

Towards Achieving Sustained Economic Growth in Small Developing States: A Primer on Belize

Ziad Amer, Jiajia Gu, Metodij Hadzi-Vaskov, Bunyada Laoprapassorn, Shane Lowe

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Towards Achieving Sustained Economic Growth in Small Developing States: A Primer on Belize
Prepared by Ziad Amer, Jiajia Gu, Metodij Hadzi-Vaskov, Bunyada Laoprapassorn, Shane Lowe*Authorized for distribution by Dora Iakova
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ABSTRACT: The small developing states (SDS) have unique economic characteristics and face specific constraints that shape their economic performance. We study a set of key challenges facing SDS using the case of Belize. The empirical analysis centers on (i) improving access to finance; (ii) exploring drivers of labor force participation with a view to increasing the labor force contribution to growth; and (iii) assessing the tourism sector's capacity constraints, and arrives at the following findings. First, it shows that both demand and supply factors contribute to constraining private sector credit, primarily via the level of lending rates, complex collateral processes, legacy of high NPLs, and extent of regulatory capital above the regulatory minimum. Second, it delves into the relevance of tourism's share in the services sector, youth's educational attainment, disparity in labor market outcomes, and availability of childcare for explaining heterogeneity of labor force participation gaps between men and women. Third, it zooms into the critical role of hotel capacity, flight availability, and cost competitiveness in shaping the tourism sector's prospects.

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WORKING PAPERS

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Contents

Introduction	3
Improving Access to Finance	4
Access to Finance in Small Developing States	4
The Case of Belize	6
The Belizean Financial System	6
Understanding the Obstacles to Demand for and Supply of Credit in Belize	8
Addressing Challenges in Labor Force Participation	14
Labor Force Participation in Small Developing States	14
The Case of Belize	14
Drivers of Labor Force Participation	15
Context	15
Empirical Analysis	16
Assessing Tourism Sector's Capacity Constraints	21
Tourism Relevance for Small Developing States	21
Belize's Tourism Sector	21
Concluding Remarks	28
References	29
 FIGURES	
1. Cumulative Impulse Responses to 1 pp Cuts in Interest Rate on Savings	11
2. Cumulative Responses of Various Lending Rates to 1 pp Cuts in Interest Rate	12
3. Sectoral Employment Allocation	15
4. Employment in the Services Sector: Overview and Tourism's Role	18
5. Recent Developments in the Caribbean Tourism Sector	22
6. Carrying Capacity and Access to Electricity	23
7. Assessment of Hotel Capacity Utilization in Belize	25
8. Tourist Arrivals to Flights Capacity	26
9. Caribbean Travel Cost Competitiveness	27
 TABLES	
1. Regression Estimates of Equations 2a and 2b	13
2. Gender Gap in LFP and Sectoral Employment Share	17
3. Gender Gap in LFP Rates and Education	19
4. Gender Wage Disparities	20

Introduction

The small developing states (SDS) have unique economic characteristics and face specific constraints, which shape policy discussions, prioritization, as well as engagement with international organizations. Smallness, as a fundamental characteristic of all SDS, is the root cause preventing them from benefitting from economies of scale, while giving rise to various capacity constraints and amplifying their vulnerability to shocks commonly affecting the entire economy (IMF, 2024). In turn, considering the limited opportunities for private sector growth and development, employment prospects generally tend to be weak while the informal economy accounts for a relatively larger portion of total employment. In this context, one of the key thematic areas of the IMF's tailored engagement with SDS centers on "promoting sustained, inclusive and resilient growth and job creation".¹

As a tourism-dependent SDS, Belize is facing many of these common challenges stemming from the economy's smallness. In the Belizean case, promoting sustained growth and job creation encompasses several key areas that require careful diagnostics and assessment to set the stage for better informed analyses and actions. This paper focuses on three such key SDS challenges that are particularly relevant for the case of Belize: (i) improving access to finance; (ii) exploring drivers of labor force participation with a view to increasing the labor force contribution to growth; and (iii) assessing the tourism sector's capacity constraints.

Many of these SDS challenges stem from the high fixed costs due to diseconomies of scale that small states experience (IMF, 2013a). For instance, IMF (2013a) highlights that relatively higher fixed costs in private sector activities in small economies imply cost disadvantages and a more concentrated market structure with lower levels of competition. In the context of the financial sector, this is reflected in concentrated banking systems with elevated credit risk, high operational costs and subdued efficiency metrics, resulting in relatively weaker financial inclusion and limited supply of credit, thereby constraining growth opportunities in SDS. Beyond market concentration, the small size and relatively high fixed costs also imply limited opportunities to use specialized knowledge and expertise, which, in turn, seems to be contributing toward higher rates of outward migration, especially among the more highly educated (IMF, 2013a). With working-age people seeking jobs elsewhere, the labor force participation rates in SDS tend to go down, impeding potential growth prospects for these economies (IMF, 2024).

Given their lack of economies of scale, SDS typically rely on a narrow economic base that hinders their growth potential while amplifying macroeconomic volatility (IMF, 2024). In fact, IMF (2024) reports that about two thirds or 21 out of 34 SDS in the world rely on a single sector as driver of growth, with tourism being critical for many of them, including Belize. Hence, growth prospects of these small economies are intrinsically linked to the capacity and growth potential of the tourism sector, which is generally facing competitiveness issues due to high access costs, connectivity limitations, and infrastructure constraints (Craigwell, 2007).

Beyond the relevance of each of these three SDS challenges individually, there are various interactions among them giving rise to potential important synergies towards ensuring sustained growth. For instance, access to finance facilitates implementation of private initiative and materialization of entrepreneurial ideas, which foster—among others—the expansion of the tourism capacity. In turn, the tourism sector is a key job generator in many SDS, often holding primacy in achieving visible improvements in terms of increasing labor force

¹ The other four thematic areas include (i) Confronting Risks and Building Resilience; (ii) Strengthening Fiscal Frameworks and Debt Sustainability; (iii) Enhancing Monetary and Exchange Rate Policy Frameworks; and (iv) Deepening the Financial Sector While Ensuring Strong Oversight. See IMF (2024).

participation, and conversely, inadequate labor force can become a barrier to growth in the tourism sector. Furthermore, vibrant (tourism-fostered) private sector and dynamic labor markets create new opportunities for expansion of private finance and facilitating access to credit.²

In Belize, access to credit remains a challenge as in the rest of the Caribbean, with the problem appearing more acute than in other small states. Specifically, credit to the private sector (as a share of GDP) in Belize is on par with the other small states in the Caribbean, but even lower than the average for small states in other parts of the world (Section II). Tourism receipts in Belize represent almost one half of the country's exports of goods and services, in line with the average for SDS and markedly higher than the single-digit shares for other country groups (See Section IV). As discussed in the subsequent section on addressing challenges in labor force participation, SDS typically exhibit lower labor force participation relative to non-SDS countries, which represents a significant obstacle to boosting potential growth. Belize follows this pattern, with its labor force participation rate below non-SDS average and a clear need for improvement.

The rest of this paper is organized as follows. Section II sheds light on the evolution of credit to the private sector in Belize, including from the regional and small states perspective, and then zooms into key obstacles to credit demand as well as credit supply. Section III looks at the challenges related to the labor market, with a particular focus on female labor force participation in Belize—a factor that has large potential to contribute to economic growth going forward. In turn, Section IV looks at the capacity of the tourism sector—key driver of growth and employment in Belize. Finally, Section V provides some concluding remarks on the broader relevance of the Belize-centered analysis for other small developing states.

Improving Access to Finance

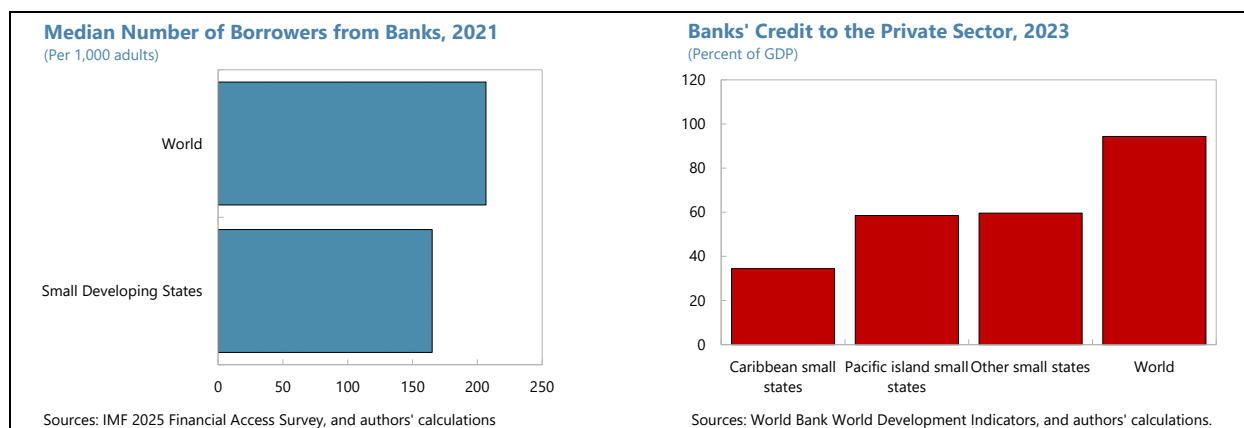
Access to Finance in Small Developing States

