

BIDeconomics Belize

Developing a Sustainable, Resilient and Inclusive Belize

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At the IDB we work to achieve sustainable development in the countries of Latin America and the Caribbean, through the technical knowledge of our sector experts and 60 years of experience in the region.

1. This is the time to grow

Rekindling faster, sustained economic growth is arguably the most important development challenge for Belize. The unprecedented hit of COVID-19 has added pressure to an economy whose growth has been low over the last decades and has changed Belize's economic and social outlook dramatically.

To recover and achieve long-term growth, Belize's government (GoB), the private sector, and the country's institutions must work within the bounds of a new normal, while addressing long-standing structural challenges. The country must make difficult decisions and implement innovative approaches that revitalize growth and preserve citizens' welfare.

The unparalleled shock of the pandemic to the tourism industry and disruption of virtually all productive sectors highlights the urgency of transforming Belize's economy. This is the time to work on a new model of tourism, one more attuned to the future and the country's needs. This is the time to promote diversification, both within the tourism and agriculture sectors, and across the economy, by advancing promising sectors, and attracting private investment in a context of very limited fiscal resources. Ultimately, this is the time to make long-awaited structural reforms that untap Belize's potential.

The current crisis demands urgent solutions that establish the basis to achieve long-term prosperity. The IDB has provided support and financing to the country for the last 28 years and is positioned as a strategic partner in its development. After a rigorous process of analysis, we present a comprehensive document of diagnosis and opportunities in specific areas for inclusive and sustainable development in Belize.

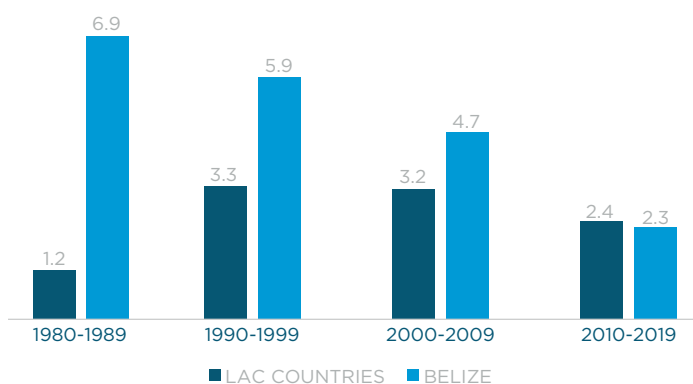


2. Introduction

The Belizean economy will be one of the tourism dependent economies most impacted by COVID-19 in the world. The hit from the COVID-19 pandemic has exacerbated the fragility of the Belizean economy, that has experienced chronic low economic growth and increasing debt over the last 15 years.

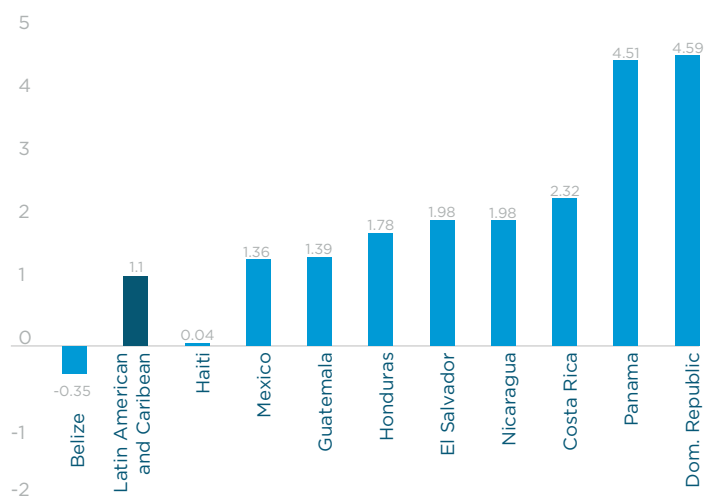
Belize's pace of economic growth exceeded that of the Latin American region and of other Caribbean economies in the 1980s, 1990s and the early 2000s. However, Belize's real GDP average growth slowed from 4.7% between 2000 and 2009 to only 2.3% between 2010 and 2019 (Figure 1). Moreover, Belize was the only country in Central America to register a decline in its real GDP per capita in the last decade (Figure 2).

Figure 1. **Growth Domestic Product**
(average growth by period)



Source: World Economic Outlook (WEO), IMF.

Figure 2. **Real GDP per capita growth**
(annual average change, 2010-2019)



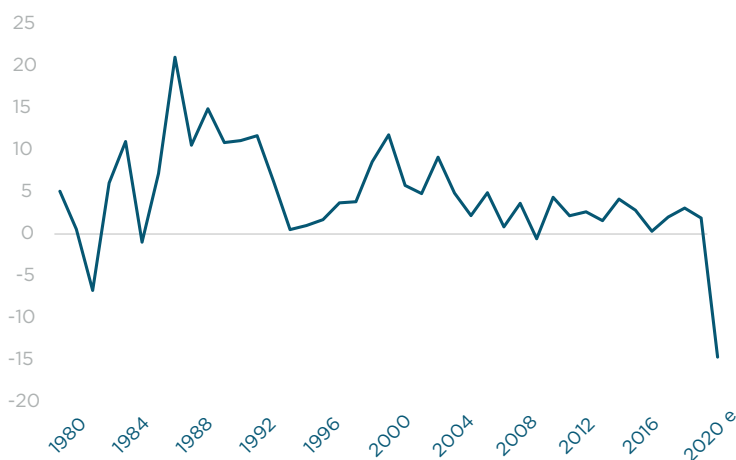
Source: World Economic Outlook (WEO), IMF.



Economic growth is a priority. Belize's economic growth outperformed regional peers for decades but has slowed significantly in the last years, being the only country in Central America to register a decline in GDP per capita in the last decade (Figure 2).

In 2020, the pandemic shook the foundations of the economy by hitting the tourism sector, which constitutes 39% of GDP, 40% of total employment and 42% of total exports in 2019. Given its dependence on tourism inflows, the International Monetary Fund (IMF) estimates that the economy contracted by 16% in 2020, taking the size of the economy back to the GDP level of 2011 (Figure 3).

