



# **BELIZE: 30 YEAR RETROSPECT AND THE CHALLENGES AHEAD**

**In Commemoration of the 30<sup>th</sup> Anniversary of the  
Central Bank of Belize**

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# INTRODUCTION

- The Central Bank of Belize, established in 1982 shortly after Belize gained its independence from Great Britain, is celebrating its 30<sup>th</sup> year anniversary.
- The Central Bank of Belize's expressed mission is  
“to advance the wellbeing of Belize by facilitating sustained economic growth, protecting the value of the Belize dollar, and assuring a safe, sound and efficient financial system.”



# INTRODUCTION

These objectives:

- facilitating sustained economic growth,
- protecting the value of the Belize dollar, and
- assuring a safe, sound and efficient financial system

provide a reasonable context for considering the economic development of Belize 30 years since independence and since the establishment of Belize's modern Central Bank of Belize.



# INTRODUCTION

- In considering Belize's development since independence, outcomes and performance have to be assessed **against goals, using metrics.**
- In this regard, we will examine Belize's performance relative to Belize's goals against the backdrop of the developments of the past 30 years including as assessed by
  - Policymakers,
  - Government officials,
  - Economists,
  - Private sector partners
  - Partner international institutions
  - And me.




# INTRODUCTION

- The metrics implied by assessing performance against these goals are conventional, grounded in economics.
- Yet they have a broader dimension which also encompasses social progress and change.
- This broader social dimension is clearly recognized and embraced by Belize and other governments through the broad global endorsement of the Millennium Development Goals (MDGs) and by Belizeans in the context of Horizon 2030.



# INTRODUCTION

- Regarding metrics, there is no single indicator that can capture something as complex as the well being of a society.
  - However, what we choose to measure, how we construct our measures can have such an important role in the decisions that are made.
  - In this regard, we have to have full confidence in the underlying statistical database and more resources are assuredly needed in building the statistical data base for Belize.
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# INTRODUCTION

- Contemporary politicians in now developing countries are asked to do much more than in the past. This is embodied in the concept of sustainable development.
- In the Belizean context sustainable development concerns exploitation today of natural resources such as oil, the forests, and the reef to help raise the living standard of current generations as well as policies that support conservation aimed at positioning Belize's future generations for an improved standard of living.



# INTRODUCTION

- In assessing Belize's performance, what is it we want to measure? This is one key question. Increasingly, there is a demand to go beyond measures of market activity to measures of wellbeing.
- For Belize, the vision articulated in the context of Horizon 2030 demands assessing performance more broadly.
- The second important question in assessing past performance is what are the lessons we will bring to bear when considering the challenges ahead?





# GOAL #1: SUSTAINABLE ECONOMIC GROWTH

- Belize is a country in economic transition.
- For Belize, the shift in status from colonialism to independent nation altered institutions, mechanisms, and their interplay.
- Transition towards political pluralism and a rules-based market system has been an important feature of Belize's development since independence.



# SUSTAINED ECONOMIC DEVELOPMENT

- The 30-year period since independence has seen an impressive structural transformation of the Belizean economy.
- Belize evolved from a mono-economy based mainly on agriculture, and in particular sugar, to a more diversified economy with growth driven primarily by tourism services and agriculture and, more recently, oil.



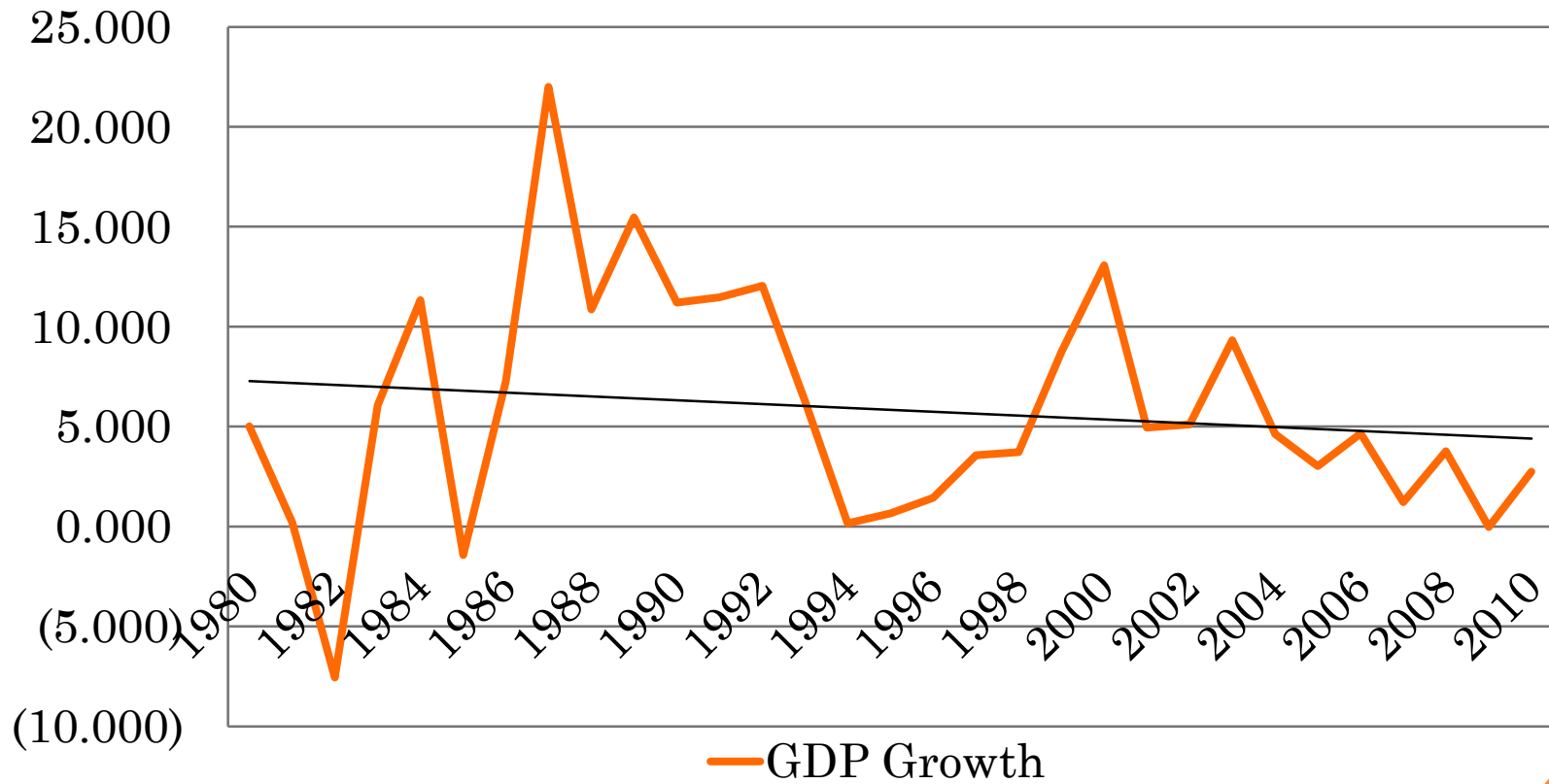
# SUSTAINED ECONOMIC DEVELOPMENT

- Since independence, GDP growth in Belize was positive though volatile (Figure 1).



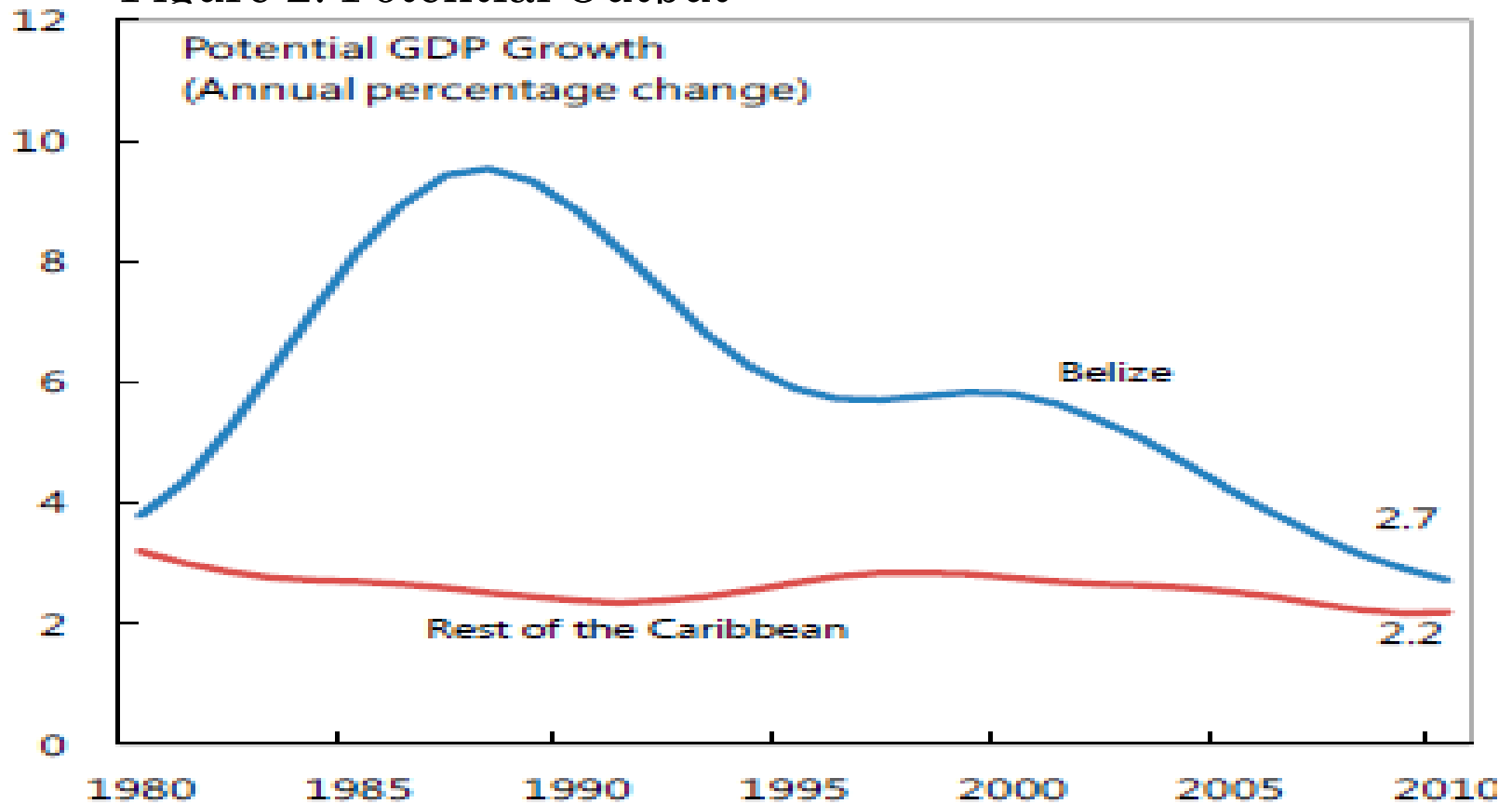
# SUSTAINED ECONOMIC DEVELOPMENT

**Figure 1. GDP Growth, 1980-2010  
constant prices, percent change**



# SUSTAINED ECONOMIC DEVELOPMENT

Figure 2: Potential Output



Source: IMF, 2011 Article IV Staff Report, page 13.



# SUSTAINED ECONOMIC DEVELOPMENT

- There were gains also in **per capita GDP** on average.
- GDP per capita in Belize increased from Bze \$1,447 in 1980 to \$8,080 in 2010, annual increases of about 5.9 percent on average.
- However, Belize's average and relative performance on a per capita basis declined through the decades (Figure 3).

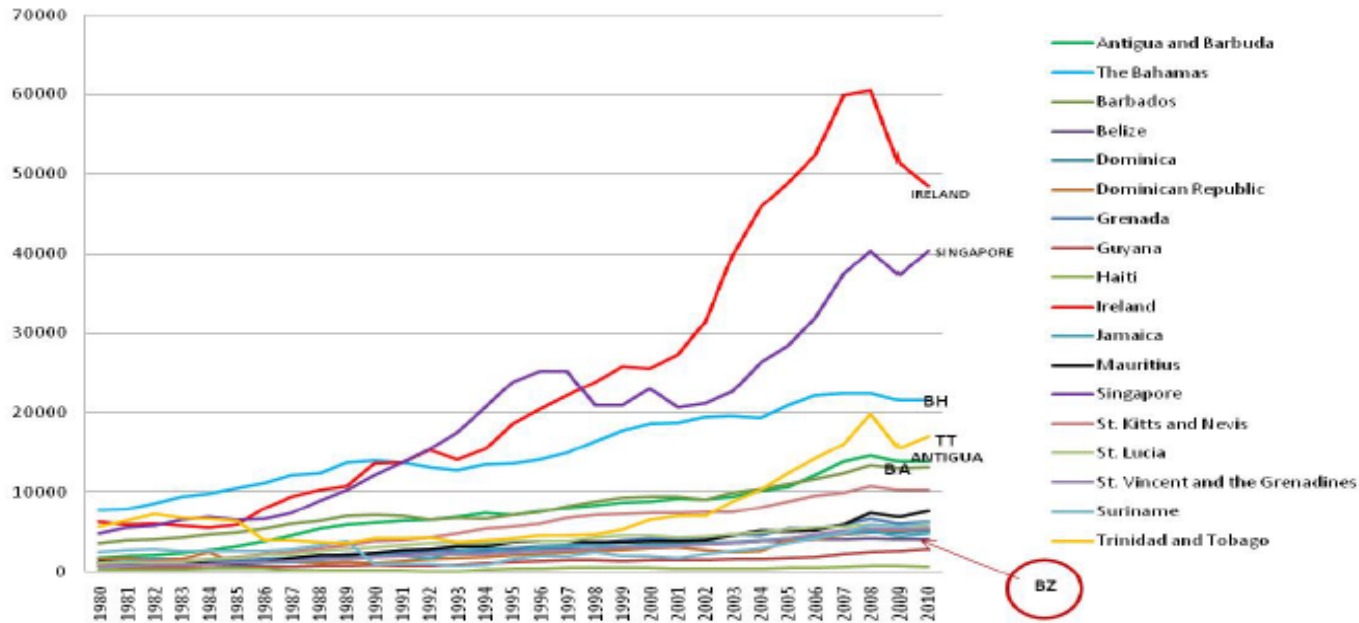
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# SUSTAINED ECONOMIC DEVELOPMENT

Figure 3. Comparative Growth

## Economic growth Gross domestic product per capita (PPP), 1980-2010



Source: IMF, World Economic Outlook, September 2009.



# SUSTAINED ECONOMIC DEVELOPMENT

- As of 2010, Belize ranked third (after Panama and Costa Rica) among Central American countries, on the basis of per capita GDP.
- In comparison, Belize ranked number 15 of 22 Caribbean and Central American countries on the basis of per capita GDP and ranked number 117 of 226 countries and territories.





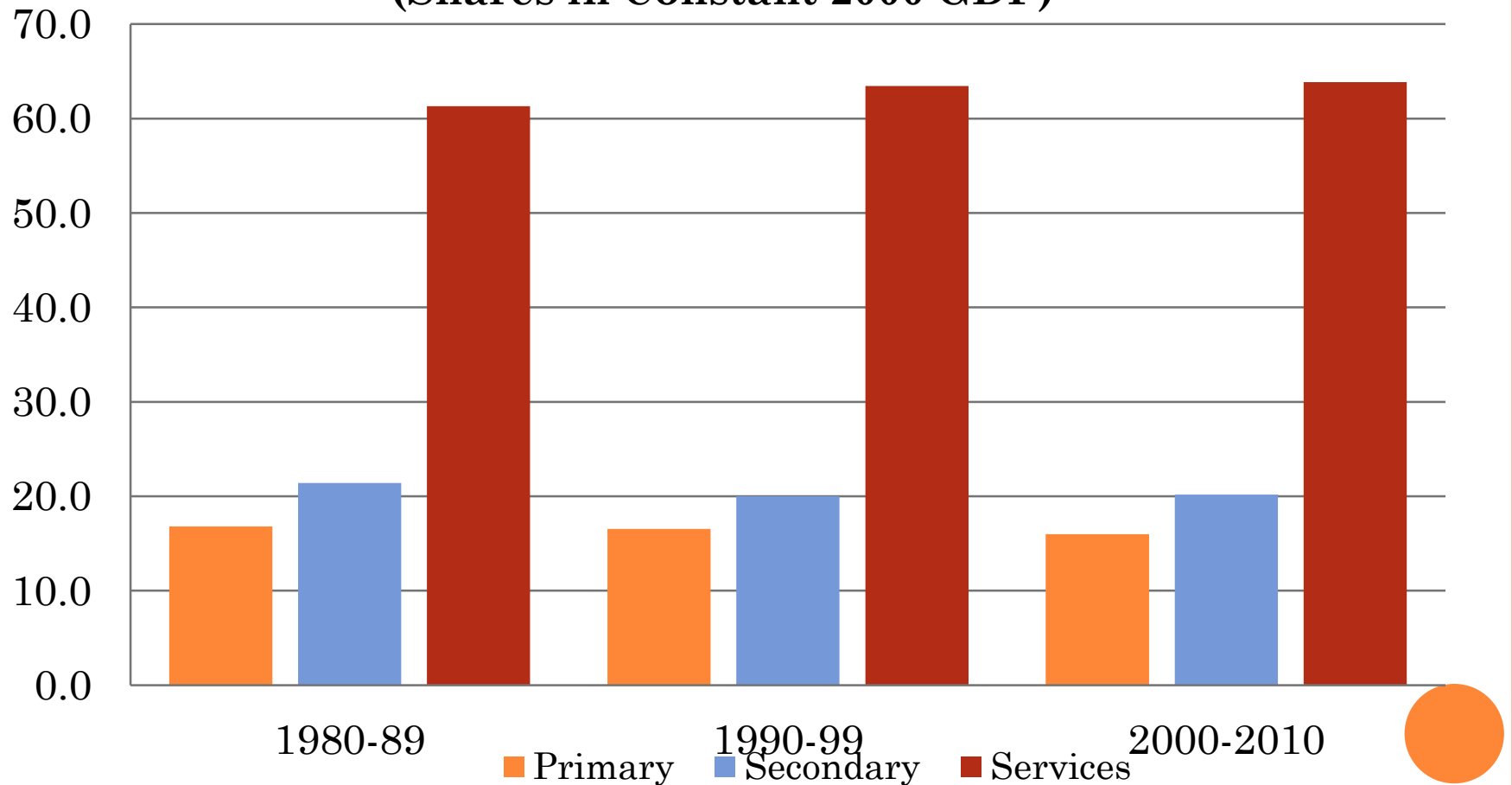
# SUSTAINED ECONOMIC DEVELOPMENT

- Today, Belize remains a highly open, natural resource and services-based, export economy, currently dependent on exports of tourism services, petroleum, and agricultural products.
- The private sector accounts for about two-thirds of the economy and the state sector for one-third.
- The sectoral contribution to GDP has shifted to services and secondary activities (Figure 4) although the expenditure composition has remained broadly unchanged dominated by consumption (Figure 5).