Access to finance, and financial inclusion more generally, is important to support households' and firms' investment needs, create jobs, and smooth consumption in the face of external shocks (Wong, 2017). However, while it remains a challenge for households and firms globally, it is particularly acute in the case of small developing states. Compared to the global average, there are fewer borrowers per 1,000 adults in SDS while banking systems in small states supply less credit as a share of GDP than in other countries.³ International Monetary Fund (2013a) highlighted many of the challenges facing SDS' financial systems. Most notably, partly due to their small size, SDS are characterized by concentrated banking systems with oftentimes elevated levels of credit risk, high operational costs and weak banking sector efficiency, all of which tend to manifest themselves in an expensive and limited supply of credit in these countries. This is consistent with the work by Ghossoub and Reed (2015), which—although focused on European banking systems—found that more concentrated banking systems tended to be characterized by excess liquidity, in large part due to lower degrees of credit activity. Wong (2017) investigated the issue of access to finance for the Caribbean specifically and noted that among the primary determinants of access to finance for households—eligibility, affordability and physical access—most Caribbean countries perform poorly relative to their Latin American or advanced economy peers. In particular, large collateral needs relative to the size of loans, onerous financial sector

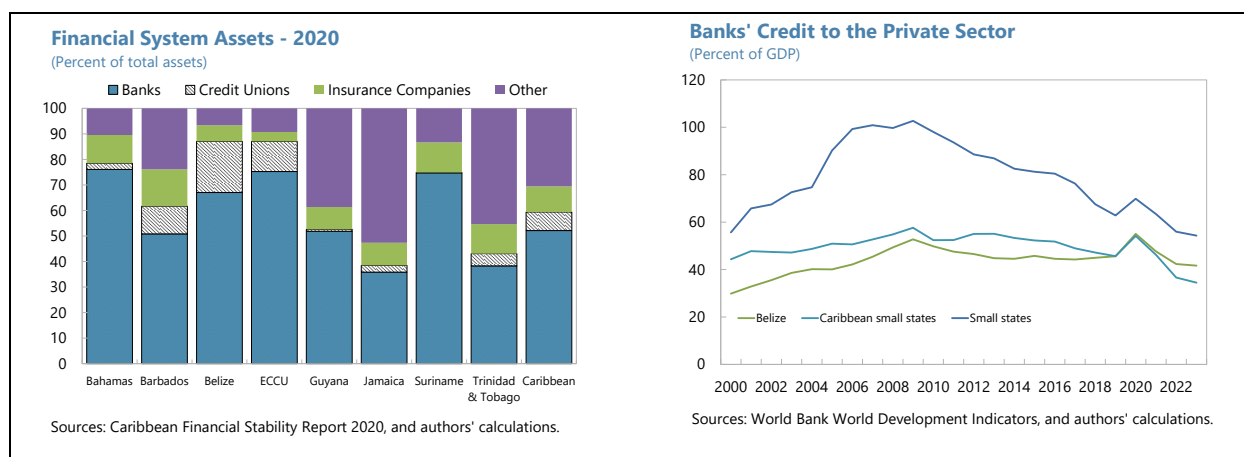
² While the analysis focuses on three important and interrelated areas for promoting sustained growth in SDS, it does not aim to be all-encompassing by any means given the complexity and multi-faceted nature of these phenomena. There are many other factors that play an important role in contributing to economic growth as well as economic development, including fiscal management and public finances, FDI dynamics and ownership structures, composition and complexity of the countries' export baskets, quality of the education system and labor force skills, among others.

³ See IMF (2025) Financial Access Survey and World Bank World Development Indicators.

requirements, high intermediation costs, and—in some cases—limited physical access to bank branches and ATMs limit access to financial services (Wong, 2017). Removing at least some of these constraints could lead to substantial GDP gains and reduce inequality across most countries in the region (Wong, 2017).



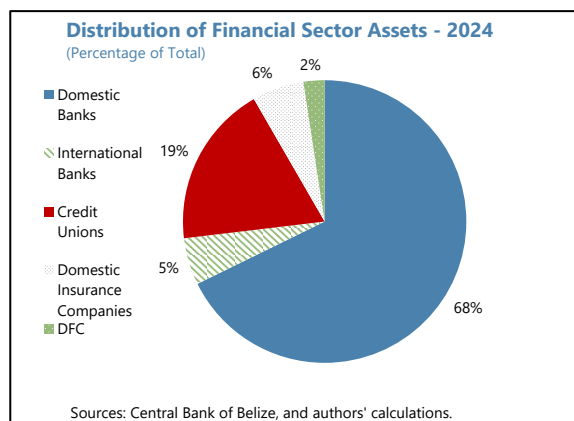
Moreover, access to credit in many SDS appears to have declined after the global financial crisis. After peaking in 2009 and extracting the effects of the Covid-19 pandemic, private sector credit from banks in small states has trended downward as a share of GDP. Commercial banks have traditionally dominated financial sectors across small developing states, contributing primarily to changes in overall private sector credit. A good example is that of the Caribbean region, where banks account for close to half of financial system assets. Among the most bank-centric countries—including The Bahamas and several of those of the Eastern Caribbean Currency Union (ECCU)—elevated nonperforming loans, weak profitability, and in some cases, the requirement for banking resolutions or bank recapitalizations coincided with declining credit as a share of GDP.



The Case of Belize

The Belizean Financial System

Belize is no different. Like many of its small Caribbean peers, domestic banks dominate Belize's financial system. Domestic banks hold about two-thirds of the financial system's assets, totaling 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.⁴ Domestic insurance companies and the Development Finance Corporation account for 6 percent and 2 percent of financial system assets, respectively.



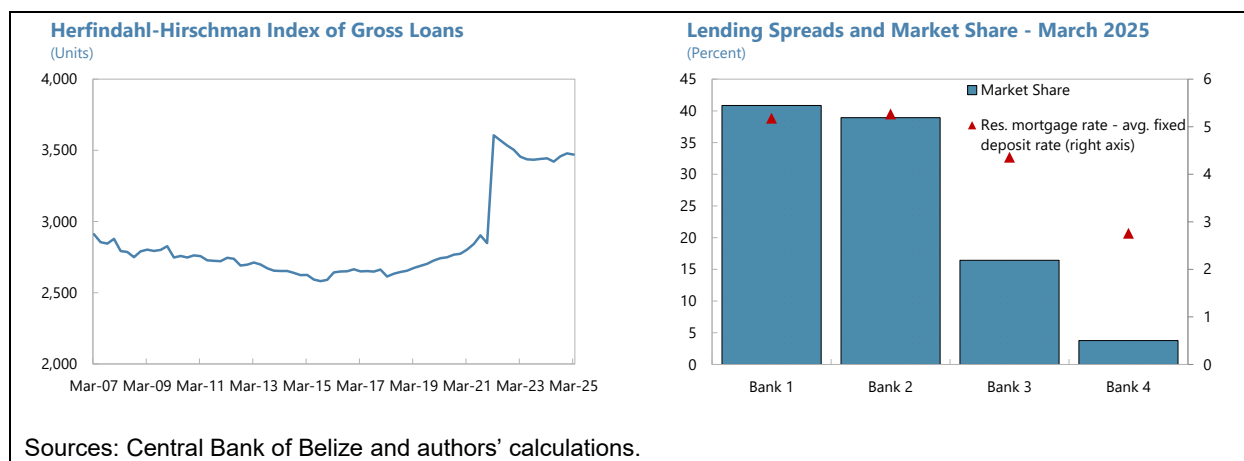
In the decade prior to the global financial crisis, private sector credit in Belize expanded rapidly, led by a sharp increase in lending to the building and construction, household, real estate, and distribution sectors.⁵ In the 15 years since, domestic bank lending has slowed considerably, constrained by sharp declines in lending to the mining and exploration, marine, and distribution sectors, and coinciding with weaker economic growth, successive debt restructurings and ongoing efforts at fiscal consolidation. 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.⁶

The Belizean domestic banking system has also 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. In fact, the difference between the average rate charged on residential mortgages and the rate paid on fixed deposits is widest for the largest institutions.