Figure 3. **Gross Domestic Product (% year-on-year growth)**

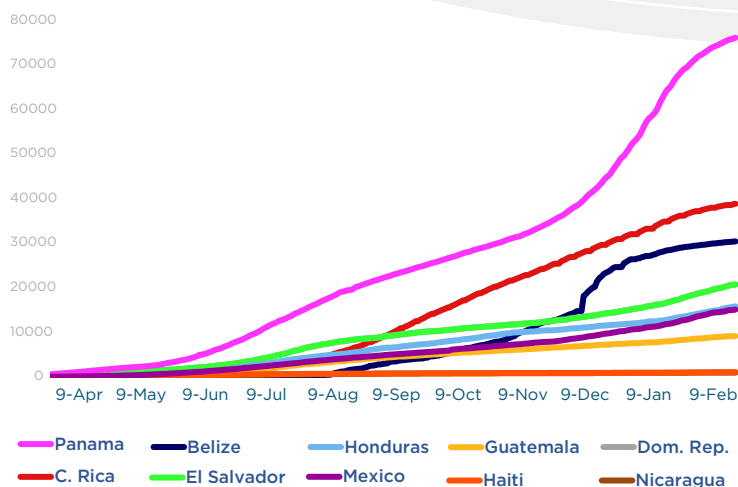


Source: World Economic Outlook (WEO), IMF.

Belize was the country with least COVID-19 cases in LAC until July, when cases significantly surged in the last quarter of 2020. At the closing of this publication, total cases reported have stabilized around 12,000 cases due to the restrictions and monitoring measures imposed by the government to control outbreaks. While Belize still ranks as the third country with the highest total confirmed cases per million of inhabitants in Central America, it ranks 10th in active COVID-19 infections among 20 other CARICOM nations (Figure 4).



Figure 4. Total Confirmed cases of COVID-19 per million people (March 2020 - Feb 2021)



Source: Ministries of Health.



The pandemic will shrink the size of the economy to the levels of 2011.

Since its independence, Belize has only experienced two cycles of “fast economic growth” that were driven by heavy public investment and export growth rather than by economic reforms. Public investment spikes during those cycles were financed by increasing external public debt, ending in a vicious circle of low growth and increasing debt.

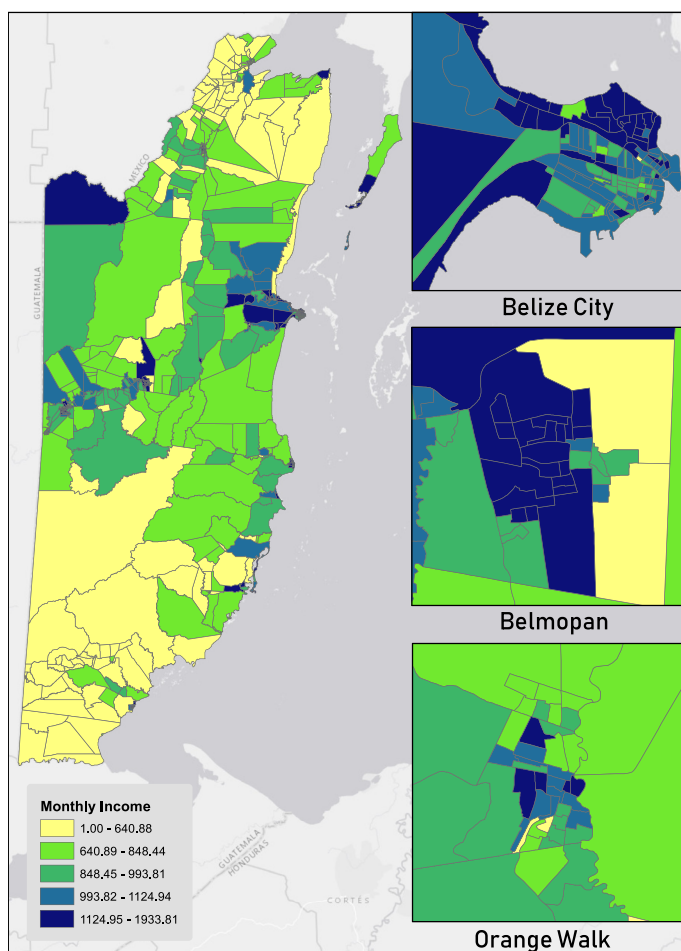
A forceful fiscal consolidation was underway before the pandemic, but increased spending to attend the COVID-19 emergency and a severe decline in tax revenues will further worsen Belize’s already fragile fiscal stance. The IMF estimates the overall balance deficit widened from 4% of GDP in 2019 to 9.8% of GDP in 2020, while the primary deficit increased from a deficit of 0.5% of GDP to a deficit of 5.6% of GDP.

The suspension of the fiscal adjustment and issuance of new debt will challenge the Government’s objective of reducing the debt-to-GDP ratio, which is expected to have closed 2020 at 134.6%. The substantial tightening of the Government’s liquidity position led the Government to request to capitalize the next three interest payments of the Superbond (25% of total country’s public debt). Although the interest capitalization provided some short-term liquidity relief, it doesn’t address fiscal sustainability concerns. In the medium-term, the interest capitalization will add pressure as Belize already has a bundling of amortization payments from 2030 to 2034 that exceed US\$100 million per year.

A major slump in tourism inflows and a severe decline in foreign investment (primarily linked to the tourism sector) will also deepen external imbalances and compromise external sustainability. The IMF estimates that the current account (CA) deficit exceeded 16% of GDP in 2020, while foreign investment covered less than a quarter of such deficit.

Belize’s last poverty assessment found that 41.3% of the population lived at or below the poverty line, while 15.8% were classified as extremely poor in 2009. As the last poverty estimate is 10 years old, the IDB conducted a mapping of income poverty using satellite imagery that identified some improvements in income distribution associated with tourism activity (Figure 5). Notwithstanding, this trend along with other social indicators, are expected to worsen as the social shock of this crisis has been severe, as evidenced by the 43% and 32% of the labor force that applied to Phases I and II of the Government’s COVID-19 Unemployment Relief Program (URP).

Figure 5. Combined Average Monthly Income Estimates for Belize



Source: “Mapping Poverty in Belize Using Satellite Features and Machine Learning” Jonathan Hersh, Ryan Engstrom, Michael Mann, Alejandra Mejia, and Lucia Martin Rivero. Inter-American Development Bank, 2019

The quality of education and health services remain a major challenge, with access to these services expected to deteriorate with the COVID-19 crisis. While the Government has encouraged and facilitated distance learning, gaps between rich and poor households are significant, with less than half of the population using the Internet. In regard to health, there are currently only eight isolation beds, with 700 beds in public hospitals, and access to more complex healthcare services concentrated in Belize City.

3. Development Challenges to Achieve Sustained and Inclusive Growth

Given the present socioeconomic context and the shock of the COVID-19 pandemic, addressing Belize's major development challenges can be categorized into two interlinked major spheres, being those which present barriers to **(1) rekindling economic growth in a post-COVID-19 environment**; and those which impede **(2) removing structural bottlenecks to achieve sustained and inclusive growth**. Both Belize's economic and social outlook has drastically transformed since the pandemic, with the disruption wreaking havoc across its major sectors, triggering the largest economic contraction in the country's history. Given the limited fiscal space, prioritizing strategic areas for investment is paramount.