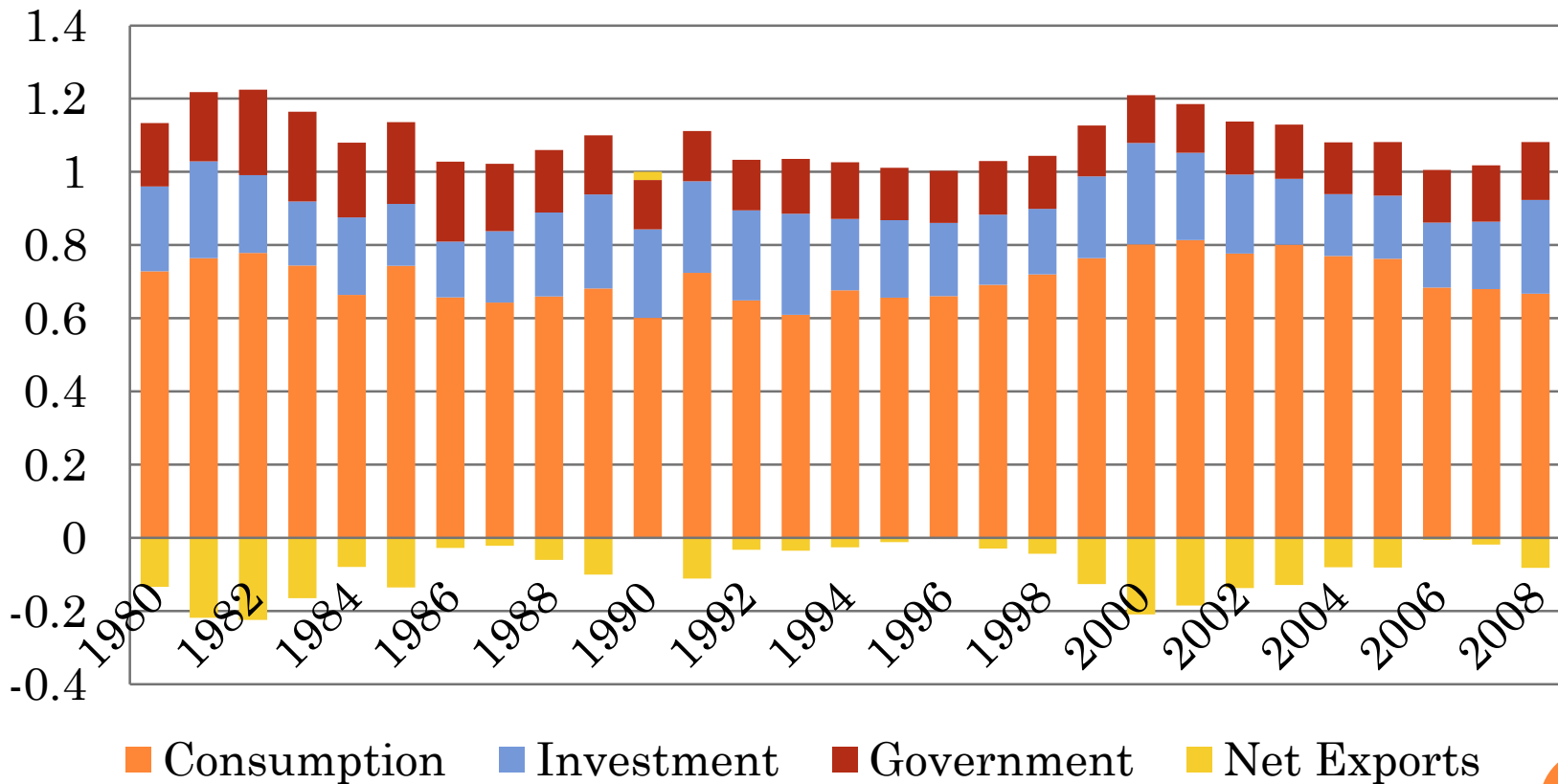
# SUSTAINED ECONOMIC DEVELOPMENT

**Figure 4. Sectoral Composition of GDP  
(Shares in Constant 2000 GDP)**



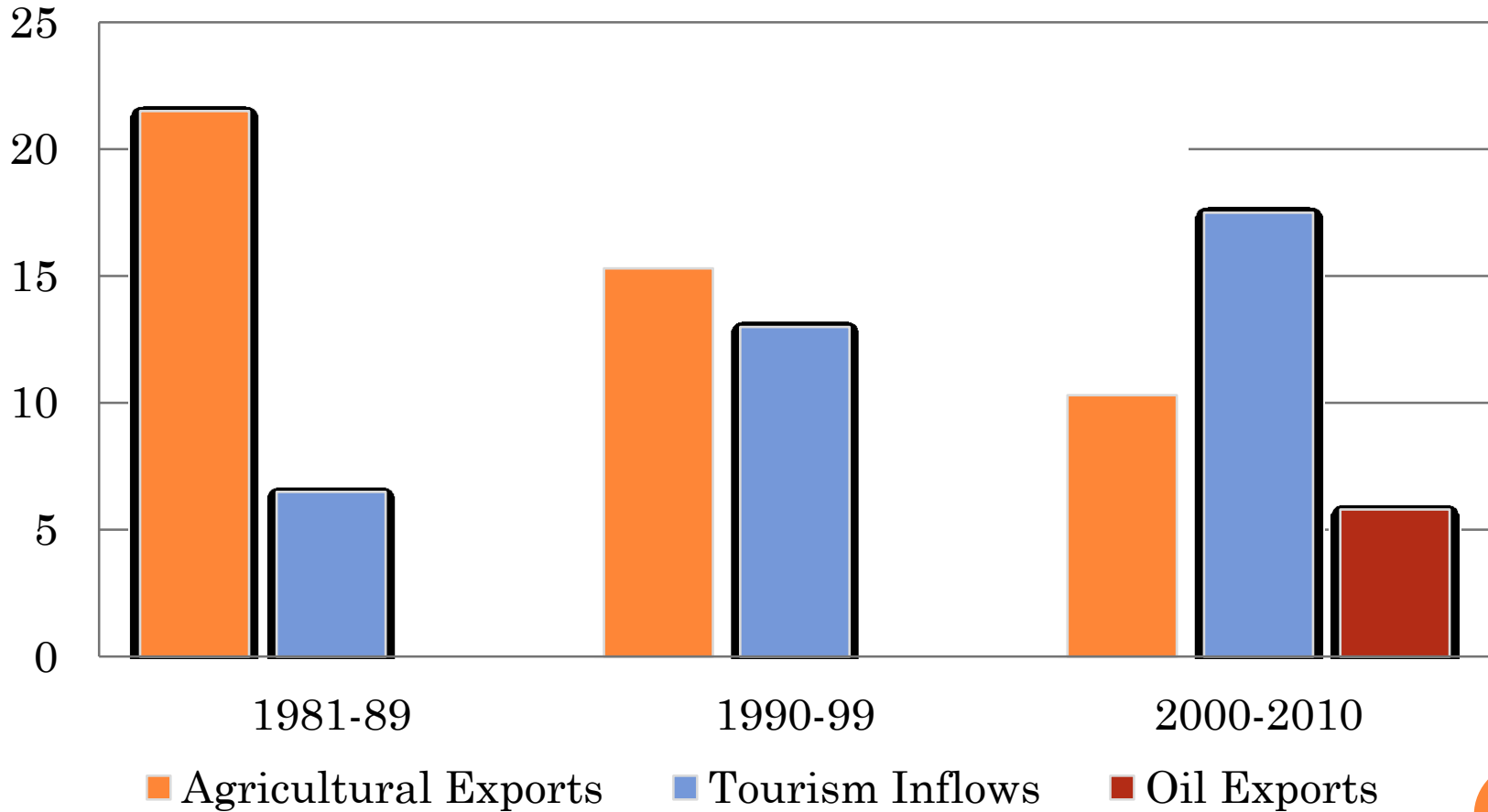
# SUSTAINABLE ECONOMIC DEVELOPMENT

**Figure 5. Expenditure Composition of GDP  
1980-2010**



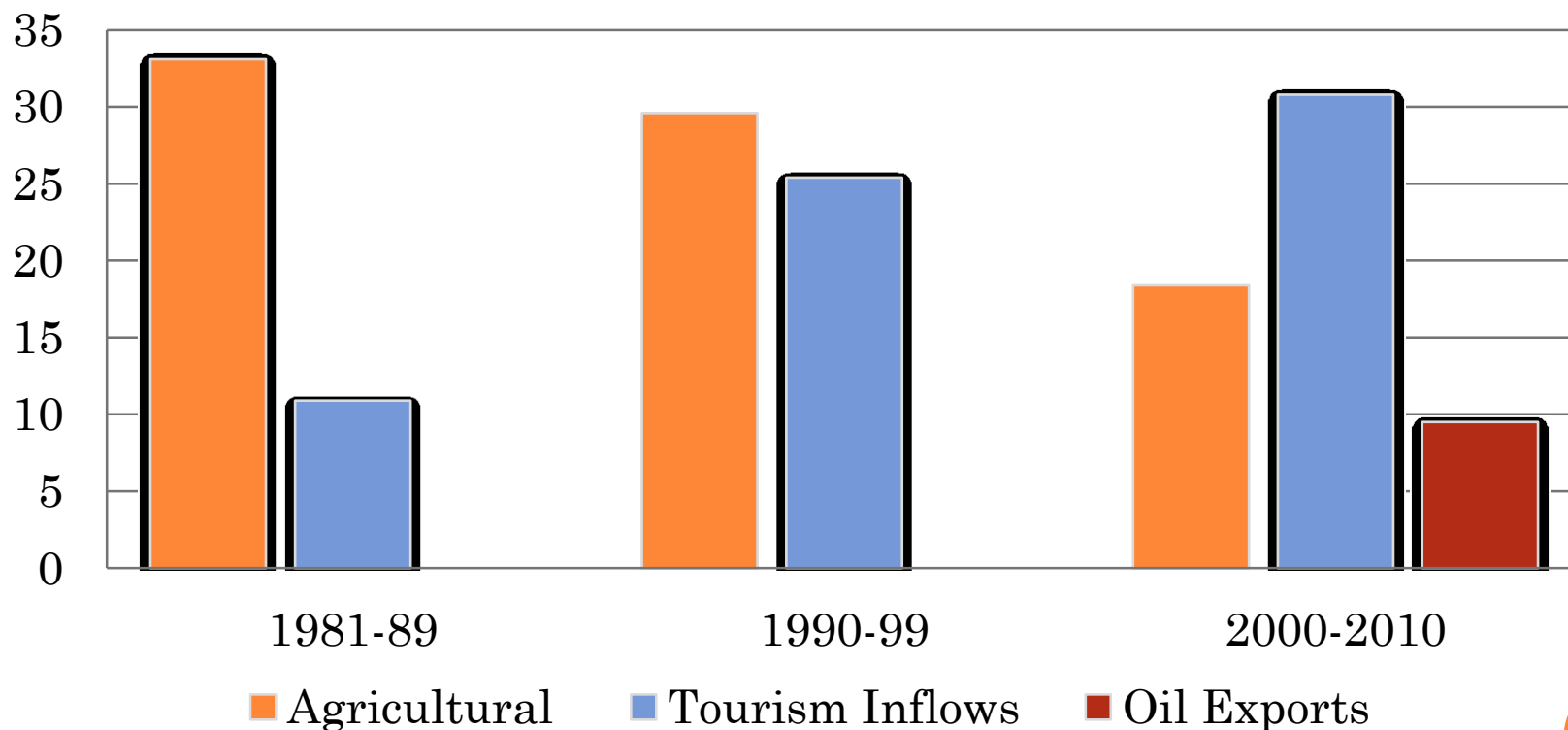
# SUSTAINED ECONOMIC DEVELOPMENT

## Figure 6. Exports as a Percent of GDP



# SUSTAINED ECONOMIC DEVELOPMENT

**Figure 7. Agricultural, Tourism, and Oil Exports as a Percent of Exports of Goods and Services**



# SUSTAINED ECONOMIC DEVELOPMENT

- Tourism has emerged as one of the main engines of growth in the Belizean economy and the principal source of foreign exchange until 2005 when petroleum could be exploited for commercial use.
- From 1984 to 2010, tourism inflows averaged a steady annual increase of about 7 percent. Visitor arrivals increased also by 7 percent yearly through this period with more rapid annual growth (14%) in the 1980s



# SUSTAINED ECONOMIC DEVELOPMENT

Table 1: Tourism: Contributions to GDP and Employment, 2011

percent share					
Contribution to GDP			Contribution to Employment		
Direct	Direct	Indirect	Direct	Indirect	
Antigua and Barbuda	17.7	74.9	17.9	69.8	
Bahamas	18.5	46.2	25.8	53.8	
Barbados	12.9	43.5	13.0	42.7	
Belize	12.0	33.2	10.9	30.1	
Dominican Republic	4.7	15.1	4.3	14.0	
Jamaica	7.6	25.6	7.2	24.0	
Mexico	5.6	12.4	6.3	13.7	
St. Kitts and Nevis	7.5	28.0	7.4	26.4	

Source: World Tourism Association, 2012



# SUSTAINED ECONOMIC DEVELOPMENT

- These changes in Belize's production and exports illuminate the successful structural transformation of Belize's economy in response to a changing international environment.
- The major contributions of both natural resource based-tourism and oil to Belizean GDP, employment, and trade are relatively new features of Belize's economy.





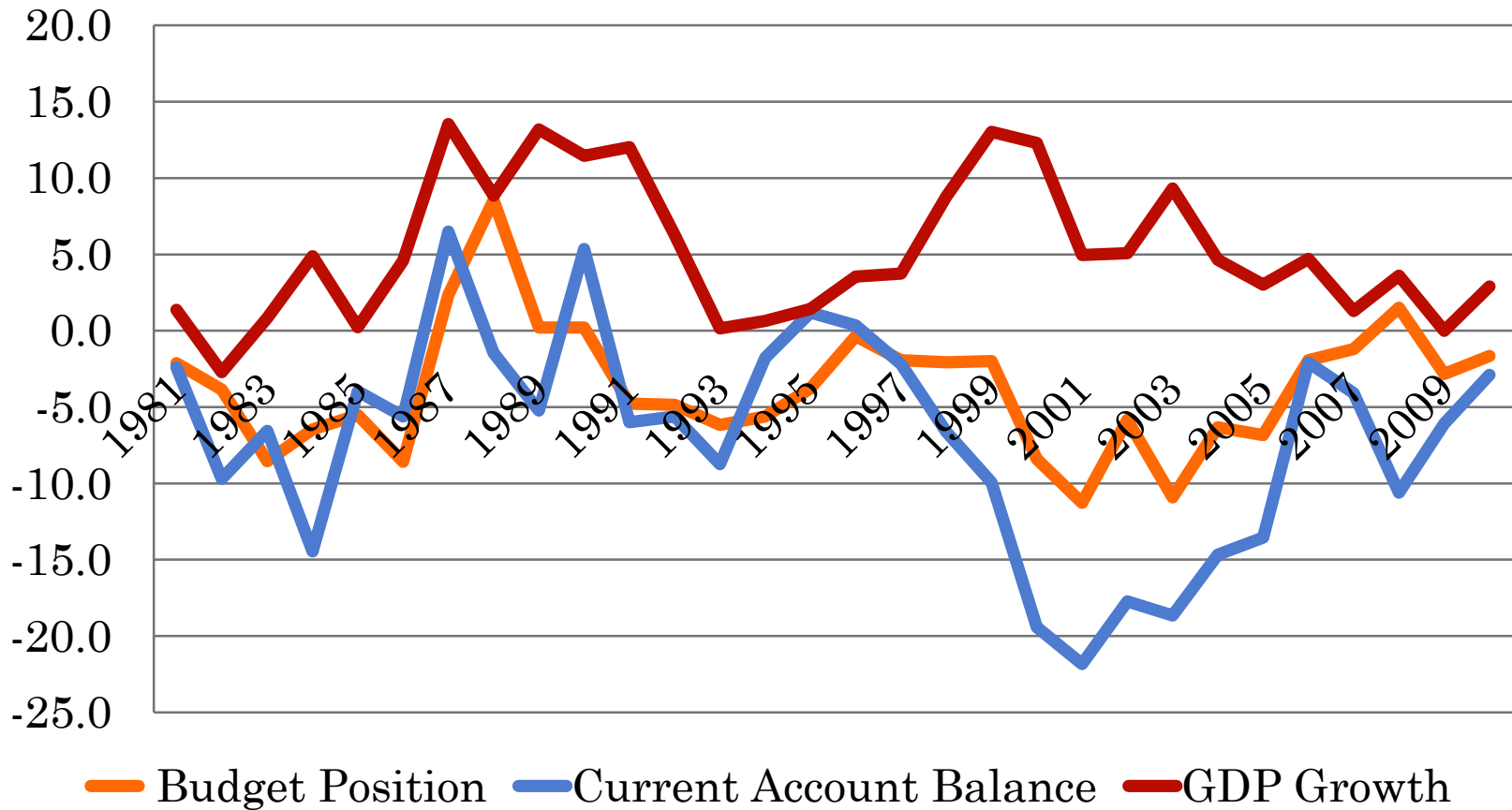
# SUSTAINED ECONOMIC DEVELOPMENT

- On the policy front, there were two distinct episodes of accelerated growth since independence, 1986-92 and 1998-2000 reflecting the policy stances of the Governments in place during those periods.