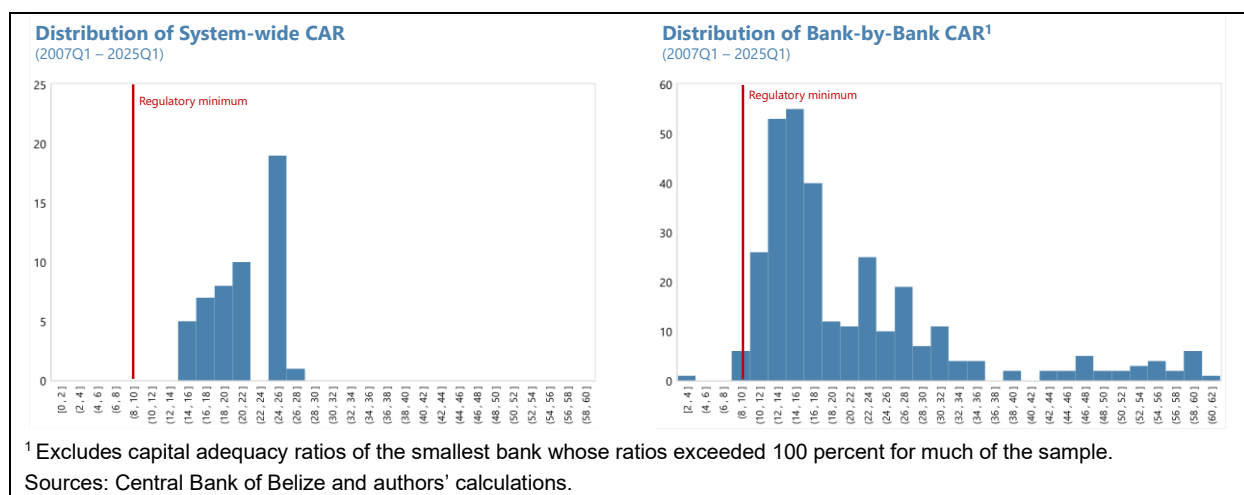
⁴ International banks in this context refer to banks licensed under the International Banking Act of Belize. These banks are permitted to transact international banking business through their business offices in Belize. The [International Banking Act, 2020](#) defines international banking business as "...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.

⁵ This sharp increase in private sector credit (notwithstanding elevated lending rates) also coincided with expansionary, growth-enhancing fiscal policies and reconstruction after major hurricanes (Keith and Iris) which widened both current account and fiscal deficits and fueled additional external borrowing (International Monetary Fund, 2024d).

⁶ While loans to the government are a small share of domestic banks' assets, banks' holdings of the central government's Treasury Bills and Treasury Notes accounted for 8 percent of their total assets at end-2024.



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.



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.⁷

Understanding the Obstacles to Demand for and Supply of Credit in Belize

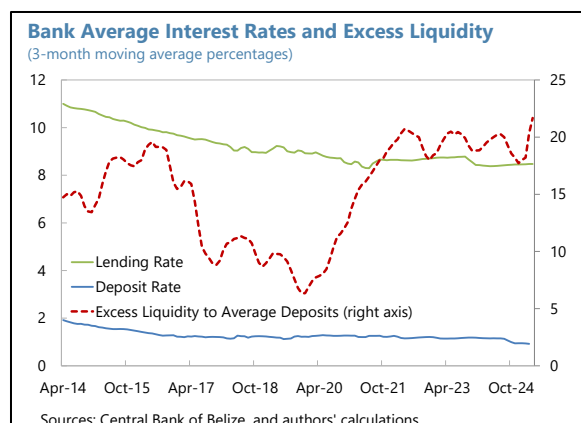
Potential Challenges

Financial inclusion has increased in Belize, 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).

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, 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 (International Monetary Fund, 2025).⁸

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 Interamerican Development Bank (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 (Interamerican Development Bank, 2024).⁹ Improving the demand for credit, particularly among smaller firms, could therefore benefit from recent efforts to establish a collateral registry (International Monetary Fund, 2025), automating the application process for credit, and reducing lending rates across lending institutions.

At the same time, high NPLs and loan losses constrained the supply of credit immediately after the global financial crisis (International Monetary Fund, 2013b). 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



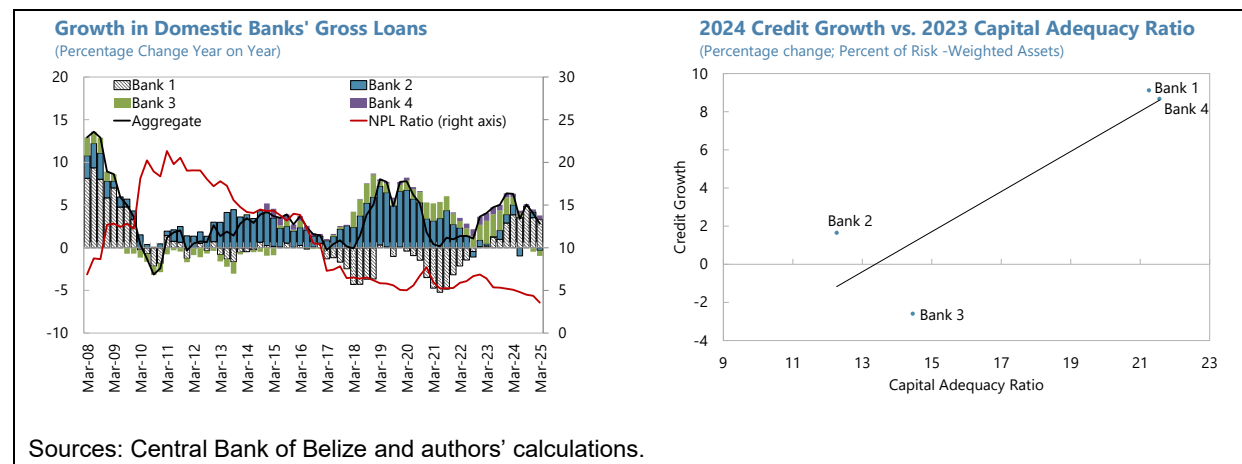
⁷ It is important to note that, while savings deposits account for about a fifth of total local currency deposits, interest rates on time deposits (which account for another 15-20 percent of local currency deposits) have averaged around 2 percent over the past 3 years. Demand deposits, which account for the lion-share of banks' deposits, attract interest rates close to zero.

⁸ See [IMF Country Report No. 25/262](#).

⁹ See IDB (2024): <https://publications.iadb.org/en/access-finance-msmes-belize-challenges-and-opportunities>

lending decelerated sharply during this period, led primarily by a substantial slowdown in the largest bank's previously strong credit growth.

Insufficient regulatory capital above the regulatory requirement among some banks can also limit growth in private sector credit. In recent years, the supply of private sector credit appears to have been constrained by weak credit growth in the least capitalized banks.



Methodology and Data

International Monetary Fund (2014) noted that previous reductions in the floor on the interest rate charged on savings deposits have helped to reduce lending rates, albeit with some widening of spreads.¹⁰ As such, we attempt to test this finding to understand whether reductions in the rate charged on savings deposits could reduce high lending rates, which have been cited as an impediment to the demand for credit.

The analysis uses quarterly data for Q1 2000 to Q4 2024 to estimate cumulative impulse response functions popularized by Jordà (2005) 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 . All data are sourced from the Central Bank of Belize.

Relatedly, we also assess the extent to which the relationship between credit growth (driven by the supply of credit) and economic activity is dependent on banks' pre-existing stock of capital. Linear and nonlinear panel regressions are estimated to assess the impact of expansions in real GDP on domestic banks' loan portfolios:

¹⁰ See IMF (2014): <https://www.imf.org/external/pubs/ft/scr/2014/cr14281.pdf>

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

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

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.¹¹ Finally, x is the threshold variable (the lagged value of the unfiltered capital adequacy ratio) and $\emptyset$ captures its value.¹²

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.

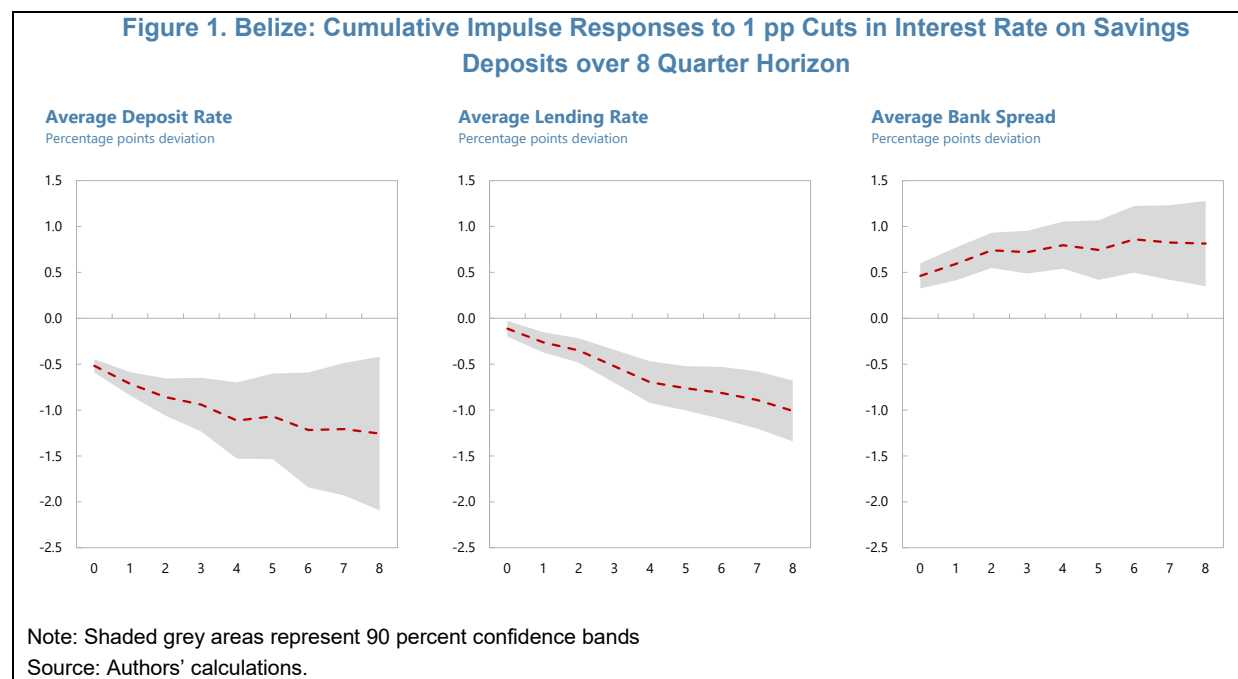
Results

Impulse response functions generated from local projections (equation 1) confirm International Monetary Fund (2014)'s findings and suggest that a further reduction or elimination of floor on the interest rate charged on savings deposits would reduce the weighted average lending rate further. 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 deposit than on the lending side,

¹¹ 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.