Rekindling economic growth requires the GoB to continue mitigating the impact of the pandemic, by guaranteeing liquidity to support vulnerable populations and viable firms so the country can bounce quickly. The pandemic makes modernizing and adapting the tourism sector an immediate priority (biosafety, e-health, digitalization of services). Ensuring a safe reopening, protecting tourism workers and visitors, increased surveillance and case detection capacity will help Belize to mark itself as a safe destination to remain competitive in the international tourism market. As the reestablishment of the tourism sector will be critical for the economic recovery, the country faces the great challenge of reopening safely as numbers of COVID-19 cases have surged. Based on the severe shock and the substantial tightening of the government's liquidity position, Belize will need to prioritize investments with high social return in high-potential sectors that support the economic recovery. However, the GoB will not be able to make all necessary investments for a successful recovery. Therefore, the enactment of low-cost reforms to address obstacles for private sector investments is a top priority.

Removing structural bottlenecks to achieve sustained and inclusive growth requires to address three priority pillars. These pillars are: **(i) Anchoring fiscal policy for growth, (ii) Transforming the export sector through diversification, integration, and innovation, and (iii) Providing social protection and skills to shape the future**. Belize's development challenges are interdependent, and their progress will depend on the three pillars moving together. In addition to these pillars, climate change, disaster risk management, diversity and gender and institutional reforms are considered as cross-cutting challenges and their assessments are presented in those pillars where they are relevant.

Figure 6. Belize's Development Challenges

Development challenges to achieve sustained and inclusive growth	
1. Anchoring fiscal policy for growth	The country needs to create fiscal space, with particular emphasis on enhancing spending efficiency to protect the poor and invest in education. The Government's commitment to implementing a sustained program of fiscal consolidation after COVID-19 is essential to avoid debt-stress situations.
2. Transforming the export sector through diversification, integration and innovation in a context of limited fiscal resources, the export sector is a key engine of growth for Belize.	However, Belizean exports are concentrated in few agricultural products and tourism destinations that have been dependent on trade preferences and few export markets, making them highly vulnerable to internal and external shocks.
3. Providing social protection and skills to shape the future	The COVID-19 pandemic will have a severe impact in poverty and inequality indicators, given the loss of employment and livelihood. To recover, Belize will need to correct the mismatch between the skills needed by the labor market and the skills imparted to students and graduates.



3.1 Anchoring Fiscal Policy for Growth

To recover and attain sustainable growth, restoring fiscal sustainability through reforms that expand the tax base, Institutionalizing fiscal discipline, enhancing spending efficiency, and reducing the cost of finance is imperative.

Macro-fiscal policy

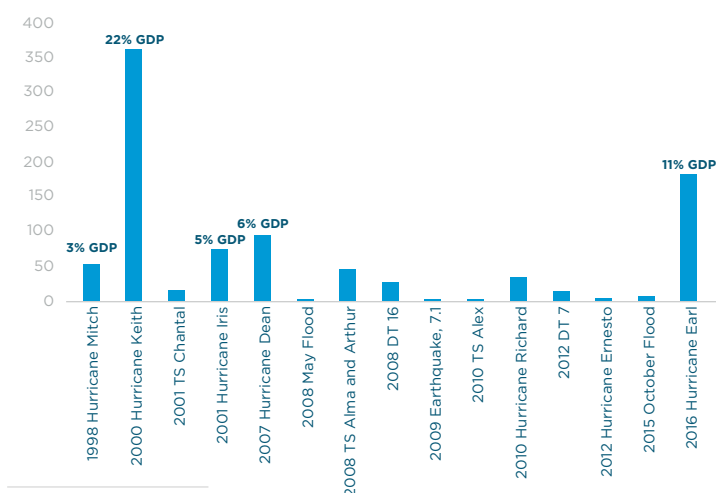
Fiscal policy in Belize has been significantly procyclical and unsustainable much of the period since its independence. Poor performance in economic growth and high exposure to external shocks have led to a tightening financial condition and weather associated natural disasters have compromised fiscal sustainability (Figure 7 and 8). The constraint on access to finance has become a major problem because of the accumulation of public debt, multiple debt renegotiations and lack of fiscal discipline.

Figure 7. Climate Risk Index Central America (1990-2016)

CRI Ranking	Country	Total losses in million US\$ (PPP)	Average losses (% of GDP)	
			Average	Rank
1	Honduras	561.1	1.97	12
4	Nicaragua	234.6	1.13	16
10	Dom. Rep.	243.5	0.26	59
11	Guatemala	402.8	0.44	42
16	El Salvador	280.0	0.70	29
27	Belize	65.8	3.16	7
47	Mexico	2957.2	0.18	75
95	Panama	37.5	0.07	115
101	Costa Rica	50.3	0.09	106

Source: Eckstein et. al (2017)

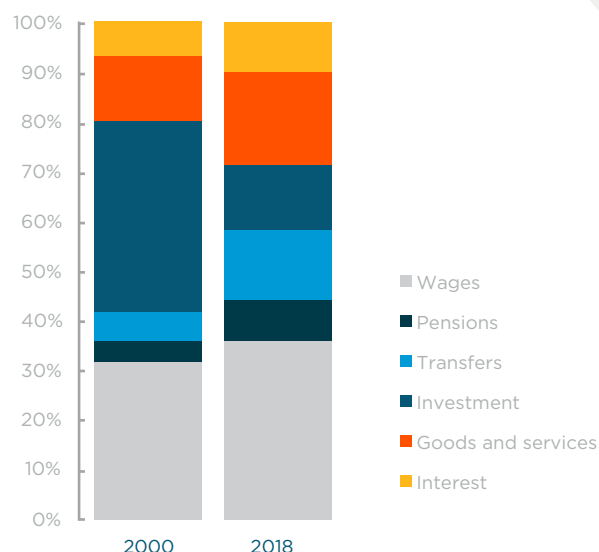
Figure 8. Belize's losses from natural disasters



Source: IMF.

Prior to the COVID-19 pandemic, fiscal adjustments led to two consecutive years of primary surpluses, although the process was interrupted in 2019. The fiscal adjustment was mainly due to cuts in capital spending, but current expenditure has kept an increasing trajectory and budgetary inflexibility has increased sharply. For instance, the share of Belize's budget absorbed by wages, pensions, and transfers has increased from about 40% in 2000 to about 60% in 2018, crowding out priority spending (Figure 9).

Figure 9. Composition of Government expenditure



Source: IMF.