# SUSTAINED ECONOMIC DEVELOPMENT

**Figure 8. Fiscal and External Accounts, 1981-2010**  
(% of GDP)



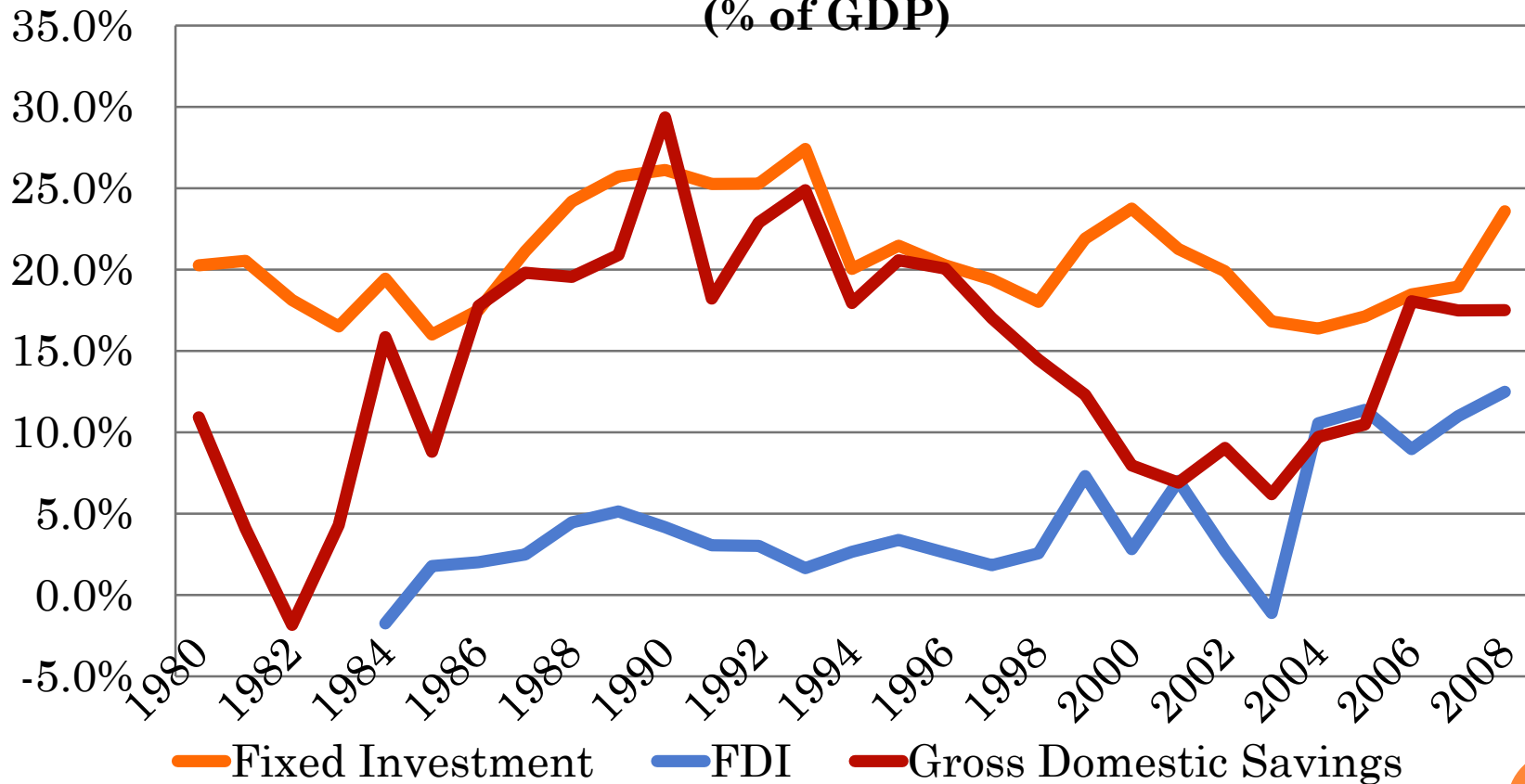
# SUSTAINED ECONOMIC DEVELOPMENT

- The first post-independence boom, from 1986-1992 reflected the growth of the tourism sector.



# SUSTAINED ECONOMIC DEVELOPMENT

**Figure 9. Fixed Investment, Gross Domestic Savings and FDI 1980-2008, (% of GDP)**



# SUSTAINED ECONOMIC DEVELOPMENT

- The second boom period ran from 1998-2000. It was ushered in by the Government taking office in 1998 which sought to accelerate growth by highly expansionary monetary and fiscal policies.
- GDP growth averaged more than 11 percent reflecting increases in public investment and consumption, notwithstanding a drag on growth arising from hurricane and storm damage.
- Growth was also facilitated by steady increases in overnight and cruise ship visitors.



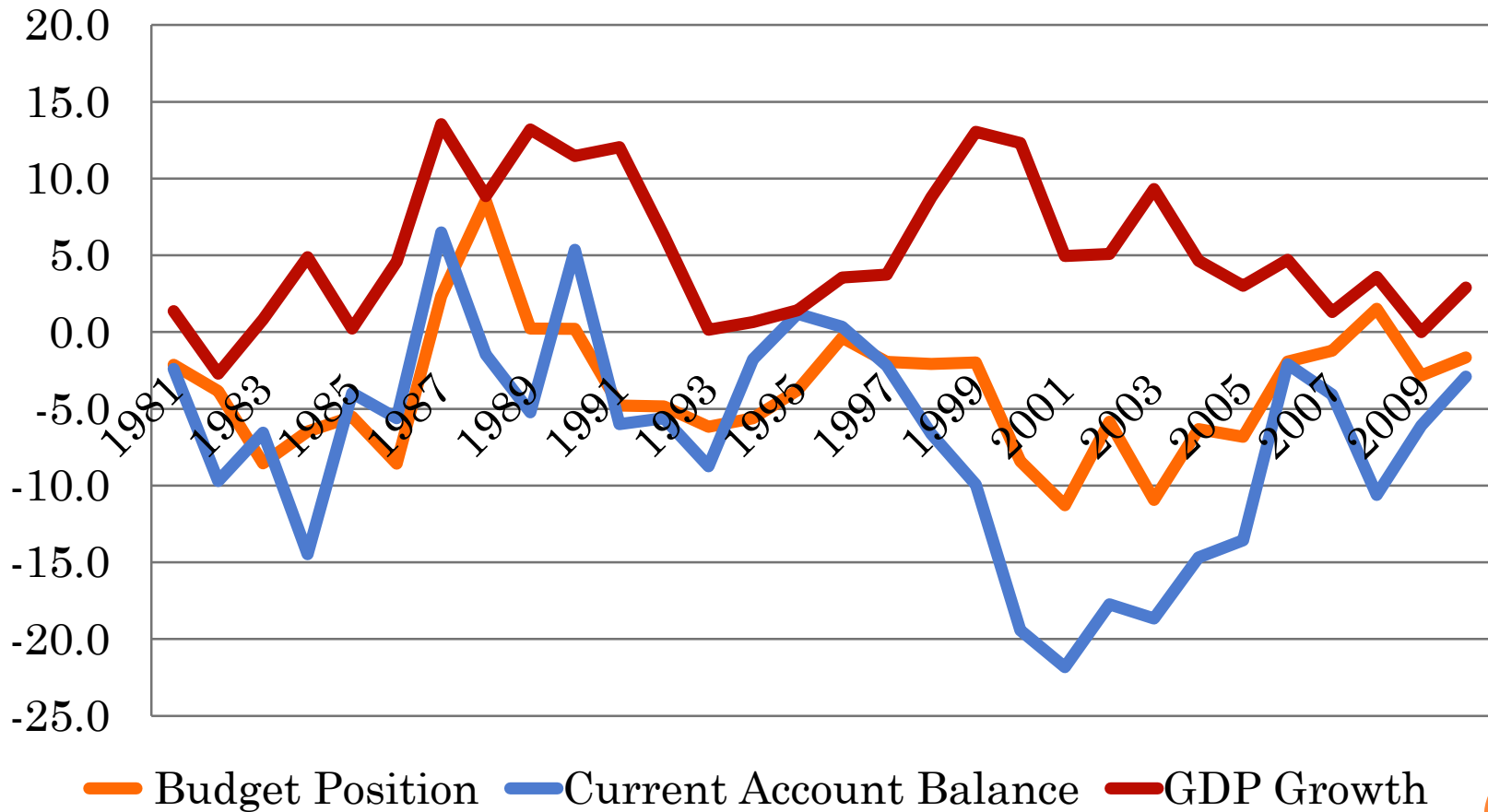
# SUSTAINED ECONOMIC DEVELOPMENT

- Government spending during this last boom period has been characterized as “not productive investment”.
- Importantly, government spending was for the first time financed by external borrowing contracted on commercial terms leading to a rapidly rising debt burden on the Belizean economy.



# SUSTAINED ECONOMIC DEVELOPMENT

**Figure 10. Fiscal and External Accounts, 1981-2010**  
(% of GDP)



# SUSTAINED ECONOMIC DEVELOPMENT

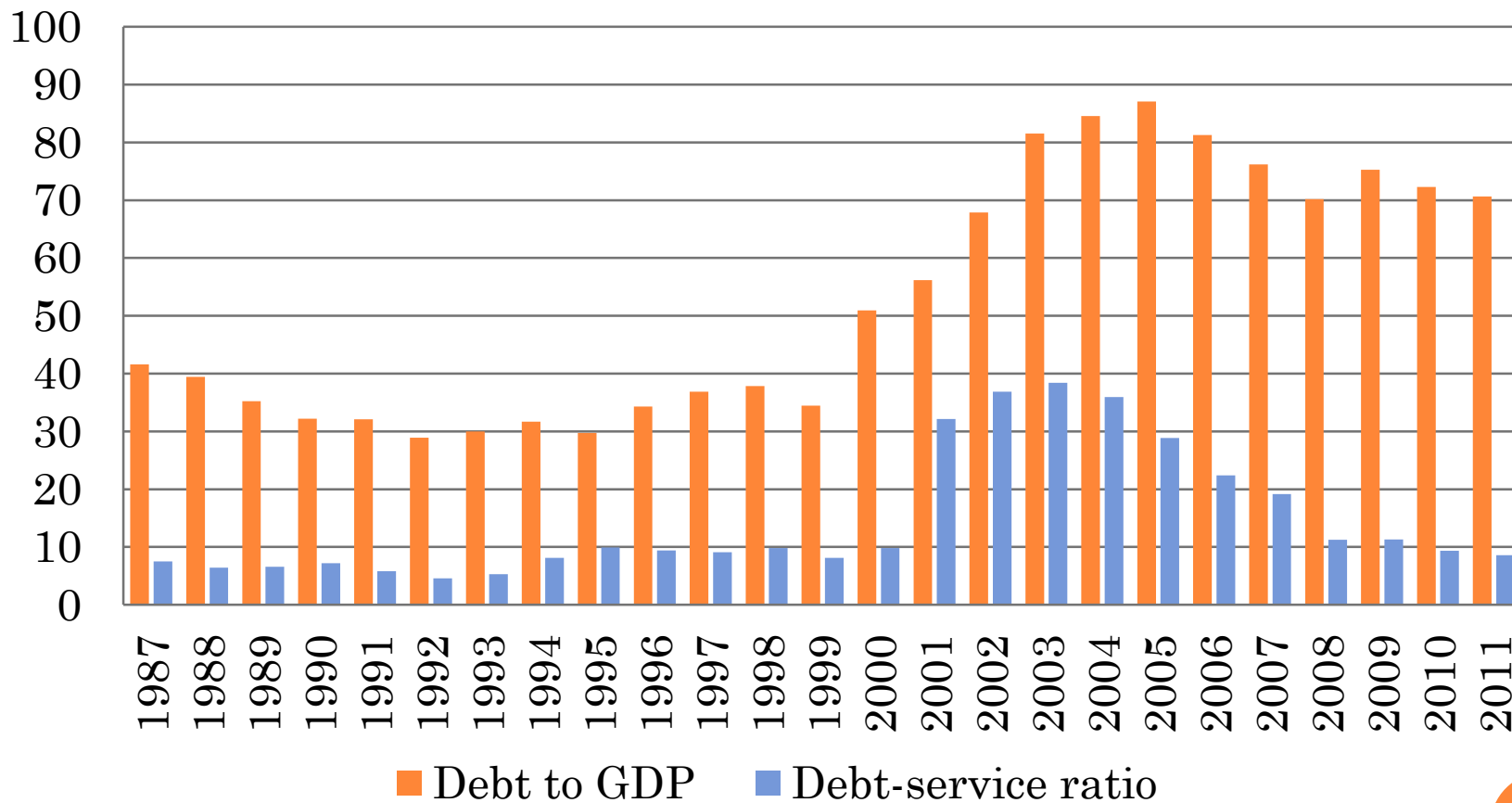
- The rate of debt accumulation was hair raising with public external debt and external guaranteed debt more than doubling from 1999 to 2003 (Figure 11). Public debt almost reached 90 percent of GDP by 2003.





# SUSTAINED ECONOMIC DEVELOPMENT

Figure 11. Debt Profile



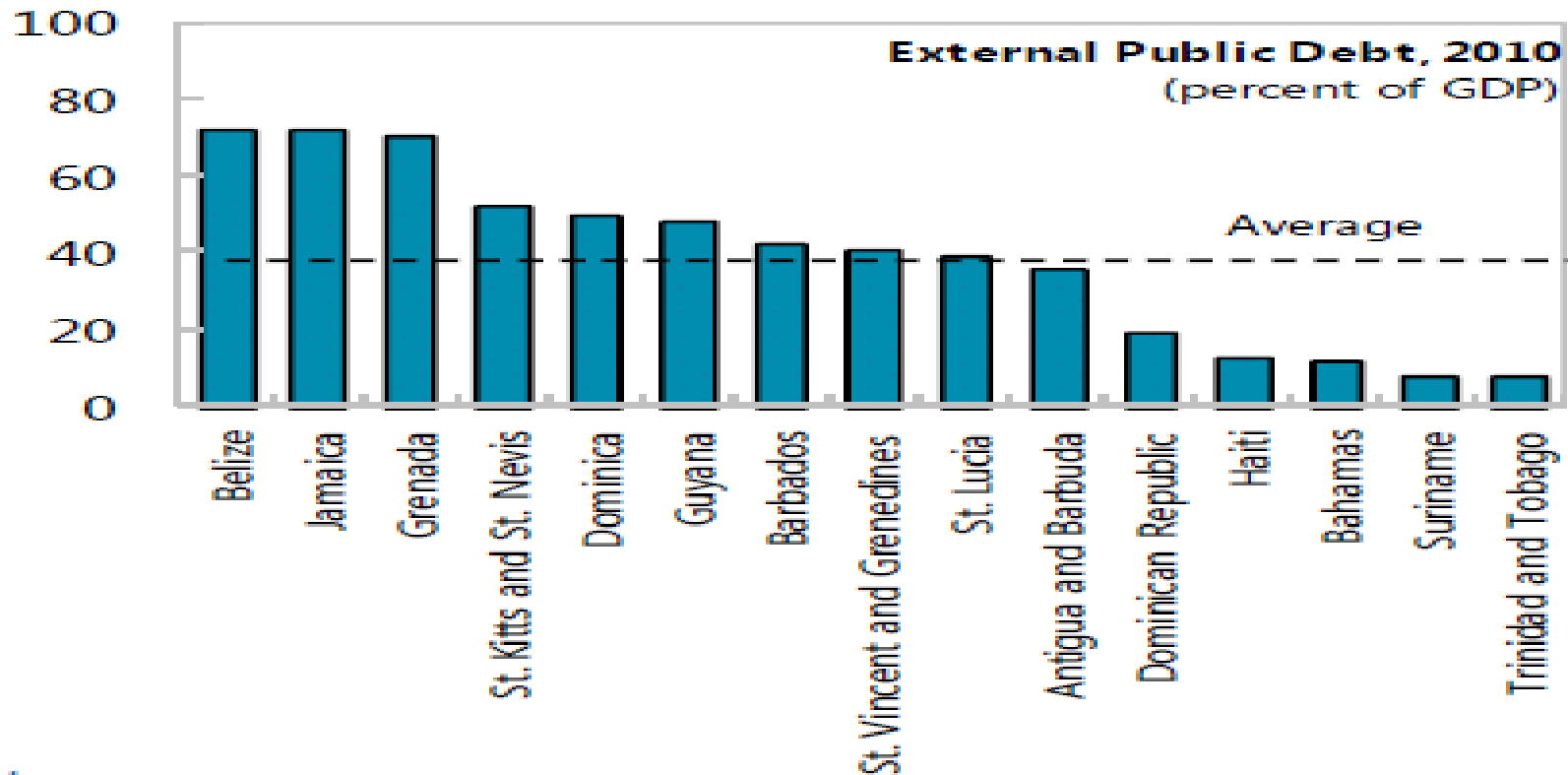
# SUSTAINED ECONOMIC DEVELOPMENT

- Belize emerged as one of the most indebted countries in the Caribbean and Central American regions (Figure 12).