¹² 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} .

thereby altering the income shares between savers and borrowers.¹³ 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.¹⁴

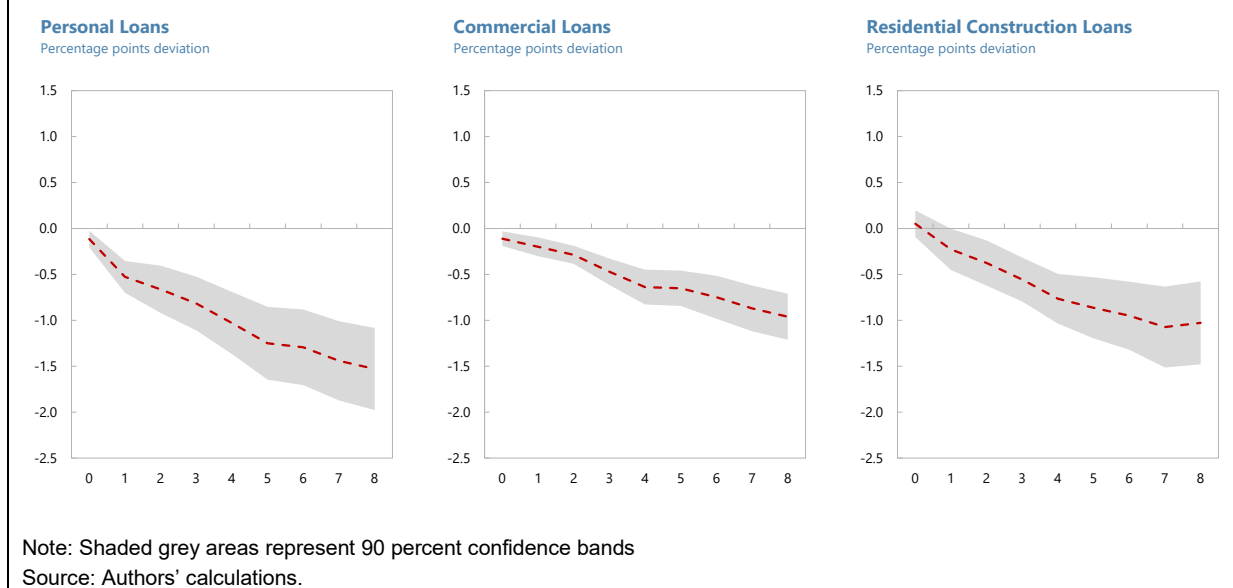


Banks with greater exposure to personal loans will likely experience a sharper reduction in average lending rates, in response to cuts to deposit rates. Results from re-estimating equation 1 with interest rates on personal, commercial, and residential construction loans as the dependent variables suggest 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.

¹³ While the cut in interest rate on savings deposits would just be applied to about 20 percent of banks' local currency deposits, rates on time deposits, which are highly correlated with those of savings deposits would likely fall in response to lower savings rates. This would reduce interest earned on households' savings but this can be offset by the introduction of a savings bond small investors to offer an alternative instrument in which to channel household savings (International Monetary Fund, 2025).

¹⁴ The impact on banking sector profits from wider average lending spreads will depend on the relative changes in the stock of loans and deposits following the cuts in both deposit and lending rates.

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



The regression results from estimating equations 2a and 2b 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.

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.

Overall, the results provide some evidence that private sector credit growth is constrained by supply factors, while reductions in banks' deposit rates could improve the affordability of—and by extension demand for—credit.¹⁵ Reducing the interest rate on savings deposits could reduce lending rates further, albeit at the expense of an increase in banks' net interest margins in the near- to medium-term. 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.

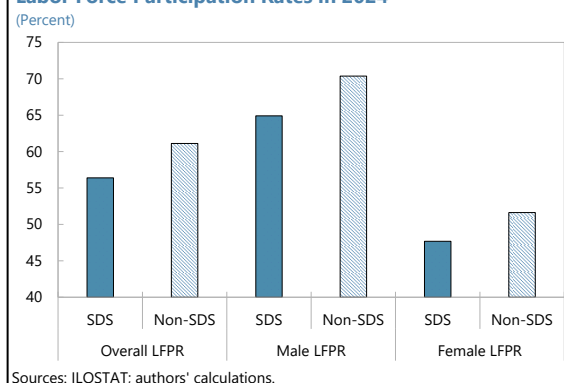
¹⁵ It is important to note that these results may be a function of the degree of banking sector concentration in Belize. As such, disentangling the effects of concentration on the supply and demand for credit, including the speed and magnitude of interest rate pass through may require further research in a cross-country setting to shed further light on this aspect.

Addressing Challenges in Labor Force Participation

Labor Force Participation in Small Developing States

Expanding labor force has been an important driver of economic growth in numerous economies (see, for example, International Monetary Fund 2024b), including various SDS. However, with a slowdown in population growth, the expected contribution to growth from the size of working age population is expected to diminish overtime. International Monetary Fund (2024c) notes that demographic trends are expected to further restrict labor supply in many advanced and emerging markets, contributing to lower global growth. Boosting labor force participation could help offset the effects of demographic shift and support economic growth—this is especially true for SDS, where both men and women tend to have lower labor force participation rates compared to non-SDS, and where challenges such as small labor markets, limited skilled workforce, high unemployment, and ongoing emigration persist as noted in Williams et al. (2013).

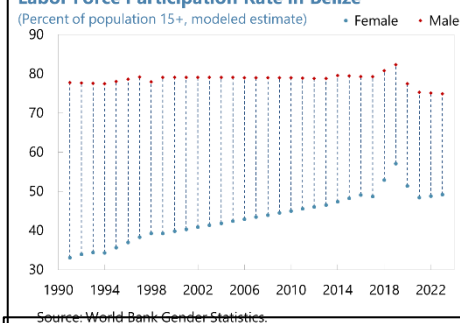
Labor Force Participation Rates in 2024



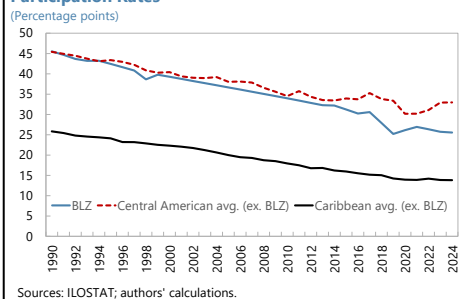
The Case of Belize

In the case of Belize, where the gap between male and female labor force participation (LFP)—though narrowing—remains large, promoting female LFP represents a key opportunity to expand the country's labor force and support medium-term economic growth. Belize has made significant progress in narrowing the difference in LFP between men and women over the past three decades, bringing the gap from about 45 percentage points in 1991 down to about 26 percentage points in 2024, with notable progress achieved relative to the Central American average.¹⁶ Nevertheless, the current gap remains high relative to other Caribbean countries. Estimates from International Monetary Fund (2024a) 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.¹⁷

Labor Force Participation Rate in Belize



Gap Between Male and Female Labor Force Participation Rates



¹⁶ At the same time, assessment of labor supply dynamics in Belize over time requires caution, given the refinements to definitions of employment and unemployment adopted by the Statistical Institute of Belize in 2020.