Public debt has remained on a rising path, notwithstanding the fiscal improvement Belize made over the last years. The last three external debt restructuring processes in a time span of 10 years and recent fiscal efforts have not succeeded in correcting and stabilizing the public debt levels, which could exceed 130% of GDP in 2020. Belize exhibits high liability dollarization as more than 70% of its debt is denominated in foreign currency and mainly belongs to official creditors. Debt accessibility has increased in recent years but presents challenges in the medium term due to high debt service.

Liquidity problems enhance the possibilities of further debt restructuring in the medium term. A stress analysis conducted by the IDB, with different scenarios of a possible restructuring and assuming a haircut on the debt stock of 4%, indicates that debt could converge to levels between 101% and 122% of GDP. However, the simulation results show that, by 2030, debt would represent 109% of GDP, a level that differs from the long-term debt target. Therefore, we simulate an additional scenario with structural fiscal adjustments to achieve the long-term debt target. With an increase in fiscal revenue and a reduction in public spending, the results show that debt will be 105% of GDP for 2025, achieving the debt goal in 2029 of 80% of GDP. The fiscal effort required to achieve a debt-reduction path is close to 2 x 2 percentage points in increased fiscal revenues and reduced expenditure over the medium term.

The implementation of a fiscal rule would constitute an effective instrument in the process of consolidating public finances and maintaining macroeconomic stability. The fiscal rule should be based on a debt anchor that clearly specifies the primary surplus target and a credible fiscal adjustment time horizon. It would benefit from the forward guidance policy based on the communication and coherence of its annual goals based on primary balance and the interest rate service path. This forward guidance is essential for private agents to have information about the debt reduction process in Belize. The design of the rule must explicitly contemplate the escape clauses and the correction mechanism to return to the rule. These two elements are being even more important in the Belize case because the country is highly vulnerable to external shocks in particular natural disasters.

Figure 10. **Gross debt dynamic scenarios** (medium term, % of GDP)

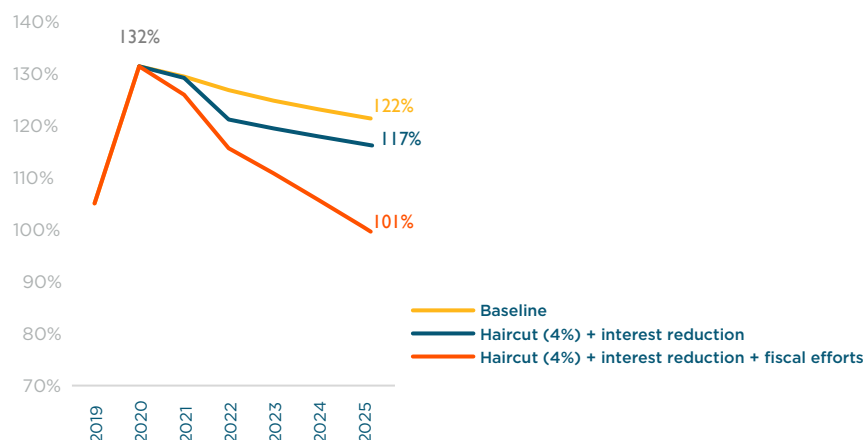
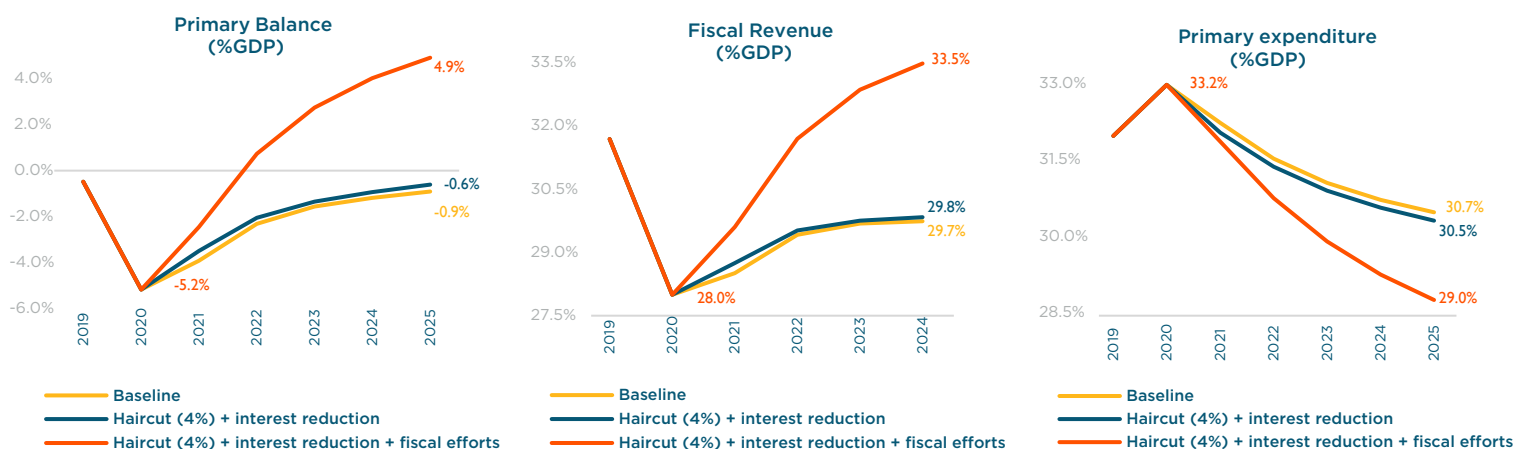


Figure 11. **Revenue and Expenditure Paths** (as a % of GDP)



Source: IFD-FMM. The debt restructuring scenarios were constructed by placing the haircuts within the ranges observed in Belize's previous restructurings

Above all, it is crucial to understand that faster GDP growth will be the best tool to assist efforts to strengthen fiscal sustainability and sustained reductions in debt-to-GDP ratios.



If real GDP growth averages 5% annually in the next five years, purely the denominator effect of dividing debt by a larger GDP would cut the debt from the projected 135% of GDP to 106% in 2025 and to 84% in 2030.¹

Public Revenues and Tax Administration

The space of further increases in tax rates is limited as the tax burden in Belize is already high compared to LAC countries. Hence, additional income tax measures should be oriented to broadening the tax base by phasing out exemptions on General Sales Tax (GST) and excises and tightening tax incentives.