# SUSTAINED ECONOMIC DEVELOPMENT

Figure 12. External Debt Burden in the Caribbean, 2010



Belize: IMF 2011 Article IV Staff Report.



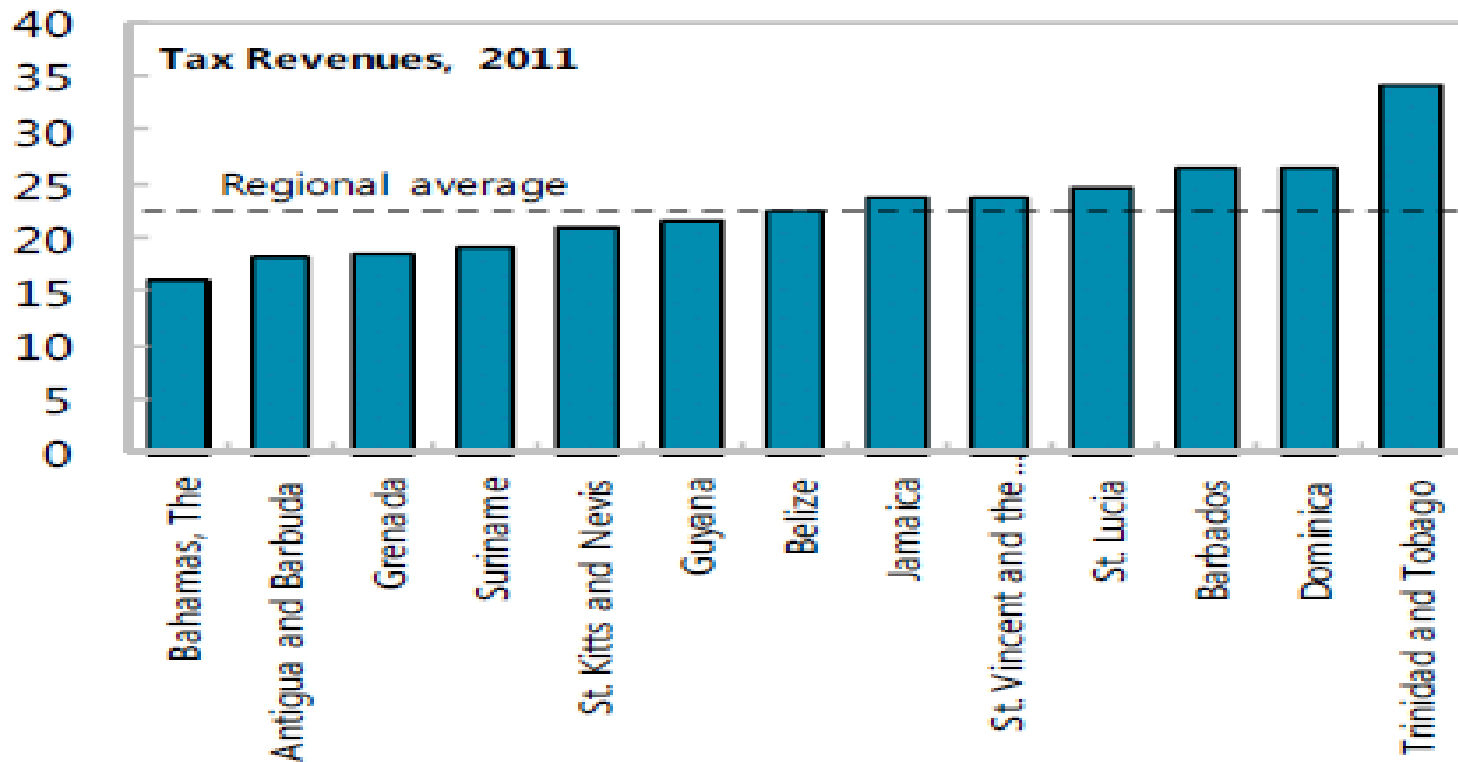
# SUSTAINED ECONOMIC DEVELOPMENT

- Belize's persistent fiscal deficits--there were budget deficits in 25 of the last 30 years—also reflected a low effort at mobilizing domestic resources through the tax system and high level of exemptions for foreign businesses, in particular.
- Belize's revenue in real terms (averaging 22 percent of GDP from 1981-2010) was one of the lowest in the Caribbean region though this ratio increased materially after 2005, on average, to 27 percent (Figure 13).



# SUSTAINED ECONOMIC DEVELOPMENT

Figure 13. Tax Revenues in the Caribbean, 2011  
(% of GDP)



Belize: IMF, 2011 Article IV Staff Report.



## GOAL #2: PROTECTING THE VALUE OF THE DOLLAR

- The idea of protecting the value of the Belize dollar concerns the purchasing power of the Belize dollar. This has two dimensions:
  - protecting the purchasing power of the Belize dollar at home and
  - protecting the purchasing power of the Belize dollar abroad.

Both goals require monetary, fiscal, and exchange rate policies that promote price stability.



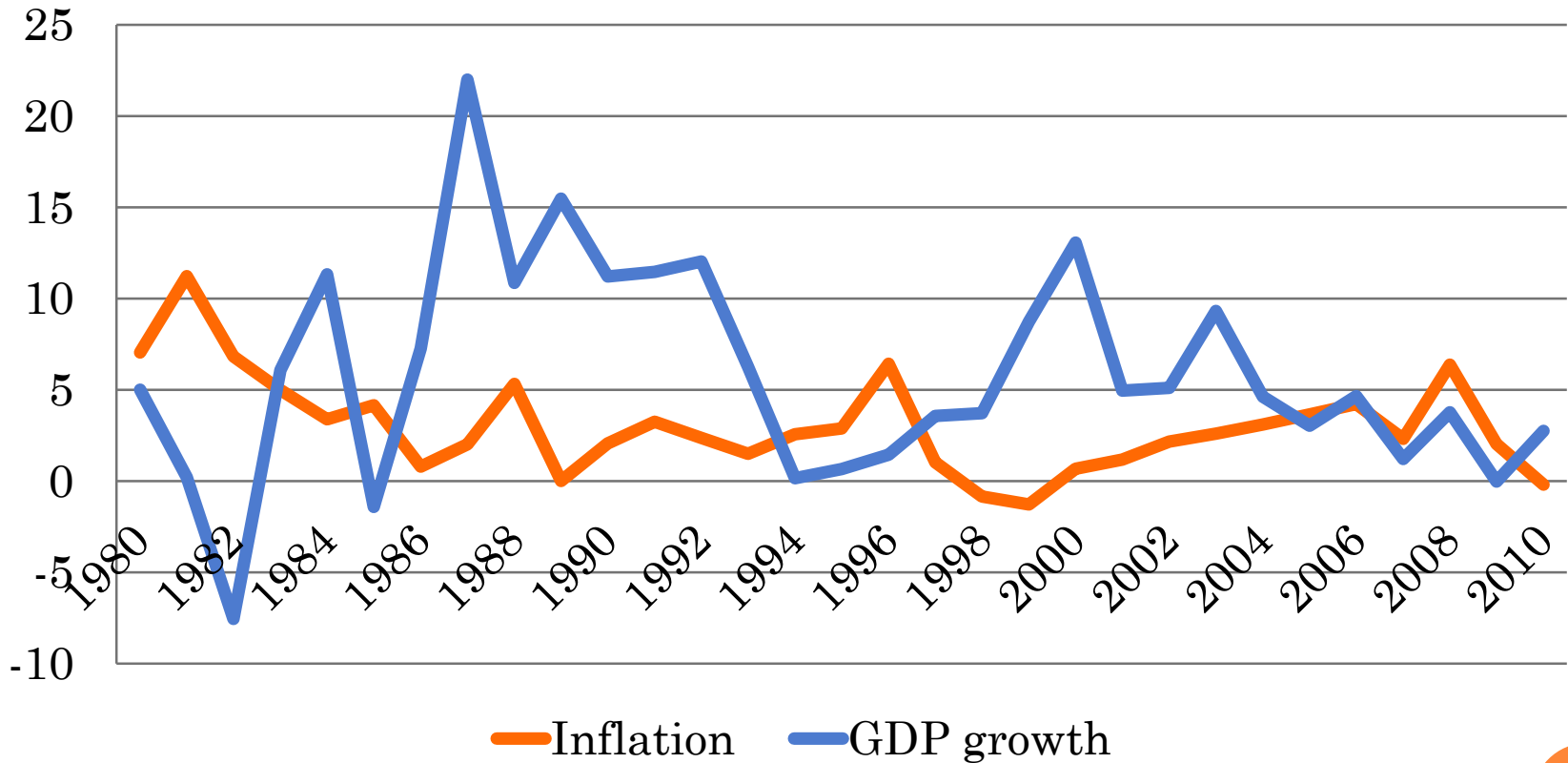
# PROTECTING THE VALUE OF THE DOLLAR

- As concerns, the value of the Belize dollar domestically, inflation and broad money indicators suggest that monetary policy has provided price stability and preserved purchasing power on average (Figure 14).



# PROTECTING THE VALUE OF THE DOLLAR

**Figure 14. Inflation, 1980-2010**  
(Average Annual Growth Rate, %)





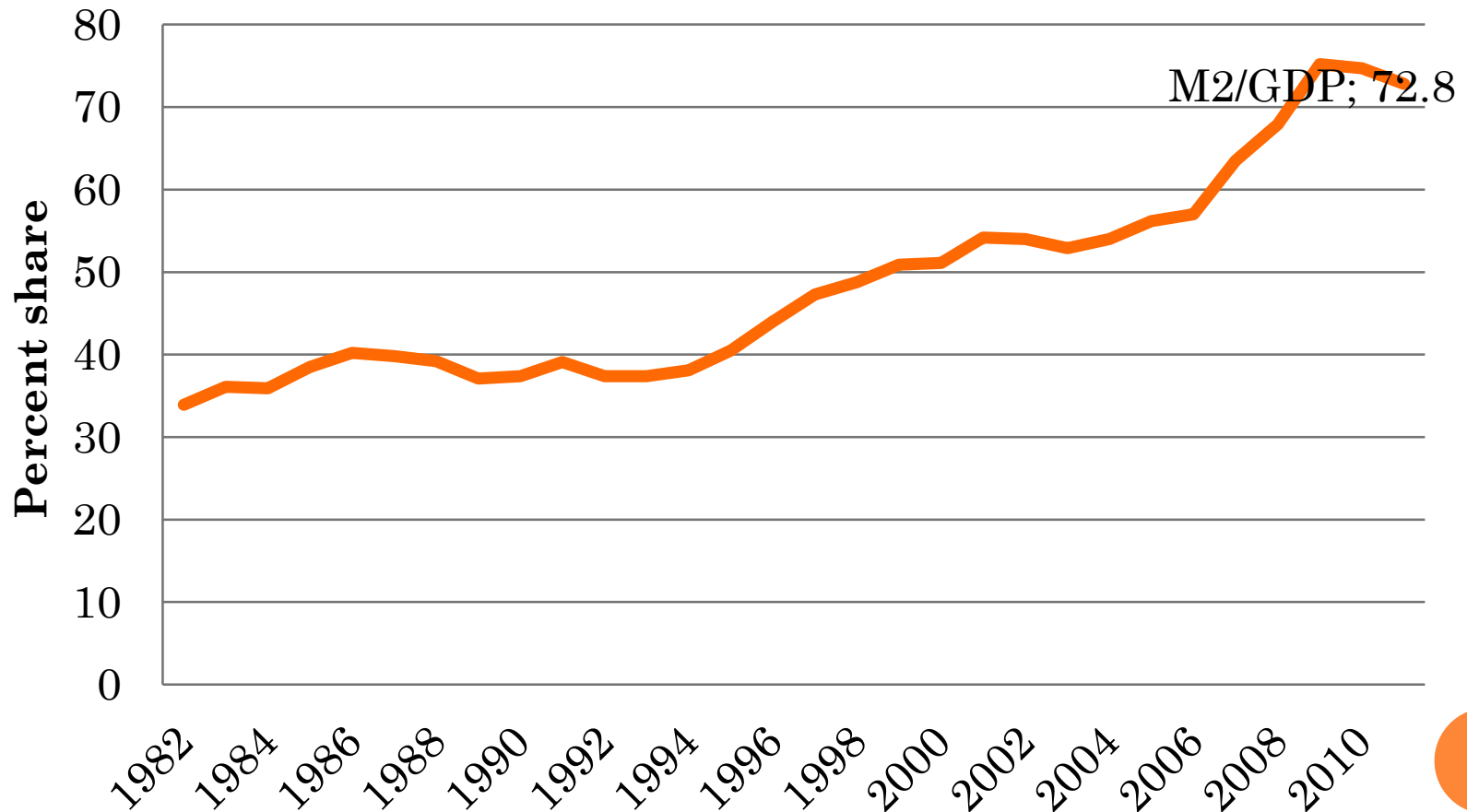
# PROTECTING THE VALUE OF THE DOLLAR

- In general, broad money as a percent of GDP was relatively stable between 1982 and 1994, and then subsequently grew at an accelerated pace through 2009, consistent with budget financing from the Central Bank of Belize and increased monetization of the economy (Figure 15).



# PROTECTING THE VALUE OF THE DOLLAR

**Figure 15. Money Supply Growth in Real Terms,  
1982-2010  
( % of GDP )**



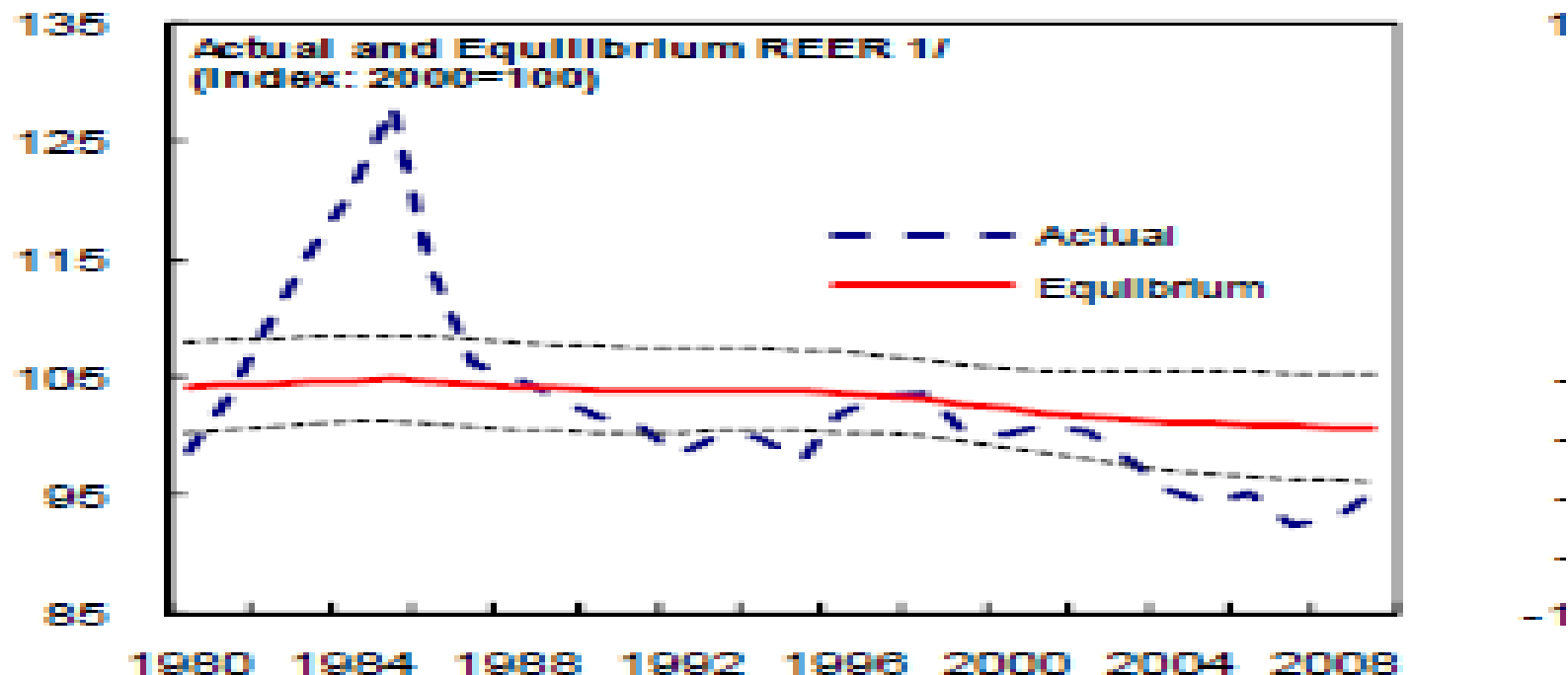
# PROTECTING THE VALUE OF THE DOLLAR

- On the international front Belize's competitiveness as measured by the real effective exchange rate (REER) has been broadly maintained since the 1980s (Figure 16).