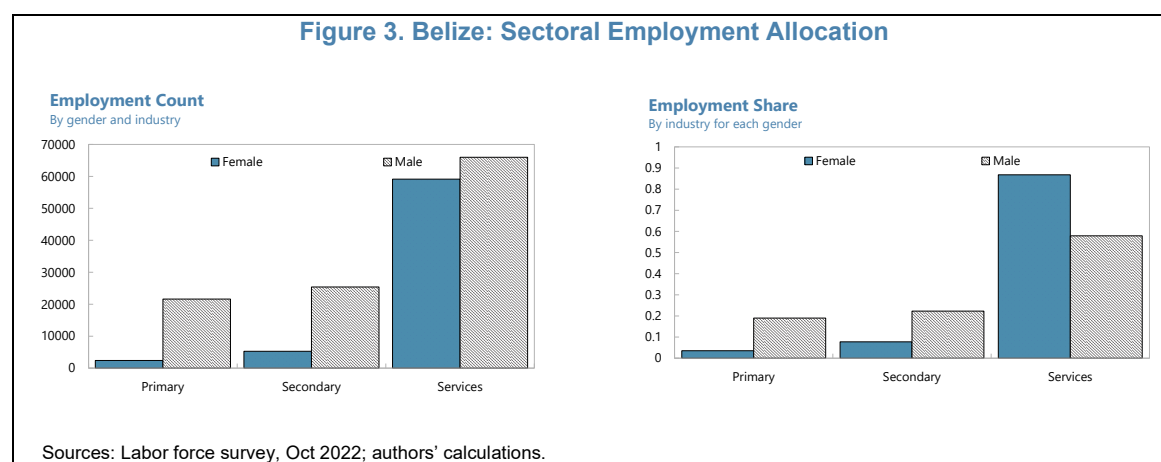
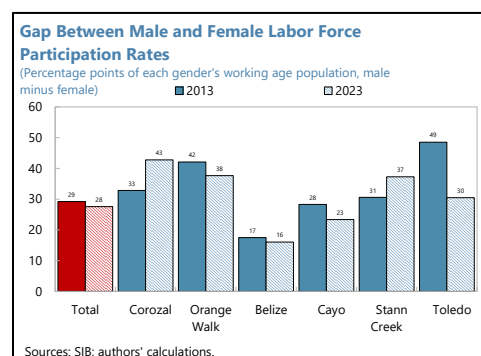
¹⁷ Impact on GDP growth during the transition period depends on the pace of transition.

Drivers of Labor Force Participation

This section seeks to understand the drivers behind the LFP gaps in Belize, which could contribute to policy considerations for increasing female labor force participation to support growth potential. We first explore regional variations in the LFP gap between men and women in Belize using annual district-level data from the Statistical Institute of Belize. Having done so, we explore the role of education in influencing labor supply of women using annual labor data from ILOSTAT. Finally, we examine how disparities in labor market outcomes for men and women, including wages, could contribute to lower female LFP, using data from the ILOSTAT and the Innovation, Firm Performance, and Gender (IFPG) survey¹⁸.

Context

Notable heterogeneity in LFP gaps exists across districts in Belize, 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 districts—which together represent slightly more than a third of Belize's 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 such as 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.



¹⁸ 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.

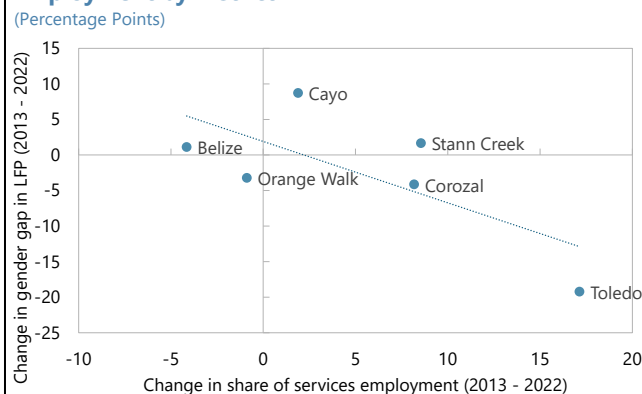
Empirical Analysis

The share of services sector could explain the observed regional variations in Belize. 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.¹⁹ 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 female labor demand is notably higher in the services sector relative to agriculture and manufacturing. To further examine this, the following regression is run:

$$gap_{it} = \alpha + \beta sshare_{it} + T_t + D_i + \varepsilon_{it}$$

Where gap_{it} is the difference between male and female LFP in district i at year t , $sshare_{it}$ is the share of services employment in district i at year t , T_t is the time fixed effect and D_i is the district fixed effect. 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. The estimates reported in column 1 of Table 2 indicate a negative and significant relation between services employment share and gap in LFP.²⁰ Specifically, a one percentage point increase in the share of services employment is 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, as shown in the figure on the right.

Change in Gender Gap and Share of Services Employment by District
(Percentage Points)



¹⁹ 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.

²⁰ 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](#).

Table 2. 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; authors' calculations.

Within the services sector, tourism provides especially large contribution to reducing the gap between male and female labor force participation rates.²¹ The growing tourism sector—which represents a significant share of services sector employment in Belize (left panel of Figure 4)²²—could explain notable variation in gaps in LFP across districts. The right panel of Figure 4 shows that in districts with higher share of tourism in total services employment, gaps in employment between men and women tend to be lower. The role of tourism behind the observed relationship between services employment and gap in LFP is further examined using the following regression:

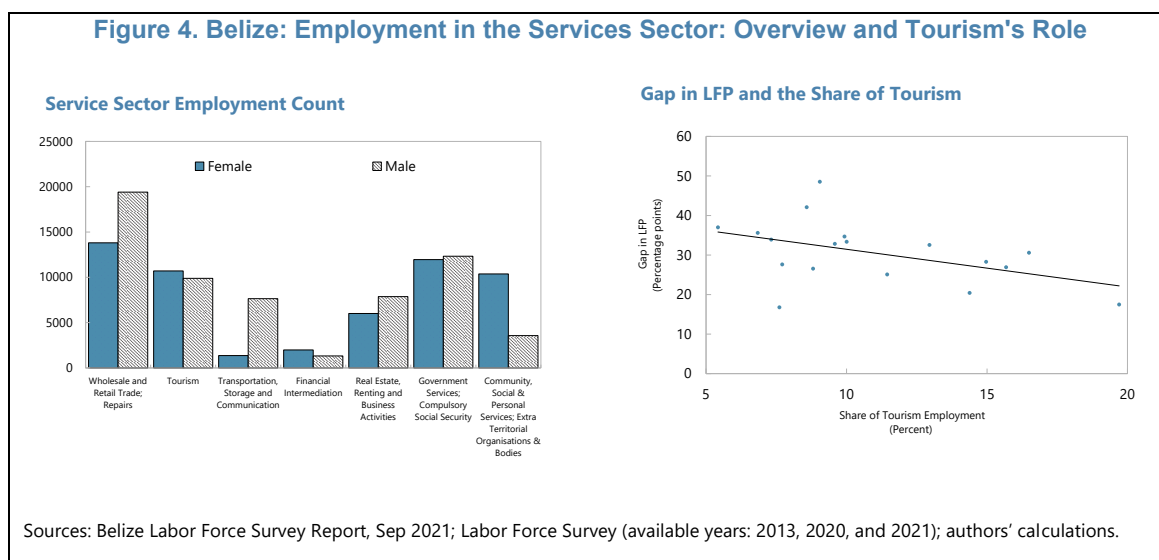
$$gap_{it} = \alpha + \beta_1 tshare_{i2013} + \beta_2 ntshare_{i2013} + T_t + \varepsilon_{it}$$

Where $tshare_{i2013}$ is the share of tourism employment of district i in 2013 and $ntshare_{i2013}$ is the share of *non-tourism* services employment of district i in 2013. 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. The results are reported in column 2 of Table 2, with stronger negative correlation 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

²¹ Other fast-growing service subsectors—such as the business process outsourcing—may also play a role, though their impact is likely still relatively modest given their smaller size compared to tourism.

²² 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.

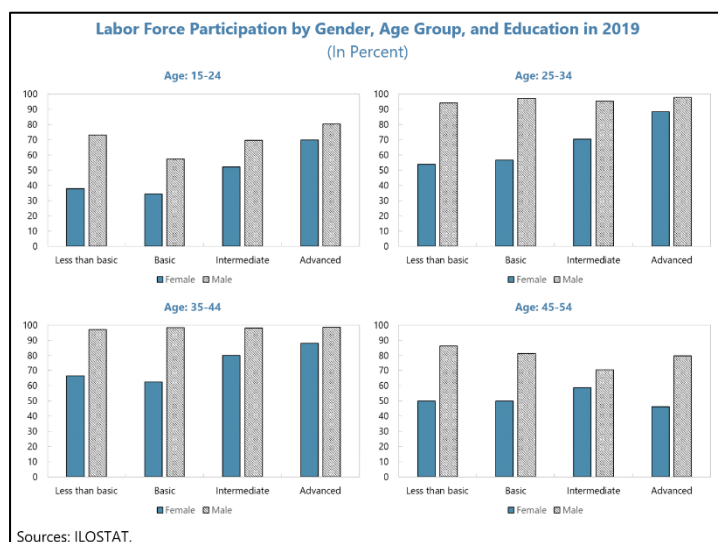
effects. A larger share of tourism in services employment is associated with smaller gap in LFP (column 3 of Table 2), highlighting the role of tourism within the services sector is contributing to smaller gap in LFP. Continued growth of tourism presents opportunities to further encourage female LFP and further reduce the gap in LFP between men and women.



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.²³ The relationship between educational level and the gap in LFP rates between men and women is estimated using the regression:

$$gap_{it} = \alpha + \beta_1 I(basic)_i + \beta_2 I(intermediate)_i + \beta_3 I(advanced)_i + age_i + T_t + \varepsilon_{it}$$

²³ 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.