The design of the Personal Income tax (PIT) and Corporate tax regimes yields low administrative and compliance burdens, at the cost of creating other inefficiencies. While the simplicity of the PIT facilitates its administration, a reduced tax base, as well as constant pressure to increase the already high exemption threshold, hamper its revenue potential. Likewise, the use of turnover as the base of the Corporate tax simplifies its administration and reduces tax avoidance, but these gains come at the expense of creating production inefficiencies and discouraging investment. Moreover, the existence of multiple tax rates exacerbates these inefficiencies and raises issues of tax equity.

Generous provisions through special tax regimes and tax incentives erode the tax base and create risks for significant revenue losses. There are several special tax regimes and tax incentives that, in practice, operate as a parallel tax system, including exceptions and benefits offered by the International Business Companies, the Designated Processing Areas and the Commercial Free Zones. In this regard, tax expenditures—deviation of a “normal tax structure” or benchmark—amounted to 5.6% of GDP in 2013, almost double the regional average, with limited observable payoff. Therefore, strengthening the efficient and strategic use of public finances, particularly as it pertains to deductions, exceptions and other benefits that may not be functioning as effectively as intended, remains paramount.



Tax expenditures amounted to 5.6% of GDP in 2013: this amount could finance more than 7 times the cost of one phase of the Unemployment Relief Program.

Belize has embarked in a process to strengthen its tax administration, but the modernization of its technological infrastructure still needs to be completed. Recent tax administration efforts include the integration of the Income Tax and General Sales Tax Departments in August 2019, within the Ministry of Finance. Likewise, international taxation standards have continued to drive amendments to tax legislation. These include the reform to the international tax regime in order to comply with OECD transparency standards.

The current trade tax system, composed of import duty, revenue replacement duty (RRD), and environment tax (ET), has been one of the three most important sources of tax revenues. Two revenue-enhancement measures—RRD and ET—violate agreements Belize has signed with trading partners, as well as WTO rules. Belize therefore faces international pressure to remove both RRD and ET, and to lower import duty rates.

On this line, a major challenge is to reduce the degree of reliance on import tariffs, RRD, and ET for government revenues. Many of the high trade taxes are levied on commodities that in most countries would be subject to excise taxes. However, it is important that the introduction of an excise tax on such goods does not impose an additional tax burden. The strategy must therefore be to design a trade tax policy that distinguishes between excisable and non-excisable commodities and is in line with international trade commitments.

Furthermore, the great number of zero-rated items is highly market-distortionary, as well as being wasteful in terms of compliance costs. It also puts Belize's exporters at a particular disadvantage with regard to other exporters in international markets.²



The great number of zero-rated items is highly market-distortionary and puts Belize's exporters at a disadvantage.

The growth of the “shared economy” associated to the tourism sector and the expansion of the digital economy represent medium-term challenges for tax policy. While still small, home-sharing in Belize is rapidly growing. In 2017 there were at least 29,000 inbound home sharing visitors to the country, corresponding to 7% of the overnight tourist accommodation market. Currently, vacation rental online platforms are not regulated and do not contribute to tax revenues.

Even though the government's immediate response to the crisis requires helping the tourism sector sustain jobs and support viable companies at risk, Belize should be prepared for the comeback of the tourism industry, with plans and programs, but also with regulations that are conducive to building a more resilient and sustainable future. For this reason, the IDB conducted a study that provides several approaches to tax the home sharing sector in Belize that could yield annual fiscal revenues in a range of US\$400,000-US\$5 million. The policy route taken by the government regarding the home-sharing sector will depend on finding the correct balance between ensuring a level playing field between traditional hotels and the home-sharing model, raising revenue, and maximizing the economic benefits.

There are three tax policy instrument options at the GoB's disposal to tax the Home-sharing sector:

Indirect taxation of the home-sharing sector:

Visitors to the traditional hotel sector are required to pay a Tourist Accommodation Tax which is collected and remitted by hotels. Those operating within the home-sharing sector are also obliged to pay the Tourist Accommodation Tax, but to date, compliance has been low and reportedly many home sharers appear to remain unaware of this requirement.³ Alternatively, GST could be extended to the home-sharing sector (US\$1.8 million on potential tax revenue).

Direct taxation of home-sharing providers:

Traditional hotels will be operated by businesses that have to pay taxes on their profits. Home-sharing providers may well be run as small businesses that regularly fall beneath the threshold for business tax. As such, the thresholds and rates of business tax could be adjusted to bring these home-sharing providers within the scope of the tax, which may bring more businesses from other sectors into the tax as well (US\$5 million on potential tax revenue).⁴

Direct taxation of digital matching firms:

Taxation of digital matching firms is difficult as they will likely be operating with little perceptible taxable substance under the current framework of international taxation. Nevertheless, this is an area that is in the cusp of change. There is a push at the level of the Organisation for Economic Cooperation and Development (“OECD”) and the G20 for a new global consensus for how to tax digital transactions (US\$400,000 on potential tax revenue).⁵

2* IDB (2016). *Trade and Tax Policy Reform in Belize*

3* This has prompted the GoB's “Did You Know?” campaign to alert home-sharing providers to this. To further compliance, consideration might also be given to whether home-sharing providers should be subject to a lower rate of the tax and whether it is more efficient for the home-sharing provider or the digital matching firm to collect the tax.

4* Alternatively, a special new “SME tax” could be introduced, perhaps with a lower flat rate, to minimise the costs of compliance for home-sharing providers.

5* This is expected to reach its conclusion by the end of 2020. By this time, there may be increased scope for GoB to tax the profits that arise to digital matching firms on the home-sharing activities that take place in Belize in a way that is aligned with other countries. In the meantime, there are “unilateral” options available to Belize, albeit these are complex and difficult to implement.

