groups.

At the conclusion of the Executive Board's discussion of Belize, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, issued the following statement:

"The IMF extends its deepest sympathy to the people of Belize for the loss of life and extensive damage caused by the tropical storms and the resulting flooding during 2008, which has resulted in great hardship for many Belizeans. The adverse balance of payments impact of these natural disasters is compounded by falling external demand due to a global downturn.

"Support from the international community, including emergency assistance from the IMF, will be vital to finance needed imports, while preventing international reserves from falling significantly below the present levels. In recent years, Belize has reduced fiscal imbalances, inflation has remained under control, and macroeconomic stability has been preserved. The authorities are committed to prudent fiscal and monetary policies consistent with halving public debt ratios over the medium term. The authorities' medium-term strategy and structural reforms to strengthen public sector programs and improve liquidity management will be discussed in the context of the next Article IV consultation in spring 2009.

"The authorities' continued implementation of prudent policies, combined with support from the international community, should help Belize recover from the setbacks caused by the floods and restore the economy's growth potential," Mr. Portugal said.

Belize has been a member of the IMF since March 1982, and its quota is SDR 18.80 million (about US$27.7 million).

Statement by Michael Horgan, Executive Director for Belize and Shawn Ladd, Advisor to Executive Director February 18, 2009

At the outset, my Belizean authorities express their appreciation to Management and the staff for invaluable advice and assistance in dealing with the challenges arising from the recent floods and of improving macroeconomic management. The authorities have explained the situation and their undertakings clearly in the Letter of Intent. They agree with the broad thrust of the staff appraisal and find the policy recommendations consistent with their medium-term reform plans.

Economic Impact of the Floods

In recent years, the medium-term macroeconomic outlook for Belize had been improving, with the discovery of oil, a successful debt restructuring, and a stronger medium-term fiscal strategy. Nevertheless, debt remains high and foreign exchange reserves low for a small vulnerable country. Belize has not been directly impacted by the global financial market turmoil (the banking system is stable and well-capitalized) but is expected to encounter lower export demand, tourist arrivals, and remittances in the global downturn. The authorities anticipate only 1.5 percent real output growth in 2009, making them slightly more conservative than the staff, which projects 2.0 percent.

Prime Minister Barrow's letter describes the damage done to Belize by the floods of 2008, in terms of loss of life, damage to physical infrastructure, agricultural output and the balance of payments. Overall damage is estimated at $66 million, or 4.8 percent of GDP. The staff vividly illustrates the estimated impact on external current account in para. 12 of the staff report: $13.3 million in 2008 and 32.8 million in 2009, or 3.3 percent of GDP over two years.

The Policy Response

The authorities remain focused on improving Belize's medium-term fiscal outlook, while dealing with the impact of the flooding with their own resources and with the assistance of multilateral institutions including the Fund. The staff's baseline public-sector and external debt sustainability projections show steadily declining debt ratios. The authorities are now even more pleased with the results of the debt restructuring of 2007; without it, the debt sustainability framework would not be as satisfactory, and there would be even less latitude and fewer resources to contend with the impact of the floods.

The authorities have reallocated planned capital spending to begin to repair and rebuild critical infrastructure affected by the floods. They are grateful for the early response from the Caribbean Development Bank to date, and hope to attract more funding from both the Caribbean Development Bank ($10 million) and Inter-American Development Bank

($5 million) toward the reconstruction of the major highway network.

The Request

The emergency assistance that the Fund could provide would make an important contribution to Belize's efforts at this juncture, bolstering international reserves to deal with a significant, but transitory, pressure on the balance of payments. Under the circumstances, the authorities would greatly appreciate a favorable response by the Board to their request for emergency assistance in the amount of 25 percent of their quota.

With this, our Belizean authorities thank Executive Directors for their views and look forward to the 2009 Article IV consultations next month.