Where gap_{it} is the gap between LFP rates for men and women of group i in year t ; $I(basic)_i$, $I(intermediate)_i$, $I(advanced)_i$ are dummies for education level; age_i is the age-group fixed effects, and T_t is the year fixed effects. Estimates in the first column of Table 3 show that, 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. Column 2 of the table presents an alternative analysis using dataset with information on whether the group is in rural or urban location (but without information on education level of the group). The estimates indicate that LFP gaps between men and women are also 30 percentage points lower for advanced education compared to less than basic education, after controlling for rural/urban location and time fixed effects. These associations, however, should be approached with caution and should not be interpreted as strictly causal, as labor supply decision and pursuit of higher education may also be influenced by employment prospects available for individuals with specific skills. In the absence of sufficient employment opportunities for high-skilled labor—particularly in small developing states such as Belize—higher educational attainment could also translate to emigration or misallocation of talents.

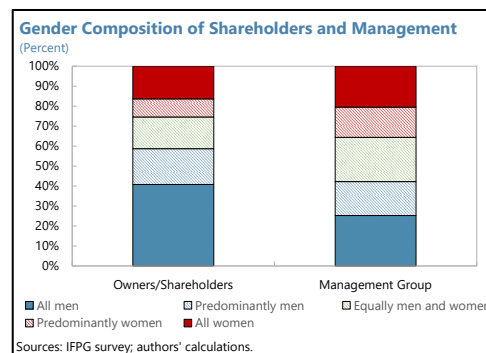
Table 3. Belize: Gender Gap in LFP Rates and Education

	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; authors' calculations.



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 4).²⁴

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 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.

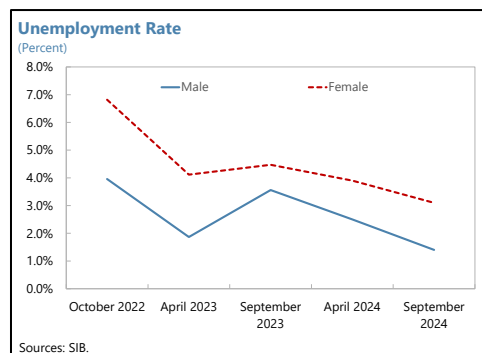


Table 4. Belize: Gender Wage Disparities

	(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

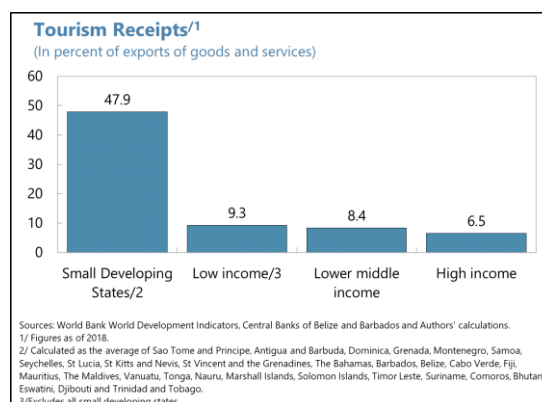
Sources: ILOSTAT; authors' calculations.

²⁴ 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.

Assessing Tourism Sector's Capacity Constraints

Tourism Relevance for Small Developing States

Small developing states, many of which are tourism-dependent, face structural challenges arising from their lack of economies of scale, limited infrastructure, and narrow economic bases. Their reliance on tourism as a primary growth driver creates both opportunities and vulnerabilities. Earlier literature, such as Craigwell (2007), showed that small island developing states often struggle with tourism competitiveness due to high access costs, connectivity limitations, and infrastructure constraints. More recently, Day (2022) emphasized that SDS must prioritize infrastructure resilience—across utilities (energy, transport, water), environmental systems (coral reefs, wetlands, waste management), and social systems (local communities, employment, cultural assets)—to ensure that tourism expansion remains sustainable rather than simply increasing arrivals or hotel capacity. Complementing these findings, Cunha et al. (2025) found that although negative tourism shocks tend to have less persistent long-term effects on potential output in SDS compared to larger emerging markets, this resilience partly reflects SDS' heightened sensitivity to economic cycles in advanced economies, which can amplify vulnerability through external demand channels.



Belize's Tourism Sector

Context

Belize now exemplifies many of the dynamics common to tourism-dependent SDS. The economy is highly dependent on tourism for growth, a sector that directly accounts for about 12 percent of the economy (SIB May 2025), while the indirect footprint across the economy is considerably larger (see Chow, 2019).²⁵ In addition, Belize's recent tourism-driven recovery seems to be increasingly constrained by infrastructure bottlenecks that limit the ability to convert demand growth into sustainable long-term gains; the economy is highly susceptible to physical risks such as floods, droughts and tropical storms which can materially impact infrastructure readiness for sustainable tourism; and there is a high source market concentration with tourist arrivals from the United States accounting for about 70 percent of total annual arrivals in 2024. Here we assess several capacity constraints facing the tourism sector in Belize, covering infrastructure, extent of source market diversification relative to the regional peers, hotel capacity across districts (in reference to key tourism sites), flight capacity and cost competitiveness. The next paragraphs summarize recent developments in Belize Tourism sector, the data and descriptive statistics used, followed by an assessment of the country's capacity to attract stayover tourists via looking at the number of rooms by districts and key tourism sites, flight capacity, and cost competitiveness relative to the Caribbean peers.

Recent Developments

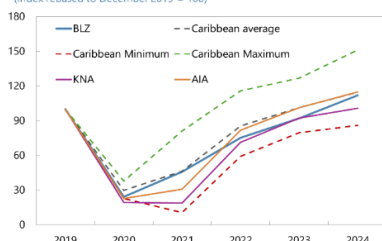
²⁵ In addition, the important share of foreign ownership in the tourism sector may result in noticeable differences between the sector's contributions to GDP and GNP.

Relative to pre-pandemic levels, Belize's stayover arrivals were broadly in line with the Caribbean average in 2024 (see Figure 5). However, the country has been a late boomer in the stayover market recently, outperforming growth of many Caribbean peers in the same year, and could potentially increase its market share beyond the pre-pandemic level if it can maintain such a momentum. Anecdotal calculations suggest that some countries that have outperformed in terms of stayovers, relative to the pre-pandemic levels, have also increased diversification away from traditional tourists from advanced economies (US, Canada and the EU, see Figure 5). In contrast, developments across the cruise passenger segment show that Belize has been underperforming the Caribbean peers in the post-pandemic period. According to the Belize Tourism Board, this is mainly attributed to the lack of a mainland docking facility that can cater to large cruise ships, highlighting the infrastructure constraints in that segment.²⁶

Figure 5. Belize: Recent Developments in the Caribbean Tourism Sector

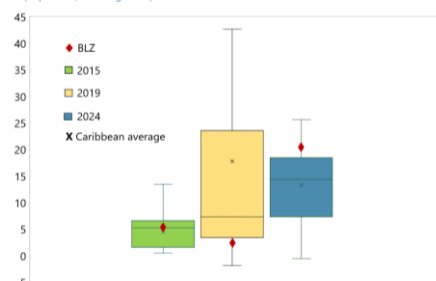
Stayover arrivals for Belize remain below the Caribbean average.

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



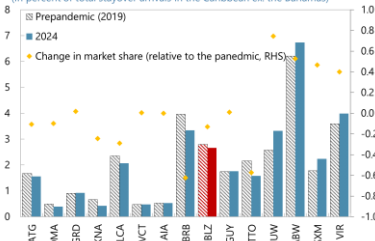
But momentum suggests Belize is catching up (late boomer in the Caribbean).

Stayover Arrivals Momentum Indicator
(In percent, annual growth)



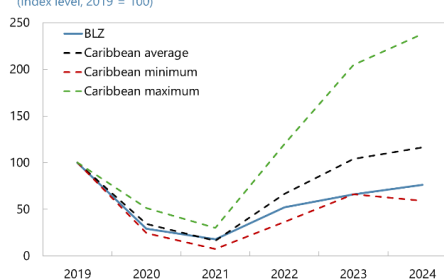
Cruise passenger recovery continues to underperform Caribbean peers.

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



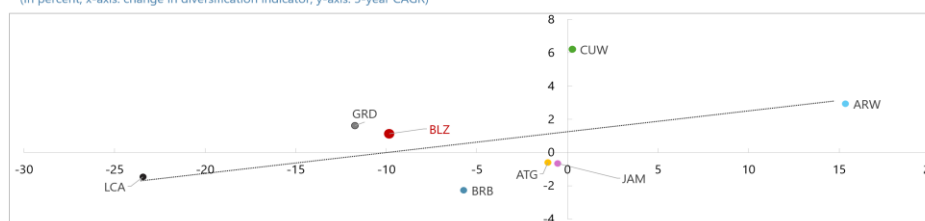
Meanwhile, cruise passenger recovery continues to underperform Caribbean peers.

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



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 authors' 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.