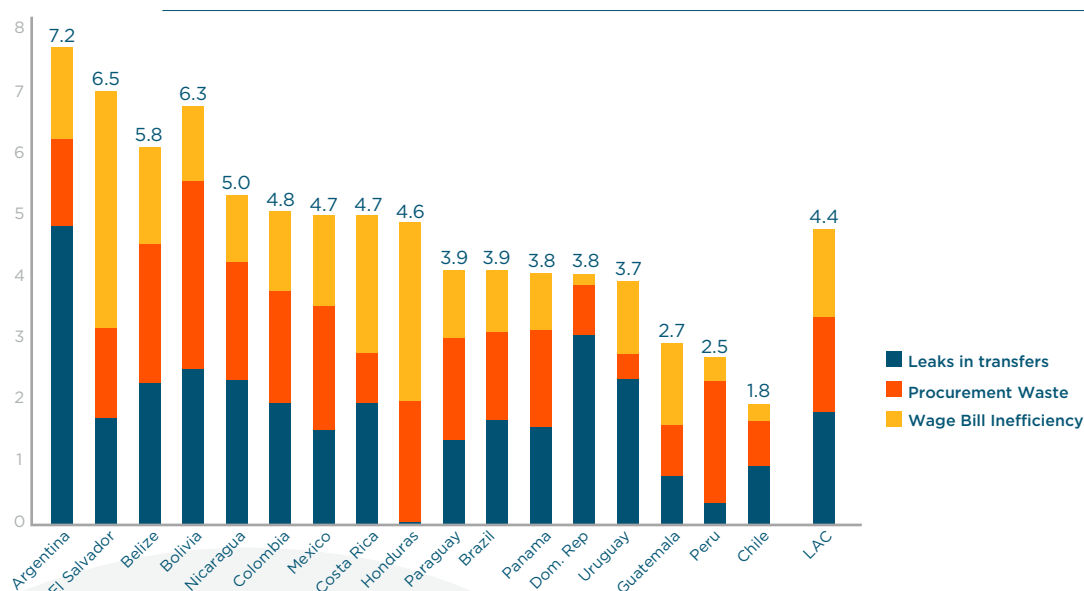
Total spending in Belize has consistently exceeded 30% of GDP in the last two decades, being one of the highest ratios in the LAC region. In contrast to reforms on the revenue side, reforms to increase expenditure effectiveness and discipline have seen less development.

Belize presents several deficiencies in the quality of public spending in terms of technical efficiency. In the case of the public wage bill, a lower bound estimate points to a waste of 1.4% of GDP, which has increased over time. The efficiency gap in public investment between Belize and the most efficient countries is 29%, which means that Belize has plenty of room to improve the quality of investment. Regarding technical inefficiency in transfers (social programs, tax expenditure and energy subsidies), Belize is estimated to have leakages of about 0.4% of GDP. Overall, the estimates for the different sources of inefficiencies in spending amount to 5.8% of GDP, which indicates that Belize wastes a larger amount than the average regional waste of 4.4% of GDP (Figure 12).



Different sources of inefficiencies in spending amount to 5.7% of GDP

Figure 12. Technical Inefficiency Estimates in Targeted Transfers, Procurement and Wage Bill



Source: Izquierdo, Pessino and Vuletin (2018). Better Spending for Better Lives. Inter-American Development Bank.

Weak public expenditure management institutions are one of the main reasons for spending inefficiency. For instance, on the inefficiency on public wage bill, there are institutional inefficiencies coming not only from the collective bargaining process, but also from the lack of public expenditure management on the wage bill. On leakages in transfers, and especially in subsidies, although they are due mainly to policy decisions, the lack of data and fiscal transparency contribute to these inefficiencies.

Low allocative efficiency and expenditure effectiveness have lowered the benefits of public spending, with one of the most inefficient area of public expenditure being capital expenditures. For instance, Belize is the country with the lowest ranking in the Public Investment Management Index (PIMI) developed by the IMF, which assesses the institutional environment underpinning public investment management systems (Figure 13). In this regard, Public-Private Partnerships (PPP) can contribute to guarantee better development, operation and maintenance of infrastructure assets and services, particularly in times of crisis, as PPPs could preserve adequate investment levels in a context of fiscal difficulties. To achieve this, a sound regulatory and institutional PPP framework is key, as well as for PPP program implementation.

Figure 13. Public Investment Management Index, 2015

	Appraisal	Selection	Implementation	Evaluation	Total
Brazil	3.00	2.80	3.33	3.33	3.12
Colombia	4.00	2.80	2.13	3.33	3.07
Peru	2.83	3.60	2.67	1.33	2.61
Bolivia	2.83	2.00	2.93	2.00	2.44
El Salvador	0.83	1.60	3.33	1.33	1.77
Jamaica	1.83	2.40	1.33	1.33	1.72
Barbados	0.50	2.00	0.93	1.33	1.19
Trinidad and Tobago	0.00	2.40	1.33	0.67	1.10
Haiti	0.00	1.20	1.73	1.33	1.07
Belize	0.00	0.80	0.27	0.00	0.27
Average for LAC sample	1.58	2.16	2.00	1.60	1.83

Source: IMF.

The recent increase in pension contribution rates has bolstered the long-term sustainability of the social security scheme, but further reforms are still needed to reduce the pressure on the fiscal accounts. While the General Social Security Scheme (GSSS) is contributory and has a retirement age between 60-65 years, the Pension Plans for Public Officials (PPPO) is non-contributory and unfunded, with an earlier retirement age (55 years). The GSSS long-term sustainability has been improved by the increase in contribution rates approved in 2019. However, the situation in the PPPO remains particularly critical, as this scheme shows significant and persistent deficits.

Public procurement currently follows a decentralized model, carried out by more than 60 procuring entities (PEs) comprised of ministries, departments, statutory bodies, and municipalities. Some of the challenges faced by public procurement are: (i) inadequate, and outdated legal and regulatory framework that is not in line with international norms; (ii) lack of clear tools (such as manuals, and Standard Bidding Documents) to assist procurement officers in their work; and (iii) limited capacity among procurement officers to collect and disseminate tender invitations, request proposals, and gather contract award information. The performance of the public finance management, including public procurement, is generally weak, with low transparency and accountability, thereby leaving public finances vulnerable to misuse.

The GoB has taken steps to address these challenges, such as the creation of the Public Procurement Unit in the Ministry of Finance and a Director of Public Procurement, although progress has been slow and much remains to be done. Bringing the country up to international standards should result in short and longer-term benefits including costs savings in purchases (both purchase price and transaction costs) that could conservatively reach 5-10% of spend.

Recommendations and Opportunities

Reforms should focus on the implementation of a set of changes to increase fiscal institutional capacity, such as (i) strengthening macro-fiscal management, (ii) improving budgeting, (iii) strengthening payroll spending control and efficiency, (iv) strengthening public procurement management and (v) control and maintain tax administration strengthening.

Macro-fiscal policy

Emergency period

Consistent restructuring scenarios with a Medium-Term Fiscal Framework. Tax revenue and expenditure plans must be consistently specified to the restructuring scenario by a clear strategy on debt management and annual objectives.

Building fiscal buffers. It is necessary to generate fiscal savings for at least 10 years that seek to generate fiscal surpluses that reach 4% of GDP.

Policies oriented to reduce budget inflexibility contribute to greater resilience of fiscal buffers. To make the fiscal adjustment effective, it is necessary to establish a strategy that sets the priorities on the expenditure side.

Transition and Recovery periods

Create and implement a Fiscal Responsibility Law.

Implementation of a fiscal rule with a forward guidance mechanism.

The establishment of a fiscal committee or council.

Public Revenues and Tax Administration

Emergency period

Updated measurement of tax expenditure.

Introduce measures to target the formal integration of rent-share and P2P accommodation in the tax system.