# PROTECTING THE VALUE OF THE DOLLAR

Figure 16. Exchange Rate Competitiveness, 1980-2008



1/ The dotted lines around the equilibrium exchange rate represent 90 percent confidence intervals of the prediction.

IMF, Belize 2010, Article IV Consultation—Staff Report, page 15.



# PROTECTING THE VALUE OF THE DOLLAR

- Belize's economy has remained highly open since the mid 1980s.
- In 2008, reflecting the growing importance of international trade to Belize's economy since 2000, Belize's openness peaked at 130% of GDP.
- Accordingly, in 2010, Belize could be classified among the group of the most open economies in the region and internationally (Table 2 and Figure 17).



# PROTECTING THE VALUE OF THE DOLLAR

Table 2: Exports of Goods and Services  
(as a % of GDP)

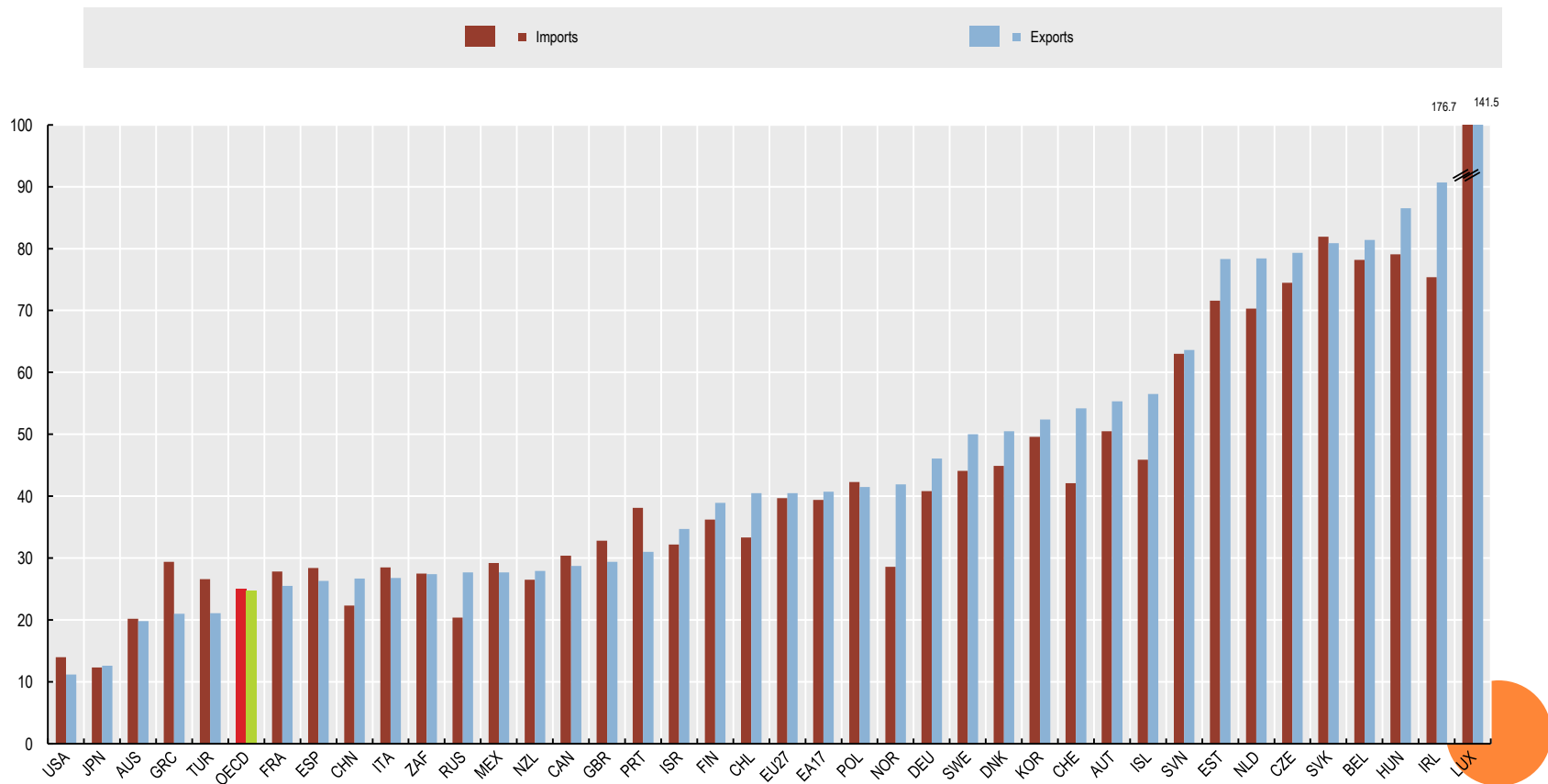
Country	2007	2008	2009	2010
Antigua & Barbuda	42	44	44	46
Barbados	59	60	61	47
Belize	65	64	54	59
Costa Rica	49	45	42	38
Dominica	34	34	32	32
Dominican Republic	29	25	22	22
El Salvador	26	27	23	26
Guatemala	26	25	24	26
Honduras	54	51	41	44
Jamaica	39	40	34	26
Mexico	28	28	28	30
Nicaragua	34	34	35	43
Trinidad & Tobago	65	64	n.a.	n.a.

Source: IMF



# PROTECTING THE VALUE OF THE DOLLAR

Figure 17. International Imports and Exports of Goods and Services



# PROTECTING THE VALUE OF THE DOLLAR

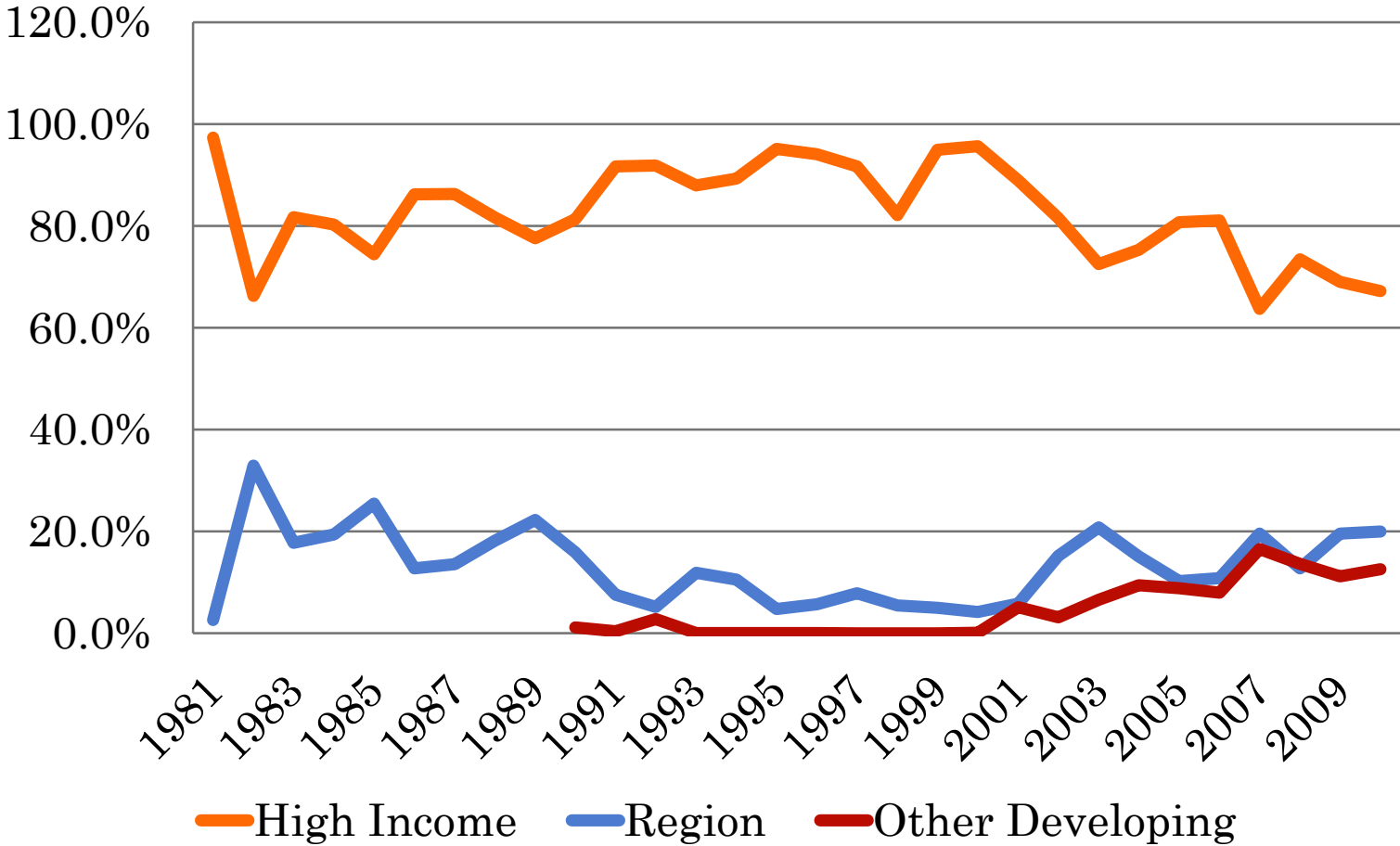
- The change in the direction of Belize's trade also suggests there has been trade creation on average during the last 30 years (Figure 18).





# PROTECTING THE VALUE OF THE DOLLAR

**Figure 18. Direction of Merchandise Trade  
(% of Total Merchandise Trade)**



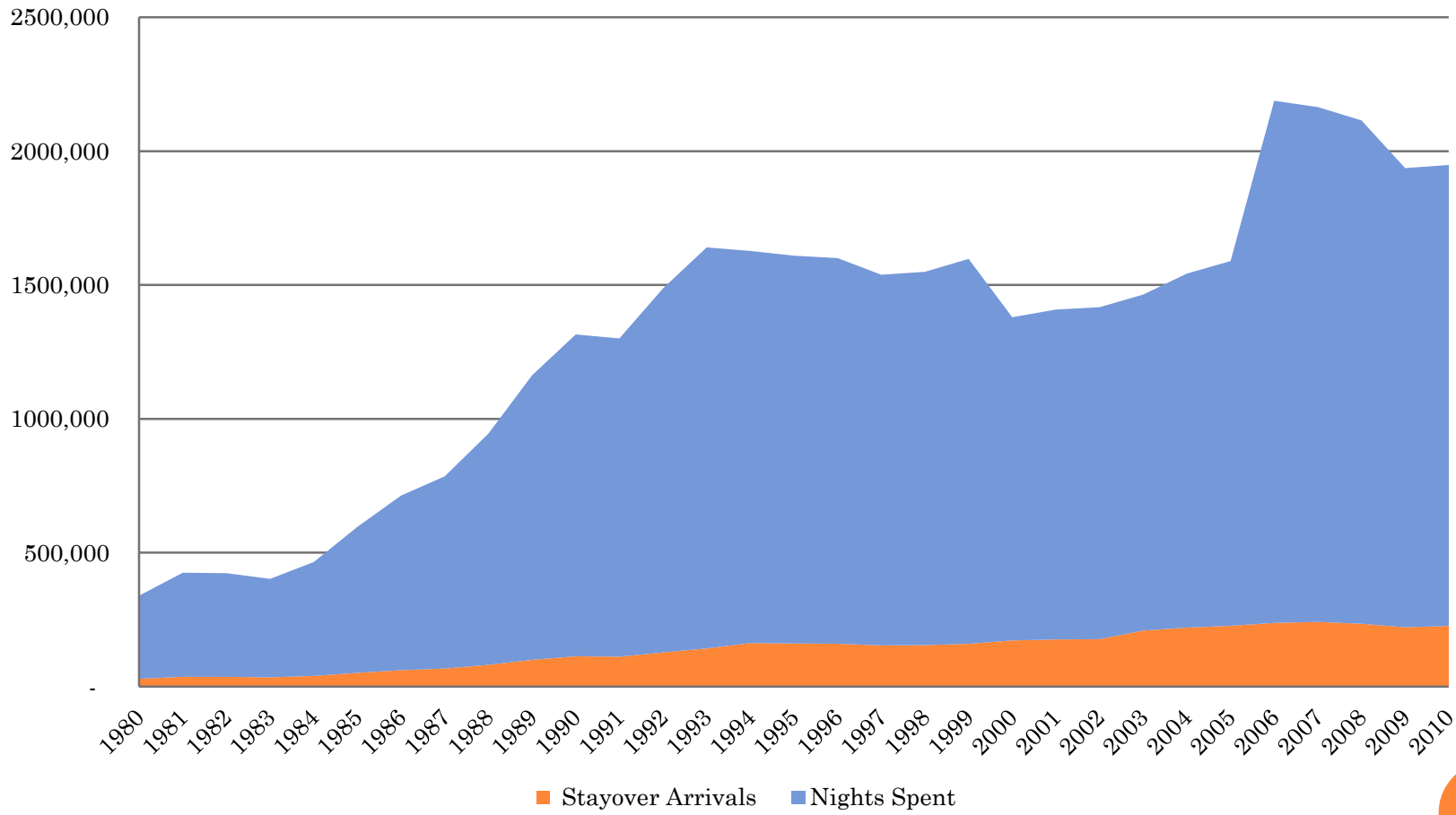
# PROTECTING THE VALUE OF THE DOLLAR

- Similarly, most of Belize's tourists are short haul visitors from advanced economies—mainly the U.S. and Canada, Figures 19 and 20.



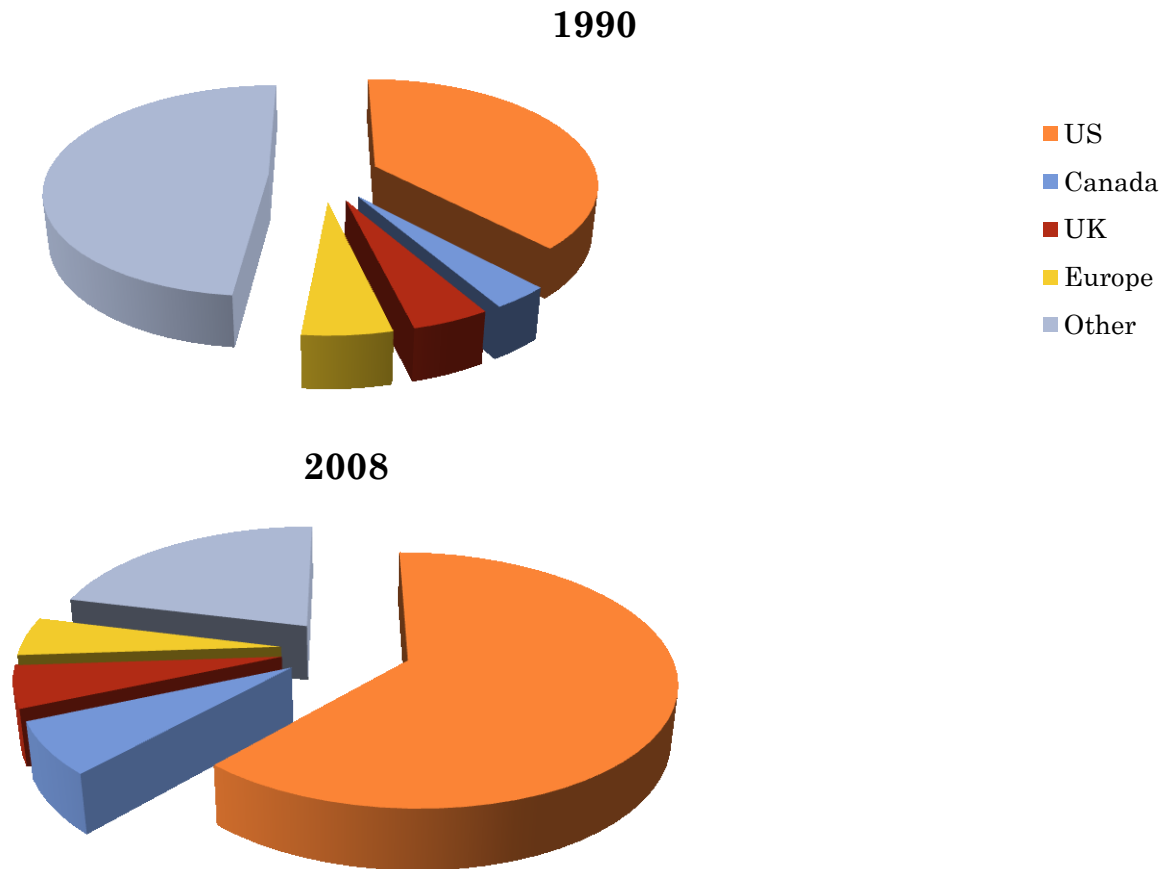
# PROTECTING THE VALUE OF THE DOLLAR

**Figure 19. Overnight Visitor Arrivals and Nights Spent**



# PROTECTING THE VALUE OF THE DOLLAR

**Figure 20. Share of Total Arrivals 1990 and 2008**



# PROTECTING THE VALUE OF THE DOLLAR

- Belize's overnight arrivals are the lowest among comparators. As a consequence tourism expenditure per capita in Belize is low relative to these comparators.
- Clearly there also would be potential benefits from diversifying into other origin markets. Benefits include:
  - the higher per capita expenditure of long-haul travelers on average as compared to short-haul visitors.
  - lower income and price elasticities of tourism demand for long-haul travelers on average.
- Benefits would arise also from building an accurate and detailed tourism data base to facilitate quantification of the contributions of the tourism sector to the economy.