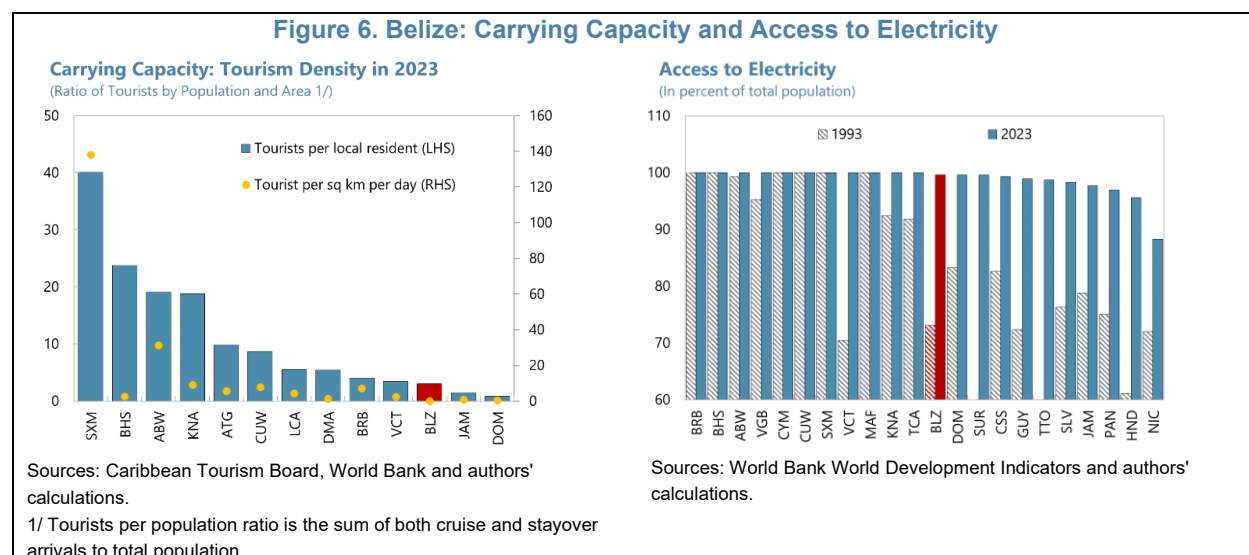
²⁶ See several news media quotes by officials from the Belize Tourism Board: [here](#) and [here](#).

Data and Descriptive statistics

We first briefly compare Belize's infrastructure readiness compared to the region using data from the World Development Indicators (WDI) database, mainly via looking at the access to electricity as well as via comparing the tourism density (calculated as the number of tourists per resident population or per land size). We then analyze the stayover arrivals in Belize by key visited sites and compare these findings with our estimate for hotel capacity in each district where these sites are located. We calculate hotel capacity 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, all sourced from the Statistical Institute of Belize. For flight capacity, we use *IMF Big Data Center* model estimates for the number of persons on board each flight landing in the country's only international airport in Belize City (sourced from *FlightRadar24* database) and compare that to the number of stayover tourists arriving via the same airport to assess the extent of flight capacity utilization for Belize relative to the other countries in the Caribbean. Finally, we use cross-sectional survey-based data from *Budget Your trip* website that lists key costs of travel excluding flights, such as transportation, food and restaurants, hotel rooms and spending across the region.

Infrastructure Readiness Using Selected Indicators

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 6). 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, over the past three decades, the country has markedly improved its infrastructure, with electricity access approaching 100 percent (full coverage) benchmark from about 75 percent three decades ago (see Figure 6).



Hotel Capacity by District and Key FlightRadar24 Database Visited Sites

Overall, our calculations of hotel capacity suggest that Belize can accommodate sustained rise in tourist arrivals overall, with the number of beds able to serve more than 1.5 times the number of stayover tourist nights in Belize in 2024. 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).²⁷ These variations are especially important since most of the tourism sites in Belize are outside Belize City. Furthermore, over three quarters of stayover tourists arrive in the country via its only international airport in Belize City²⁸, which has hotel capacity to accommodate only about 20 percent of them, according to our calculations (see Figure 7).²⁹

Meanwhile, the distribution of hotel capacity is not necessarily geographically aligned with the number of visits to tourist sites, implying potential transport bottlenecks³⁰. 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 Figure 7).³¹ Overall, growth in stayover tourists going forward will critically depend on the expansion of hotel capacity, including short-term villa rentals in districts with identified bottlenecks.

²⁷ These estimates do not include short-term villa rentals which could potentially increase capacity within each district.

²⁸ Future studies could further estimate the broader ramifications of having a single runway in the international airport on Belize's overall economic development. It is also worth highlighting that the government is developing plans for adding more international airports outside Belize city to develop key touristic areas, which could markedly reduce airport constraints on the development of the tourism sector.

²⁹ Belize district includes hotel beds in Caye Caulker and San Pedro islands, in addition to Belize City.

³⁰ Additional studies could shed more light on transportation bottlenecks in the context of long-term tourism development.

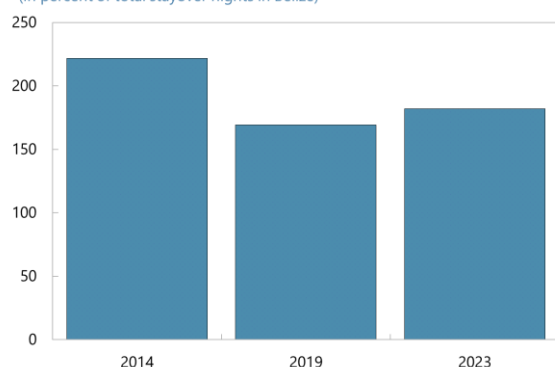
³¹ Aggregating total tourist visits per district could be subject to duplication as a single tourist can visit multiple touristic sites during his average 7 nights stay in the country. Nonetheless, comparing this aggregate to hotel capacity can give a broad picture of where bottlenecks, in terms of hotel capacity, may exist.

Figure 7. 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.

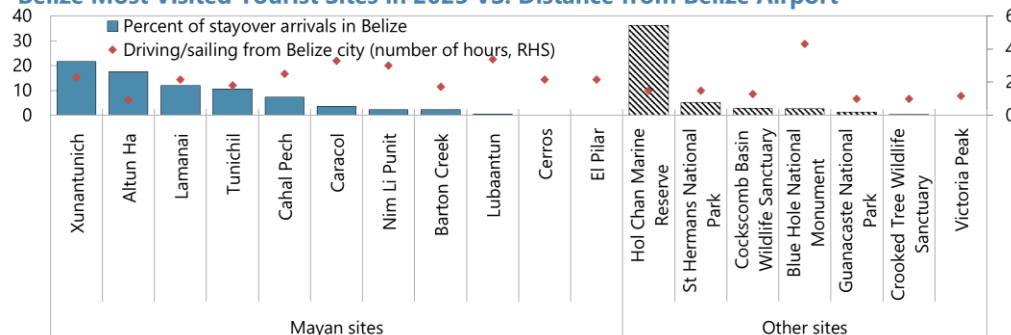
Belize City Hotel Supply VS. Airport Arrivals 1/ 2/

(In percent of total stayover nights in Belize)



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

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 authors' estimates.

1/ Hotel capacity in each district is estimated 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.

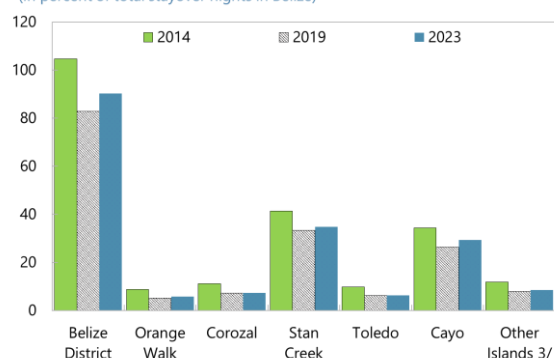
3/ Other islands are not classified under any district and are presented on a standalone.

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.

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

Hotel Capacity Estimates by District 1/ 2/

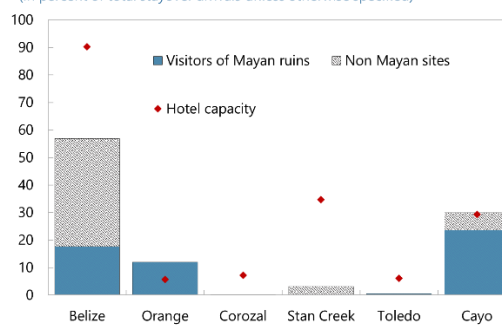
(In percent of total stayover nights in Belize)



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/

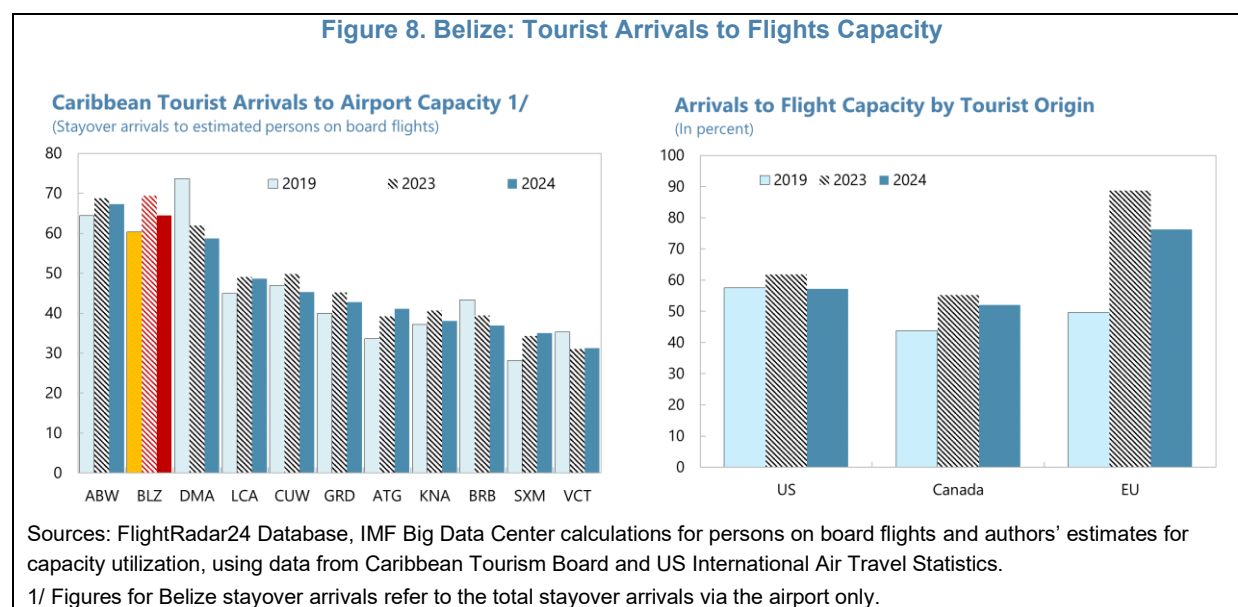
(In percent of total stayover arrivals unless otherwise specified)