Improving invoicing control. In order to manage and collect taxes efficiently, tax administrations need to gather information of taxable events.

Transition and Recovery periods

Rationalization of tax expenditures and special regimes. A methodology to measure and report tax expenditures and the extent of use of special regimes on an annual basis should be established.

Introduction of digital taxation legislation.

Reform of the corporate tax system.

Review and reform of international trade taxes.

Public Expenditure Policy and Management

Emergency period

Strengthen budget formulation, reporting, and programme implementation.

Limit payroll spending, aligning increases with the inflation rate.

Strengthen procurement processes and improve data transfer.

Transition and Recovery periods

Introduce reforms to the pension system. Key reforms include transitioning the PPPO from non-contributory to contributory, and gradually increase the retirement age from 55 to 65 to reflect increases in life expectancy.

Develop a Medium-Term Expenditure Framework.

Reinforce institutional capacity to improve spending and investment efficiency, including the creation of a Quality Spending Unit in the Ministry of Finance, strengthening the public investment institutional framework and processes in early stages of the project cycle, and the establishment of an electronic government procurement system.

Implement a three-pronged approach to improve infrastructure development through private participation, including: (i) Strengthening the public infrastructure investment planning; (ii) implementing the PPP Policy to generate a positive and sound environment to attract sustainable and efficient private sector participation; and (iii) introducing PPP schemes in sectors with low risks and proven evidence of efficiency gains.

3.2 Transforming the export sector through diversification, integration and innovation

To recover and attain sustainable growth, reinvigorating Belize's export sector by increasing the competitiveness of the tourism and agriculture sectors, while expanding to new products and markets is a priority.

In a context of limited fiscal space, the export sector could be a key engine of growth. However, exports are concentrated in the tourism and agriculture sectors. At the same time, few destinations concentrate the influx of tourists while agriculture exports concentrate in few products dependent on limited markets, making Belize highly vulnerable to domestic and external shocks. The COVID-19 pandemic makes the modernization and adaption of tourism sector an immediate priority (biosafety, e-health, digitalization of services). More generally, Belize needs to diversify, both within the tourism and agriculture sectors, and towards other industries with comparative advantage, such as ICT.

An important disclaimer is that even when the second pillar focuses on the export sector, it recognizes the opportunities to tap into the domestic market for tourism and agriculture sectors, as well as the importance to foster the establishment of agritourism linkages, which naturally creates an environment for diversification within both sectors.

Revamping the tourism model

The recovery of the tourism sector will be critical for the economic recovery as the importance of the industry will be difficult to replace in the medium term. This imposes the great challenge of reopening safely as numbers of COVID-19 cases have significantly surged. In addition to the approaches used in the country, such as the Safe Corridors, Belize could benefit from new available tools to incorporate closure/reopening decisions on simulations models that use health indicators in Belize and source countries to have a pandemic management strategy with well-defined phases and triggers.

During the emergency period, another priority is to support business survival, making efforts to target those firms that have larger positive externalities and are financially viable and assist them to retain their employees. The pandemic has accelerated the need to transform digitally the tourism sector, as digitalization, big data and artificial intelligence have consolidated as key disruptive factors shaping the industry. However, the BTB has recognized the challenge that tourism businesses in Belize face to build a digital marketing strategy and incorporate the use of technology. The incorporation of new technological advancements, however, is not confined to the digitalization of firms, but should be integrated industry wide, particularly to increase the sector's resilience and competitiveness, especially in Disaster Risk Management (DRM) and health crisis management.

Besides the new challenges imposed by COVID-19, the tourism sector faces known structural challenges that hinder their development. The expansion of the industry has occurred without proper strategic and technical planning, including land-use planning and zoning, adequate infrastructure, human capital development, and a comprehensive strategy to preserve tourism attractions. Tourism growth has been largely driven by cruise visitors, who spend less than overnight visitors (Figure 14). Concurrently, the average length of stay of stay-over visitors is shorter than Belize's peers. Beside the concentration in few markets (the US and Canada), the vast majority visit the country for sun and beach activities and domestic market does not contribute significantly to the sector's expenditure (Figure 15).

Figure 14. Participation in total visitor's expenditure (average 2010-2018)

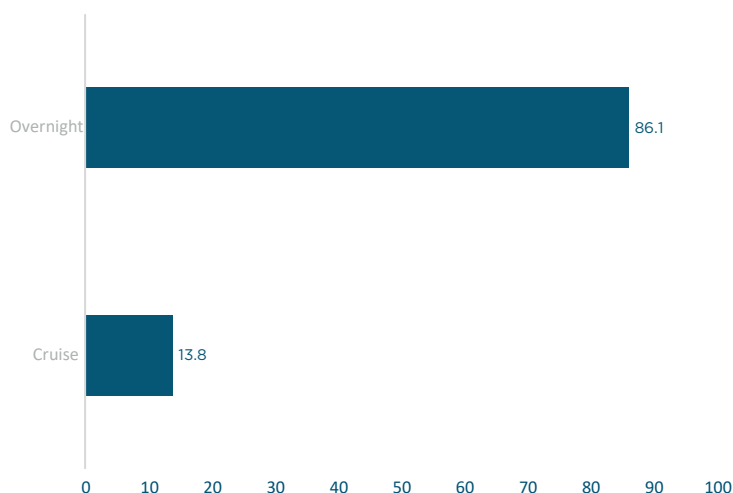
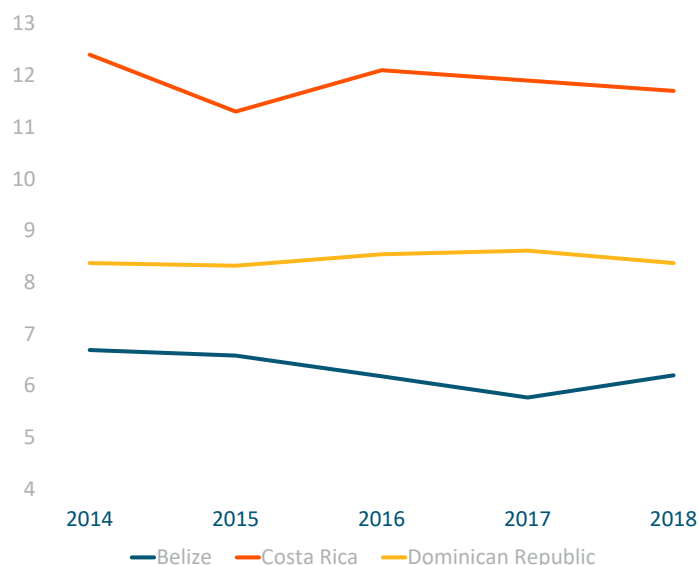