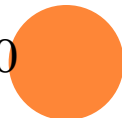
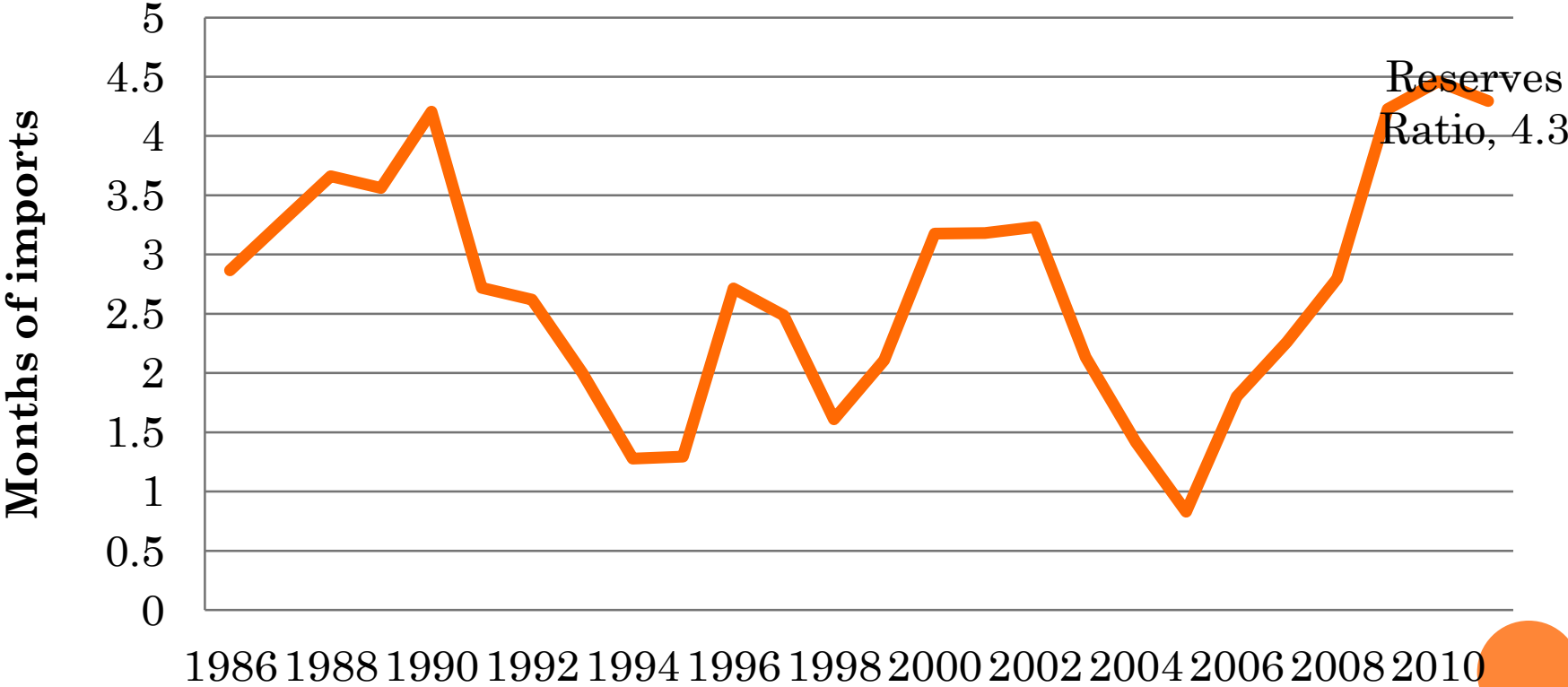
# PROTECTING THE VALUE OF THE DOLLAR

- Over the medium term, Belize's high degree of openness, a weakening foreign reserve position (Figure 21) and elevated external financing needs have increased Belize's vulnerability to shocks.



# PROTECTING THE VALUE OF THE DOLLAR

**Figure 21. Reserves Cover of Imports  
(percent)**



# PROTECTING THE VALUE OF THE DOLLAR

- The changes in the Belizean economy, the direction of trade and the structure of trade suggest that over the medium term there may be merit, at some time in the future, in revisiting the exchange rate arrangement from the perspective of the original goals articulated for pegging to the U.S. dollar in the first place.
- Consideration of expanding the peg to include other currencies might facilitate trade creation and growth.





# GOAL #3: A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

- It is increasingly recognized that the financial system plays a crucial role in the process of economic development.
- Economic research has consistently found that the availability of credit is a binding constraint for both macro and micro-enterprises in development.
- While Belize's financial system has experienced some growth and diversification since 1980, it is characterized as comparatively underdeveloped and also high cost with implications for private sector development (PSD).



# A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

- In terms of the policy environment, there seems to be a consensus that the orientation of fiscal policy since 1980 was not one that was enabling to private sector credit growth (Figure 22) and more generally financial intermediation.



# A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

**Figure 22. Credit to the Private Sector  
(percent change)**



# A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

- There is some evidence of government deficits crowding out private sector investment via higher interest rates in 1985-96.
- However, the private sector has had access to credit also through international channels so there is some consensus that crowding out effects have been minimal.
- Belize's real interest rates have been persistently high and are among the highest in Belize's income group. This is despite the absence of exchange rate risk given the durability of the exchange rate peg.



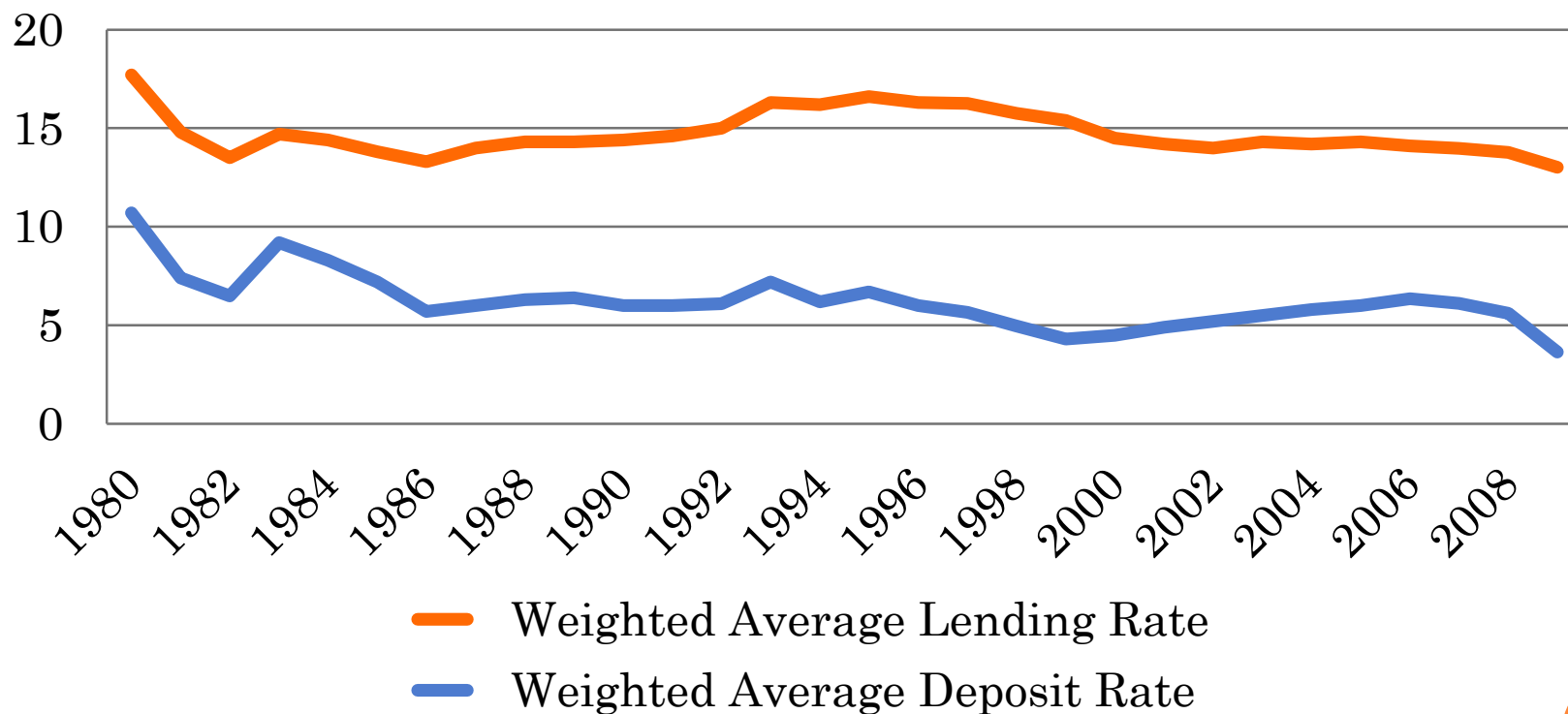
# A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

- Historically, Belize's banking system has been characterized by high and relatively stable spreads between lending and deposit rates (Figure 23).



# A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

**Figure 23. Lending and Deposit Rates  
(weighted average)**



## A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

- **On the structure of Belize's financial sector**, though still small and undeveloped, it has evolved since 1980 to include along with commercial banks, credit unions, insurance companies, international banks and the Development Finance Corporation (DFC).
- There has also been further financial deepening as the ratio of domestic bank deposit liabilities to GDP rose from 44.1% to 62.7%. in the period 1996-2007.
- Currently, there are five commercial banks focused on the domestic economy, and seven international banks offering mainly offshore services to non-residents (Table 3).



# A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

Table 3: Financial Institutions Operating in Belize (BZ\$ millions)				
	1996		2011	
	Number of Institutions	Total Assets	Number of Institutions	Total Assets
Commercial Banks	4	706.5	5	2120.5
Credit Unions	11	105.8	14	414.7
International Banks	0	-	7	357.9
DFC	1	62.5	1	217.2
Insurance Companies	15	52.6	12	148.4





## A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

- The newest players in Belize's financial system are the international banks and insurance companies whose combined shares in total system assets were about 24 percent in 2011.
- In 1992 there were 20 insurance companies (with gross income of about \$13 million) providing mainly life insurance of which half were branches of foreign companies.
- There was significant growth in the insurance sector: by 2007, there were 13 life insurance companies providing life insurance (29%) and general insurance with gross income of about \$113 million.



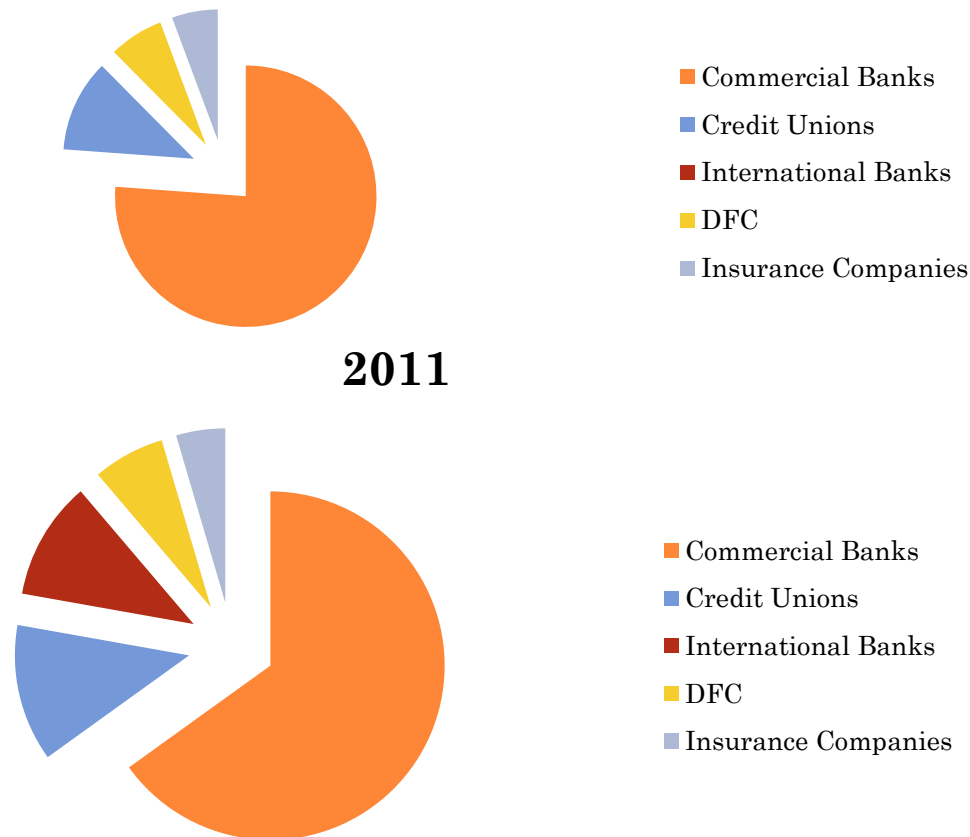
# A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

- The establishment of Belize's first international bank dates to 1996. The more modest growth of this industry has been attributed to strict Central Bank supervision aimed at safety and transparency from the inception. International banks' activities were initially restricted to non-residents
- In 2011, there were 7 international banks operating in Belize, accounting for 11 percent of total financial system assets.
- Lending activity by international banks has grown on average 31 percent yearly since 1999 with total loans representing about 11 percent of total commercial bank loans and advances (Figure 24).



# A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

**Figure 24. Share of Financial System Assets  
1996**



## A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

- Since 1980, commercial bank expansion combined with financing from credit unions has drawn more residents to participate in the formal financial sector.
- However, much economic activity in Belize comes from small-scale producers and enterprises. Most are non-corporate, unlicensed, unregistered enterprises, including small farmers, producers, artisans, trades people, and independent traders operating in the informal sector outside the purview of the banking system.
- There has been a proliferation of informal and formal moneylenders in Belize to help meet the financing needs of this group.



# A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

- More generally, bank prudential indicators weakened after 2008 with high nonperforming loans (NPLs) and low provisioning.
- According to the IMF, although capital ratios appear adequate, NPLs continued to deteriorate into 2011, posing a risk to banking sector stability.
- In response, the Central Bank moved to upgrade the regulatory and bank resolution frameworks. Present plans to improve prudential rules should also help provide banks with better protection against credit risks.



# A SAFE, SOUND, AND EFFICIENT FINANCIAL SYSTEM

- Finally a word on the DFC and its continued financial difficulties. The DFC was a major instrument for the Government's aggressive spending program during the second boom period resulting in a concomitant surge in external debt.
- By 2003, DFC represented a major drain on public finances. The government provided 8 percent of GDP to DFC—2 percent to fund credit expansion and new investments. In addition, government provided about 6 percent of GDP to reduce the external liabilities of the DFC.
- The DFC faced increased indebtedness and issues of non-performing loans began to emerge.