Regional Comparison of Flight Capacity

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 momentum. 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, Belize continues to add flights to the international airport, which have contributed to somewhat lower capacity utilization in 2024 relative to 2019 (pre-pandemic).

Figure 8. Belize: Tourist Arrivals to Flights Capacity



Cost Competitiveness Relative to the Caribbean

According to an analysis based on a snapshot from *Budget your Trip* survey results (April 2025), Belize has a significantly lower cost of travel compared to Caribbean peers (Figure 9). The survey results suggest a similar highly competitive cost structure across sightseeing, cost of food at restaurants, and transportation, where Belize is mostly below the Caribbean median. These are snapshots and could change over time, albeit they suggest that cost is not a key constraint over the medium term and could potentially boost growth in stayover arrivals if other bottlenecks are addressed (see Figure 9).

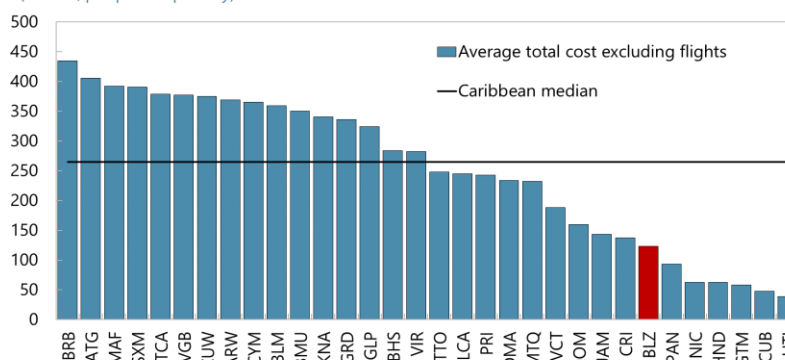
⁶ Flight capacity utilization by origin country within Belize is adjusted for actual stayover arrivals via the international airport. In addition, to account for potential underestimation of the US capacity estimate due to the country being the major transit hub for tourists heading to Belize from elsewhere, we 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. We 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.

Figure 9. Belize: Caribbean Travel Cost Competitiveness

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

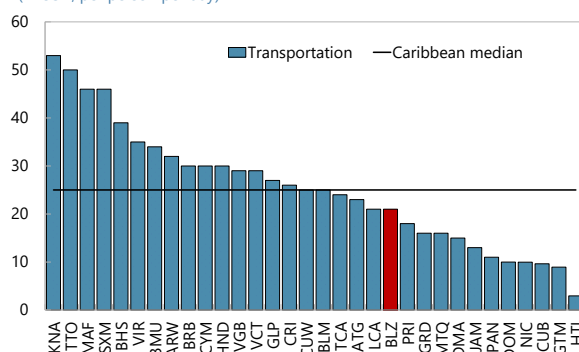
Average Total Cost of Travel Excluding Flights

(In USD, per person per day)



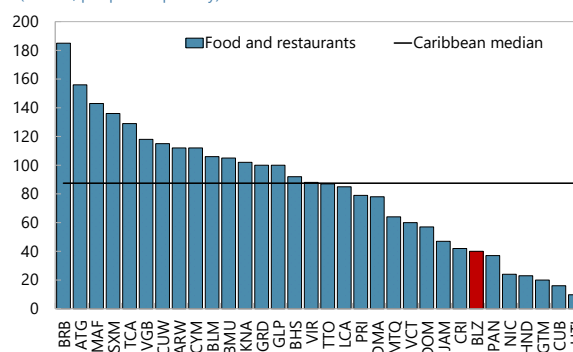
Average Cost of Transportation²

(In USD, per person per day)



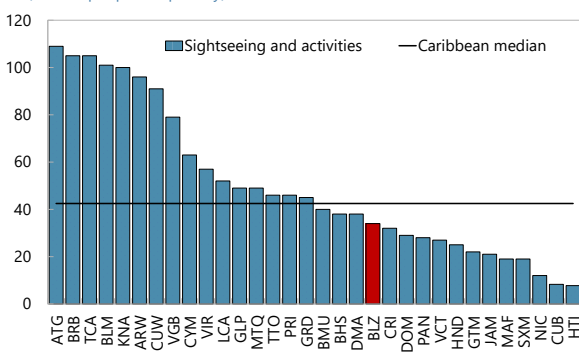
Average Cost of Food in Restaurants

(In USD, per person per day)



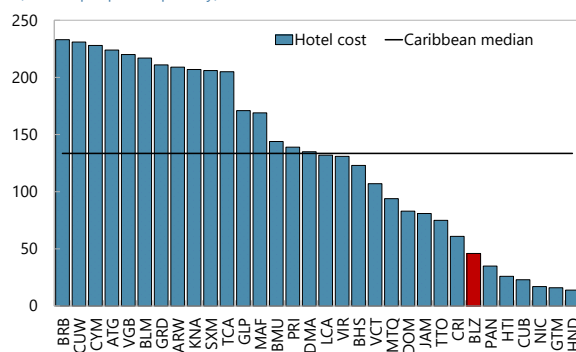
Average Cost of Sightseeing²

(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.

¹The 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, we assumed the cost of the Dutch Side of the island (Sint Maarten (SXM)) to be the same as the French side of the island (Saint Martin (MAF)). Both sides of the island have an open border for goods and labor and no customs on imported goods. While they use two different currencies, both currencies are accepted on either side of the island.

Concluding Remarks

The small developing states have unique economic characteristics and face specific constraints that shape their economic performance and policy prioritization. Our analysis focuses on studying a set of such challenges and exploring some venues that could help small developing states promote sustained growth and job creation via the case of Belize. As a small tourism-based economy, Belize is experiencing many of these common SDS issues primarily stemming from the economy's smallness.

The analysis explores three key areas that are particularly relevant for Belize: (i) improving access to finance; (ii) exploring drivers of labor force participation with a view to increasing the labor force contribution to growth; and (iii) assessing the tourism sector's capacity constraints. The analysis centers on these specific challenges given that—beyond the relevance of each of them individually—their considerable interactions hold the potential for important synergies towards ensuring sustained growth in SDS. It arrives at the following set of conclusions.²

First, the empirical results provide some evidence that private sector credit growth in Belize is constrained by both demand and supply factors. In light of the complex collateral and application processes, and relatively high lending rates that constrain credit demand, lower deposit rates could improve the affordability and demand for credit. Relatedly, 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 and likely hold the key for its evolution going forward.

Second, several drivers explain the heterogeneity in LFP gaps across Belize's districts such as the share of the tourism sector within the services sector, the educational attainment of the younger workforce cohorts, as well as the availability of childcare services. Addressing these drivers of LFP gaps between men and women holds the potential to unleash untapped labor force and increase productivity over the medium term.

Third, the prospects of Belize's tourism sector are closely tied to hotel capacity, flight availability, and cost competitiveness. While aggregate hotel capacity—double the actual nights—may suggest space for further growth, its distribution across districts is not necessarily aligned with the number of visitors to key attractions. Flight capacity utilization is relatively high, particularly from Europe, constraining growth prospects in the absence of additional flights. Going forward, the tourism sector could be supported by Belize's competitive cost structure across sightseeing, cost of restaurants, and transportation.

The analysis in this paper centers on the case of Belize, but the findings on access to credit, drivers of labor force participation, and key factors determining tourism potential have broader relevance for SDS in general, given the commonalities facing these economies. The three key areas studied here do not exist in a vacuum, and there are likely important spillovers and synergies linking improved access to credit, enhanced tourism offer, and better employment prospects in the services/tourism sector. In this context, it is nonetheless worth stating a note of caution. While the challenges covered in this primer affect various SDS, there are also important differences within this heterogeneous group of countries. Hence, it is essential to delve into each country's specificities to form careful diagnostic and assessments, which are key prerequisites for better informed analyses and policy actions in small developing states.

² The references on policies are consistent with the policy recommendations in [International Monetary Fund \(2025\), Belize—2025 Article IV Consultation Staff Report](#).

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