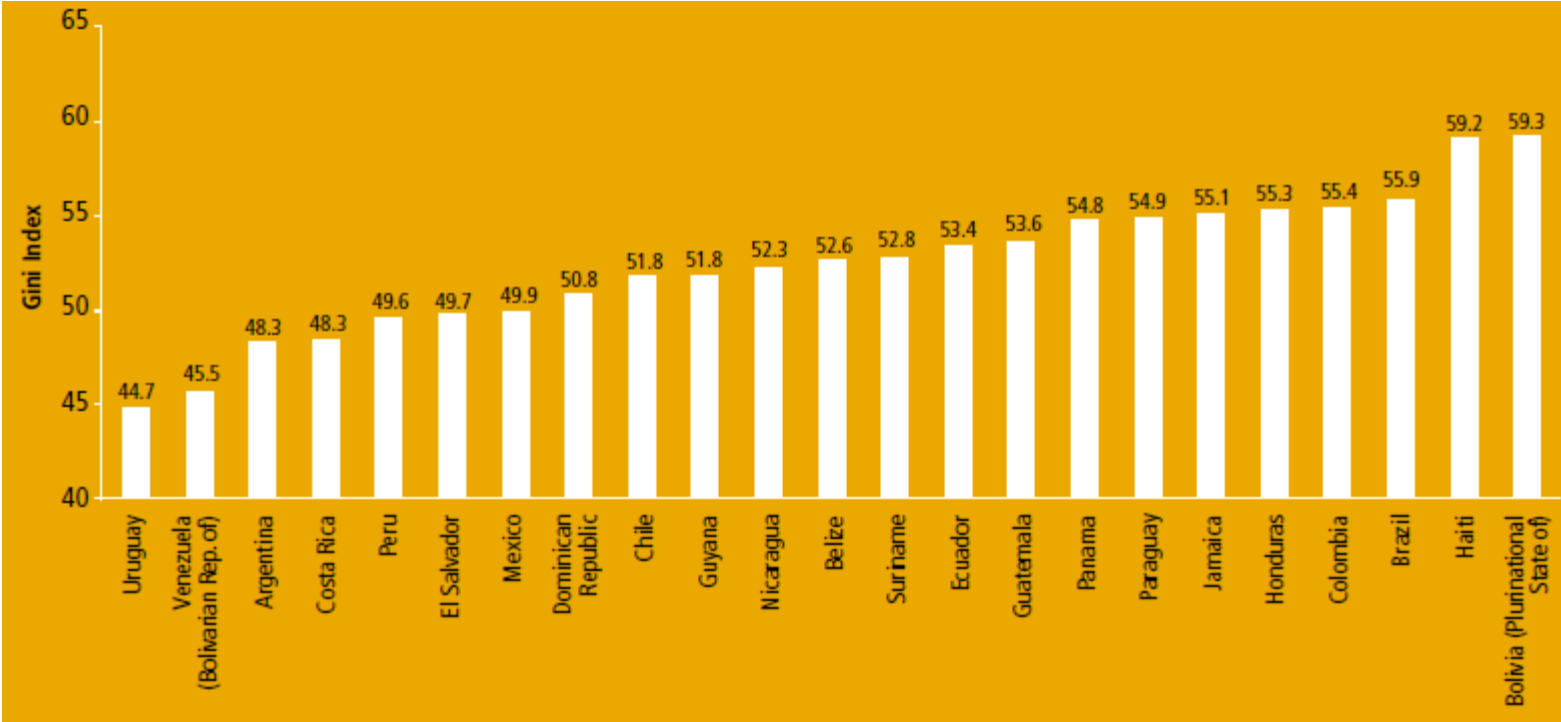
# GOAL #4: SOCIAL PROGRESS AND PROTECTION

- Some of the main social indicators in Belize— income distribution, the poverty rate, employment and compensation indicators, indicators of the level of education and health services provided, the state of the environment, and the level of crime and corruption—suggest mixed outcomes in terms of social progress despite expansive incomes policies and significant spending on social services.
- Inequality and high levels of income disparity, as well as low national socioeconomic development are among the major challenges confronting Belizean policy makers since independence



# SOCIAL PROGRESS AND PROTECTION

Figure 25. Latin America and the Caribbean, Income Inequality



Source: Regional Human Development Report, Latin America and the Caribbean, 2010





# SOCIAL PROGRESS AND PROTECTION

Table 4. Income Distribution in Central America

	Year	Gini Index	GDP Growth
Belize	1993	0.60	
	1999	0.53	13.0%
Costa Rica	1990	0.44	
	2002	0.49	2.0%
El Salvador	1995	0.50	
	2001	0.52	2.0%
Guatemala	1989	0.57	
	2002	0.54	1.1%
Honduras	1990	0.61	
	2002	0.60	0.1%
Nicaragua	1993	0.58	
	2001	0.58	0.1%
Panama	1991	0.59	
	2002	0.56	2.1%



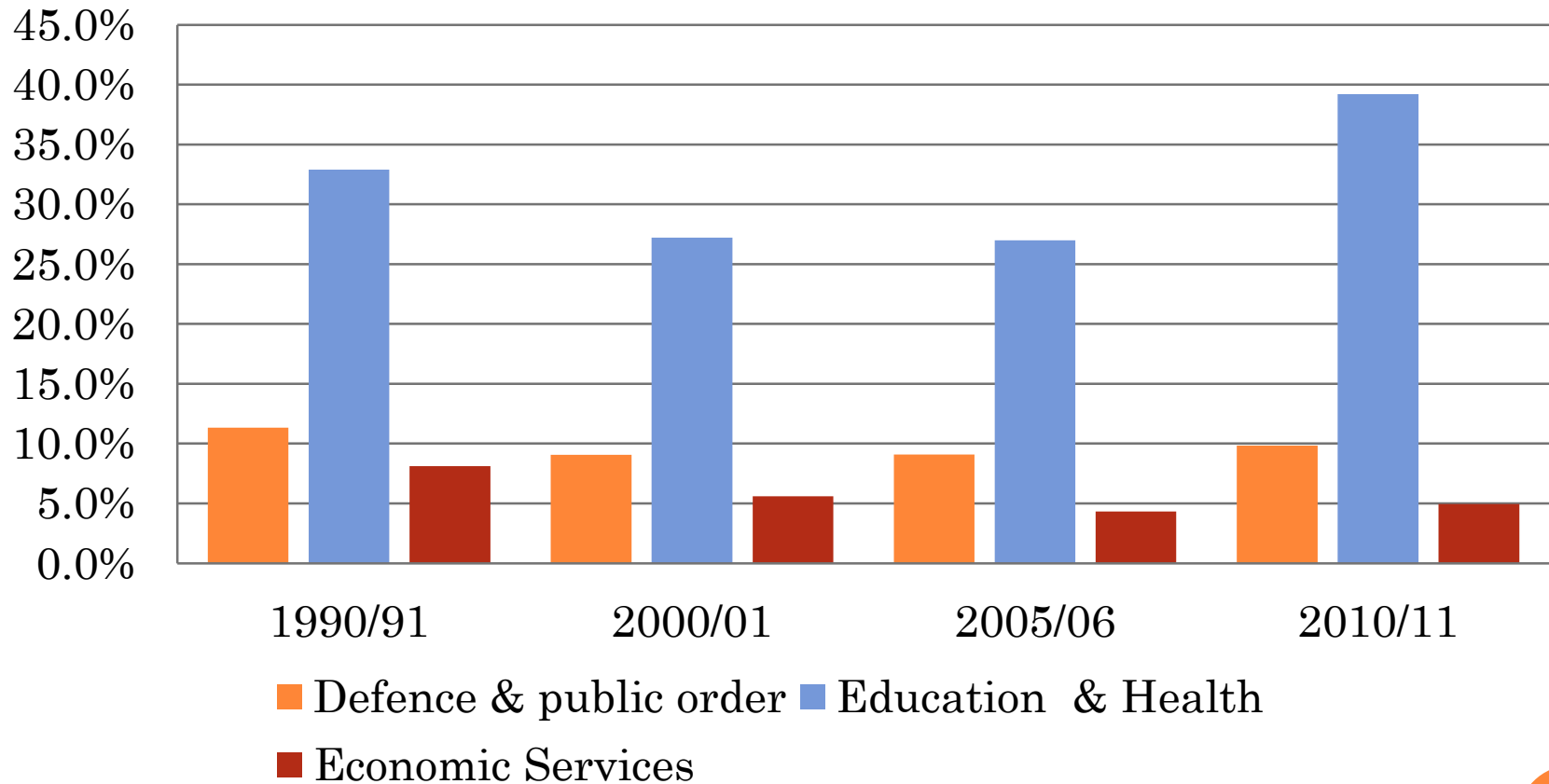
# SOCIAL PROGRESS AND PROTECTION

- The high poverty rate persists in Belize despite the relatively significant amount of resources allocated to social protection, about 39 percent of the budget in 2010/11 (Figure 26).



# SOCIAL PROGRESS AND PROTECTION

**Figure 26. Allocation of Budget Among Selected Expenditure Categories**



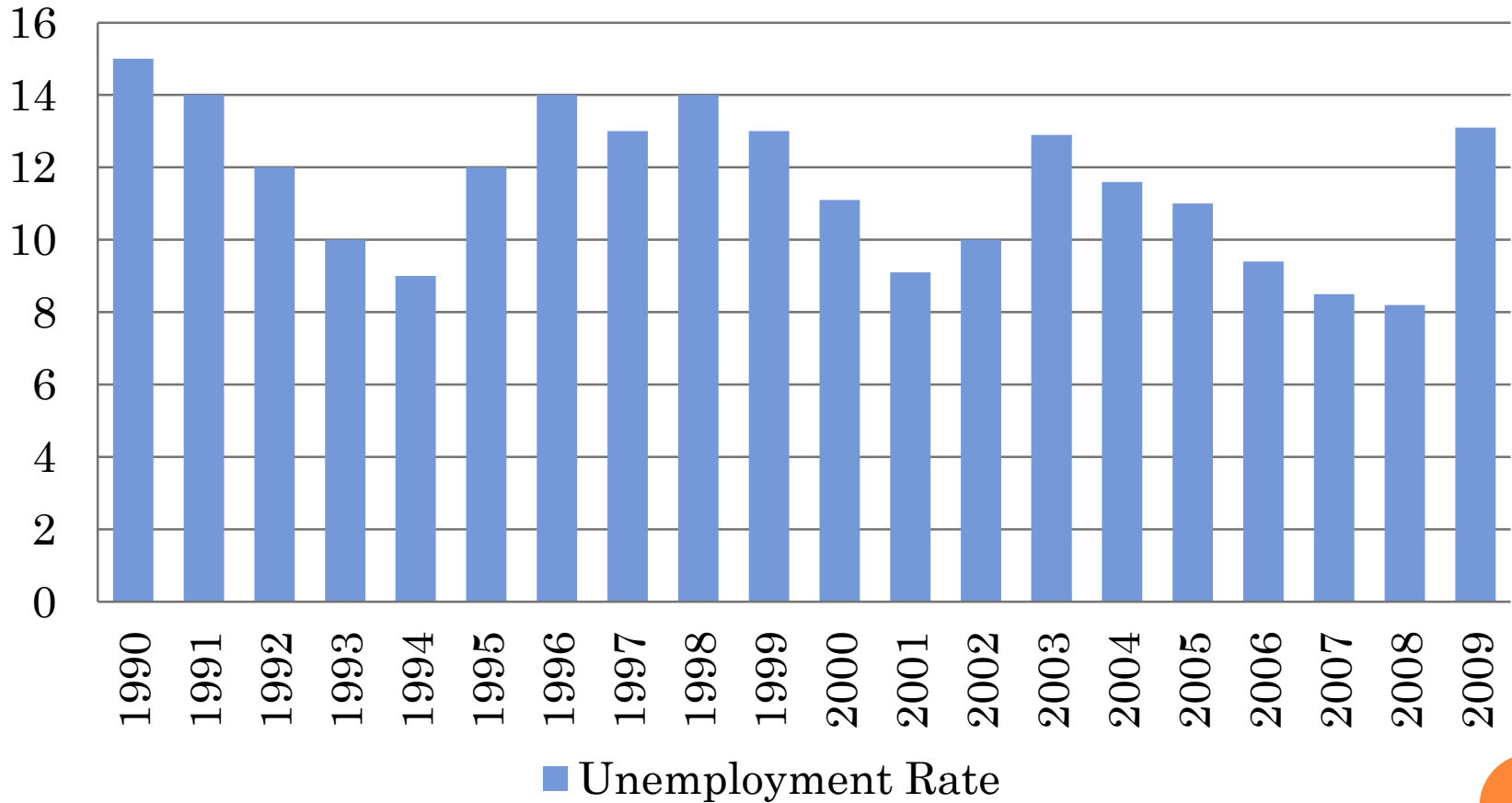
## SOCIAL PROGRESS AND PROTECTION

- Employment and labor market participation is another dimension of wellbeing.
- Belizean employment and labor force participation have seen modest gains since independence (Figure 27).



# SOCIAL PROGRESS AND PROTECTION

**Figure 27. Unemployment Rate, 1990-2009**  
**Percent of Labor Force**



## SOCIAL PROGRESS AND PROTECTION

- The Government of Belize has had an expanding role in employment and compensation since 1990.
- Government's share in employment increased from 5 to 8 percent, reflecting a rate of increase in public sector employment of 10.5 percent annually.
- Reflecting this feature, the government's wage bill is high inter-temporally and by regional and international standards (Table 5)



# SOCIAL PROGRESS AND PROTECTION

**Table 5. Government Compensation of Employees<sup>1</sup>**

Country Groups	% of	% of	% of
	GDP	Government Expenditures	Government Revenues
Africa	6.5	30.4	29.5
Asia and Pacific	5.1	26.2	23.1
Europe	5.7	17.4	17.5
Western Hemisphere	8.2	31.0	29.6
<b>Belize</b>	<b>10.5</b>	<b>45.1</b>	<b>47.5</b>
Middle East and Central Asia	7.1	28.9	24.8
European Union	5.2	15.9	16.3
Low-Income Countries	5.2	28.6	27.9
Middle-Income	7.3	27.6	26.0
High Income	6.1	20.4	18.6

Source: GFS database, IMF staff estimates, and Belize, Ministry of Finance Budget data.



# SOCIAL PROGRESS AND PROTECTION

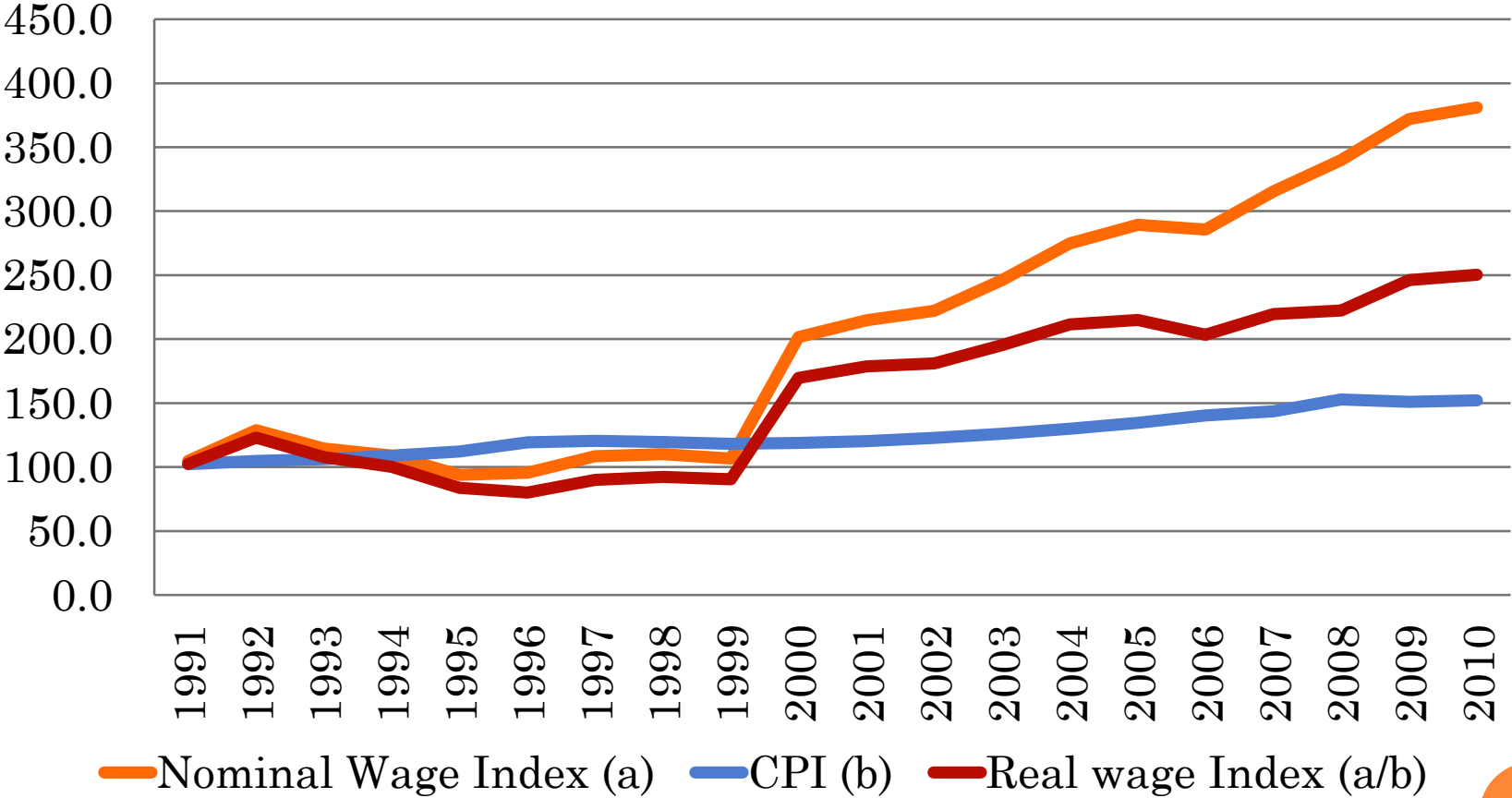
- Notwithstanding, the rapidly rising wage compensation, through the last two decades, real wages in Belize have declined in recent years (Figure 28).





# SOCIAL PROGRESS AND PROTECTION

**Figure 28. Public Sector Wages 1991-2008**



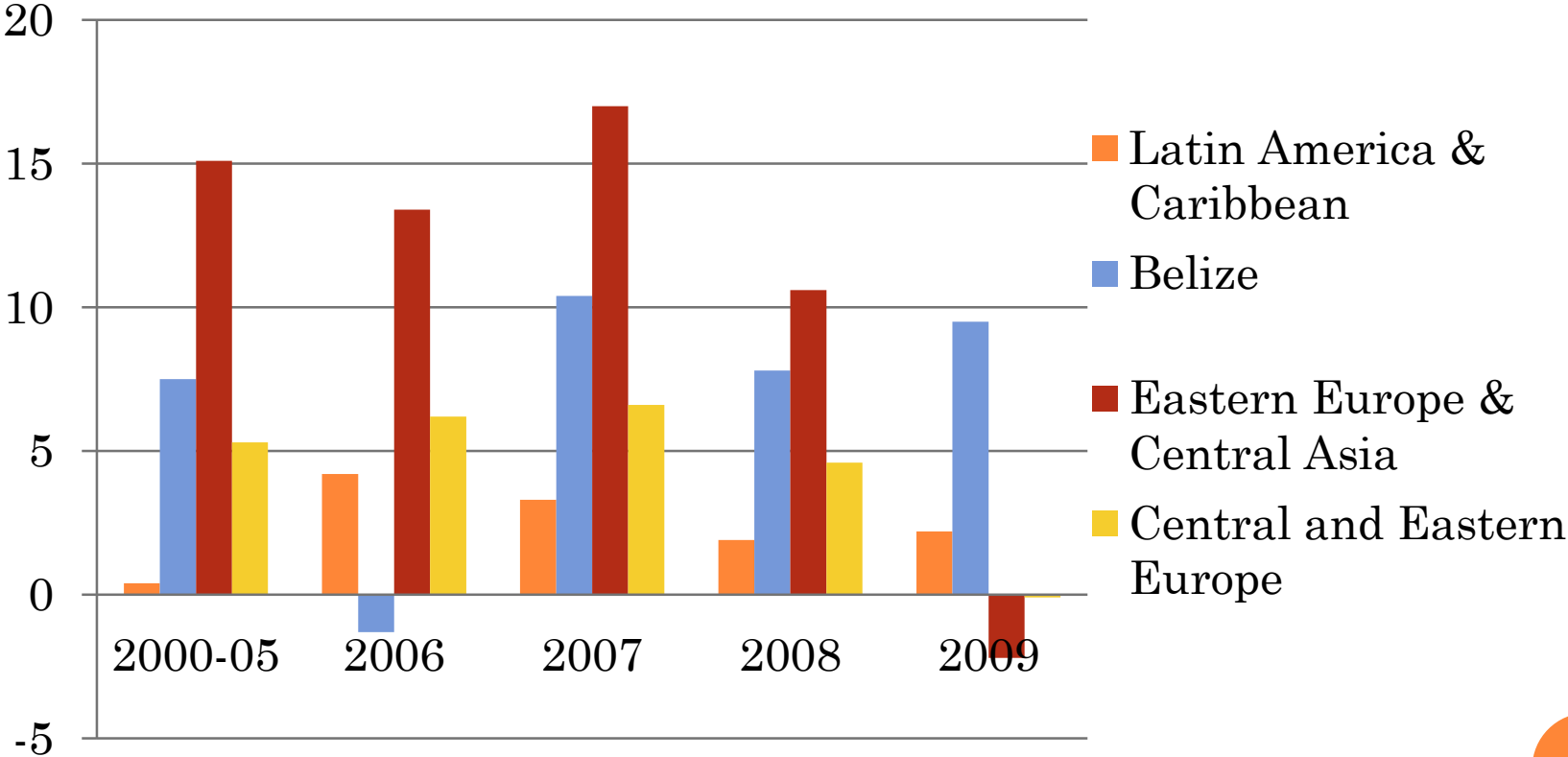
# SOCIAL PROGRESS AND PROTECTION

- In comparison, 1999-2004 private sector real wages grew on average by 2.2 percent, followed by a real wage decline of 21 percent in 2009 relative to the average for 2000-2004.
- Belize's minimum monthly wage fell in 2008 and 2009 also relative to developments in real minimum monthly wages in countries in Central America and the Caribbean (Figure 29).



# SOCIAL PROGRESS AND PROTECTION

**Figure 29. Regional Wage Growth, 2000-09**  
(in percent, per annum)



# SOCIAL PROGRESS AND PROTECTION

- Education and health spending appear to have the greatest effects upon the level and changes in income.
- In Belize, government expenditure on social services has dominated budget expenditure at the expense of spending on economic services and public defense and order.
- In addition, the allocations for compensation to the social services have been high in real terms by international standards (Table 6).



# SOCIAL PROGRESS AND PROTECTION

**Table 6. Education & Health Sector Wage Bills, 2001-08**

*(Percent of Sectoral Expenditures)*

<b>Country Groups</b>	<b>Education Wage Bill</b>	<b>Health Wage Bill</b>
Africa	66.7	40.6
Asia and Pacific	64.7	45.1
Europe	65.2	43.5
Western Hemisphere	75.2	64.6
<b>Belize</b>	<b>90.6</b>	<b>51.3</b>
Middle East and Central Asia	76.1	55.5
European Union	69.2	45.6
Low-Income Countries	65.6	42.9
Middle-Income	73.8	52.1
High Income	61.4	43.5

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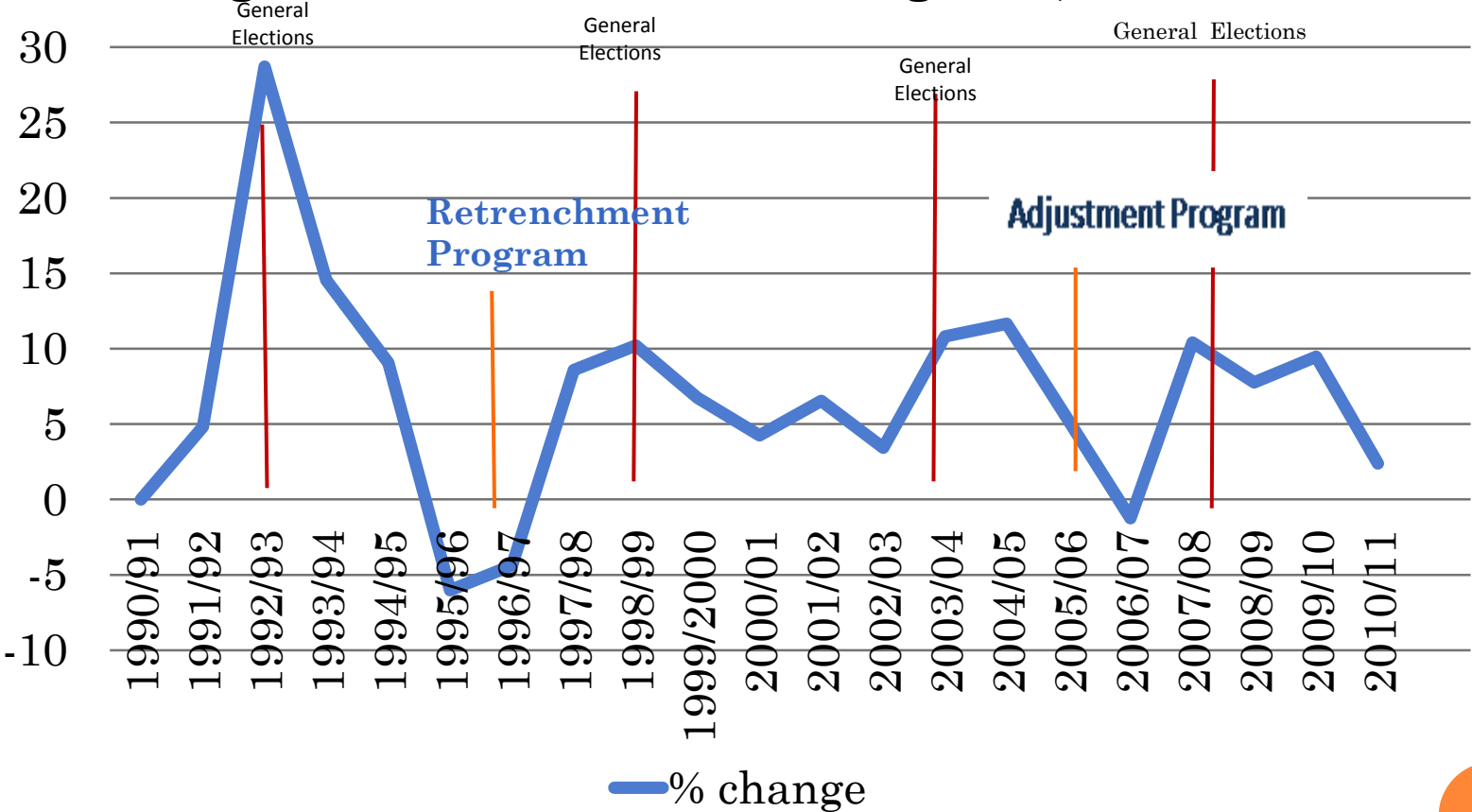
Source: GFS database and IMF staff estimates; Evaluating Government Employment and Compensation, Clements et.al.

<sup>1</sup>Central Government averages for 2000-08.



# SOCIAL PROGRESS AND PROTECTION

**Figure 30. Evolution of the Wage Bill, 1990-2010**



# SOCIAL PROGRESS AND PROTECTION

- Reflecting the fact that education has been a priority since 1980, returns to education in Belize have been rising slightly. However, a more targeted approach is required.
- For most countries in LAC, education contributes the most to human development. Belize stands as one of a few exceptions.
- For Belize, according to UN data, returns remain under 10 percent per year—lower than the return in Mexico, but higher on average than the returns to education in neighboring Central American countries.



# SOCIAL PROGRESS AND PROTECTION

- **The Human Development Index (HDI)** for Belize provides a comprehensive and more positive assessment of developments in Belize since 1980.





# SOCIAL PROGRESS AND PROTECTION

**Table 7. HDI Indicators 1980-2011**

	Life Expectancy At Birth	Expected years of Schooling	Mean years of Schooling	GNI per capita (2005 PPP\$)	HDI Value
1980	70.2	10.7	7.3	3,582	0.619
1985	71.5	10.7	7.6	3,057	0.620
1990	72.5	10.7	8.0	4,354	0.651
1995	73.1	10.7	8.5	4,568	0.662
2000	73.5	10.9	8.1	5,149	0.668
2005	74.5	12.6	7.7	5,753	0.689
2010	75.9	12.4	8.0	5,811	0.698
2011	76.1	12.4	8.0	5,812	0.699

Source: UNDP, Human Development Report, 2012.



# SOCIAL PROGRESS AND PROTECTION

**Table 8: HDI: Regional Country Comparisons**

<b>Country</b>	<b>Value</b>	<b>HD Level</b>
Barbados	0.793	Very high
Mexico	0.770	High
Trinidad & Tobago	0.760	High
Jamaica	0.727	High
<b>Belize</b>	<b>0.699</b>	<b>High</b>
El Salvador	0.674	Medium
Honduras	0.625	Medium



# SOCIAL PROGRESS AND PROTECTION

- Turning to the outlook, social indicators and progress toward achieving the MDGs are mixed.
- According to the 2010 UNDP Scorecard and Outlook Report, Belize is on track to meet MDG targets with respect to child mortality, major diseases, and the environment.
- However, it is not on track to meet targets related to poverty, education, gender, maternal health, and debt management. Belize is in last position (131st) on the Global Gender Gap Index in the area of political empowerment of women, along with Saudi Arabia, Qatar and Brunei.



# SOCIAL PROGRESS AND PROTECTION

- A final assessment of Belize's social and economic progress concerns two more recent challenges—changes in the environment and the level of crime.
- One of the most pressing problems facing Belize today, with negative implications for economic growth, are environmental issues including deforestation and drought.



# SOCIAL PROTECTION AND PROGRESS

- Belize's national forest cover has declined in 2011, more than 1 percentage point to an estimated 62 percent.
- Almost a third of the roughly 1 million acres of agricultural land in Belize occurs on land classified as marginal or unsuitable for agricultural activity.
- Almost a tenth of agricultural activity occurs on steep slopes prone to erosion. Moreover, 4 percent of all agricultural land is located in areas at extreme risk of erosion, should there be sufficient rainfall (such as in a storm event).



# SOCIAL PROTECTION AND PROGRESS

- Land conversion is a major cause of land degradation
- Deforestation accounts for the degradation of half a million acres (almost a tenth) of the nation's land in the past thirteen years.
- Most of the clearings occurred in central Belize, particularly in the Belize River watershed, which could have potential future impacts on drinking water quality should the trend continue.
- Most of the deforestation was clearing of broadleaf forest. Alarming is that mangrove forest was cleared at a higher rate from 2010-2012 as compared to 2004-2010.
- The Guatemalans exploitation of the reserves, e.g., the Chiquibul forest is another source of environmental degradation.



# SOCIAL PROGRESS AND PROTECTION

- Belize serves as a leader in protected area management in establishing the National Protected Areas System Plan (NPASP) and the Protected Areas Conservation Trust (PACT) and in this context elaborated a protected area policy for the country.
- Recent developments suggest that a priority ahead is the review and strengthening of Belize's national policy for protected areas.
- With agriculture and tourism development, representing two of four pillars of the Government's growth strategy, current environmental policies may call into question economic sustainability if more concerted action does not continue on this front.



# SOCIAL PROTECTION AND PROGRESS

- Regarding the crime rate, the economic slowdown, increase in unemployment (especially among youth), drug trade, and the increased poverty rate have been associated with a surge in crime.
- A faltering education system also contributes to crime among youth.
- Additional pressure on social services and crime have come from the increase in immigration mainly from the neighboring Central American Republics.





# SOCIAL PROGRESS AND PROTECTION

- The prevalence of crime in Belize threatens one of its main engines of growth—tourism— and in turn, GDP growth and compromises well being.
- Combating crime is essential and this has high financial costs and also involves a significant distraction from the more positive activities that help to raise the standard of living and promote wellbeing.
- A strengthened public-private partnership is key to addressing crime. Private sector growth has to be sufficient to produce jobs for Belize's growing and young population.



# BROAD LESSONS

- Policy Matters:
  - Tourism
  - Fiscal policy and the Debt overhang
- Human capital development matters
  - Implications of declining educational performance
  - Tourism sector
  - Government sector
- Financing matters and alone does not solve problems:
  - Education sector
  - Financial sector
- Public private partnerships work and matter:
  - Tourism partnership
- Learn from successes and failures
  - Tourism partnership



# CHALLENGES AHEAD

## Toward Sustained Economic Development

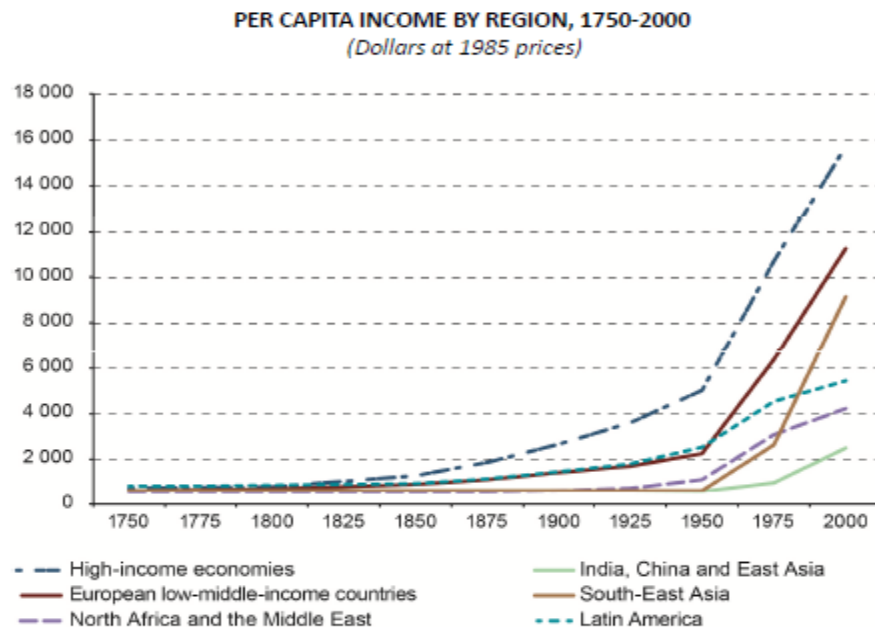
- Address the debt overhang—robust restructuring
- For existing leading sectors diversify further the production and export bases
- Select another “winner”
- Develop a Strong public-private partnership
- *Effectively* invest in Education
- Institute public service reform
- Review and strengthen NPASP/PACT



# CHALLENGES AHEAD

Figure 31. Impact of ICT

**The regions that join the technology revolution gain global competitiveness**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, World Development Indicators (WDI) [online database] <http://databank.worldbank.org/>, and Robert E. Lucas, "The Industrial Revolution: past and future", May 2004.



# CHALLENGES AHEAD

- It is important going forward that there be an open and public discussion in Belize of the system of metrics we use to assess performance and also to build the relevant statistical database to facilitate the assessment of performance going forward.
- In 2011, Belize had the 6<sup>th</sup> highest homicide rate globally. Most recently, Belize City was listed among the top ten worst cities in the world because of the level of crime.
- In 2012, Belize was ranked #4 of 187 countries according to the Happy Planet index (HPI) of among the top-ten countries in which to live.



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Thank you!