Figure 15. Average length of stay (days)



Source: Belize Tourism Board



As the sector is highly vulnerable to climate change, protecting and preserving the most critical natural resources for tourism (barrier reef, mangroves, and tropical forests) is essential to guarantee the sector's sustainability. Besides the loss of natural assets, the sector's vulnerability to climate change includes the combined effects of diminished tourism-related infrastructure (hotels, resorts or ports) and reduced tourism demand. If strategic interventions to reduce the climate risks are not undertaken, projected disaster losses could increase by more than four times by 2050. Moreover, the benefits of investments in coastal areas not only reduce climate change and disasters risks but could translate in higher economic growth. The GoB may catalyze private investment in coastal protection by sharing existing information of coastal modelling, that will contribute to reduce the feasibility cost for the investors. The valuation of the protection service of the coastal and marine ecosystems are gaining greater attention and prominence given the growing understanding of the critical role of oceans and the importance of Blue Economy.

A comprehensive and fully integrated natural and cultural capital strategy needs to be developed, incorporating sequenced and prioritized actions, and avoiding executing numerous assessments with no investments to implement them.

Tourism demand should be the cornerstone of strategic planning that utilizes strengthened market intelligence, which should be treated as a semipublic good to attract investment and access to finance. Having a solid market intelligence strategy – institution, as well as a coherent demand driven and technically sound tourism strategy, will facilitate investment attraction and access to finance. For instance, the IDB recently developed a predictive model of the touristic demand in the COVID-19 context by outbound market in Barbados⁶. Attractions should be improved and surrounded by pertinent and culturally appropriate businesses that serve tourists and contribute to enhance their experience while generating tourism expenditure. A benchmark and competitiveness analysis should be performed.

A tourism resources inventory, with weights in terms of uniqueness and capacity of attraction of the different tourist segments should be considered. The use of ICTs to evaluate the uniqueness and relative weights in terms of decision making (to travel to the specific destinations that have a specific factor of attraction) have been proved to be effective. Under the current context, Belize's strategy could focus on perfecting Belize's more unique destinations considering the abrupt collapse in demand and limited public and private resources.

Consolidating the domestic tourism market under the current crisis could be an effective strategy. Even though Belizeans will face less disposable income, domestic spending represents only 13% of total tourism spending, while in other tourism destinations such as Costa Rica, it accounts for 33% and in the Dominican Republic and Jamaica, it represents 27% and 21%, respectively. Promotion of domestic tourism should be continued, not only to mitigate the impacts of COVID-19 in the industry, but as a sustainable and complementary element to international tourism. Domestic tourism is characterized by short average length of stay and low expenditure, especially when compared to international trips made by Belizeans. In contrast to inbound tourism, Mexico and Guatemala are the tops destinations for Belizeans traveling internationally. The development of the domestic tourism would require ensuring accessible and affordable transport to tourism attractions and routes.



Despite the economic and social relevance of the tourism sector, its institutions are weak. The Ministry of Tourism and Aviation (MTCA) is relatively new and has been run since its conception with a strong programmatic rather than strategic focus. The MTCA is understaffed and has only six technical professionals that are not directly assigned or are dependent on specific projects and are unable to focus on working on strategic issues more transversally. Moreover, the division of competences between the MTCA and BTB is unclear. While BTB is a statutory body within the MTCA, the separation of tasks and responsibilities between the institutions' management and technical professionals may be reinforced in several areas, such as destination and product development.

Recommendations and Opportunities

- Strengthening the COVID-19 response by: (i) incorporating more sophisticated models into the reopening strategies and use tools to track the demand of the main outbound markets to update recovery plans; (ii) have a pandemic management strategy with phases and triggers; (iii) protect the productive framework by making financing readily available to firms.
- Prioritizing strategic soft investments in the short term by assessing the governance, institutional, fiscal and legal frameworks, and design a medium-term strategy to address sector's challenges.
- Create a business intelligence unit to technically analyze tourism demand trends and the potential of different segments of the demand, making the analysis and datasets public. Tourism data should be treated as a semipublic good for the usage of sector's businesses and stakeholders.
- Improve resilience of the tourism sector to natural hazards and climate change by (i) increase risk governance at tourism destination level; (ii) preventing the generation of additional risks; (iii) reduce existing disaster risk by supporting the private sector to increase the quality of disaster risk reduction investments; (iv) improving disaster response and recovery and (v) provide courses and strengthen public entities on Coastal Zone Management.
- Perform and socialize natural and capital assessments and destination competitiveness analyses per destination.
- Develop strategies to harness the potential of domestic tourism using the 2019 National Domestic Tourism Survey.
- Promote entrepreneurship and innovation along the whole tourism value chain.
- Develop a comprehensive human capital strategy focused on entrepreneurship and innovation.
- Harness community-based tourism as an opportunity for diversification, such as with the development of a Garifuna Trail Cluster, which may further be strengthened through digital technology to support adherence to COVID-19 sanitary requirements.

Positioning the agriculture sector

Belize's agriculture sector is highly export-oriented, with four products accounting for about 60% of the official production value. The agriculture industry can be characterized by three main subsectors, (i) an export oriented commercial sector mainly producing banana, citrus, and sugar; (ii) a small subsistence-oriented subsector producing for local consumption; and (iii) a larger vertically-integrated commercial subsector producing livestock and grains for both export and local markets.

Three reasons help to explain the low economic complexity of the existing narrow export basket: (i) weak university/industry research collaboration⁷; (ii) low firm-level technology absorption and capacity for innovation⁸; and, (iii) limited domestic consumption market for locally produced manufactured goods, while imports tend to be more competitive.

Diversifying the farming system will remain sub-optimal if the knowledge-gap of the agricultural sector remains unfilled. Small farmers use outdated technology not only because of credit constraints, but also because they lack the information they need to innovate and to differentiate products and secure new markets. Consequently, market access for Belize's agricultural exports remains limited and hinge significantly on trade preferences, especially the demand of sugar and banana by the European Union (EU)⁹. The COVID-19 pandemic has highlighted the dependency on Belize's main markets (the UK, the US, the EU), as they have been the most severely impacted by the health and economic crisis.

While Belize's system of import taxes and licenses provides protection for domestic producers, its effect has been to raise costs, distort markets and impose a heavy burden on enterprise. Belize's complex tax and licensing system is one of the most salient barriers to productive investment for sustainable growth. This distortion also represents a threat to food security, especially in the context of the COVID-19 pandemic, that has severely hit the tourism sector, a main generator of jobs for the country.

Smallholders and fruit and vegetable producers face many barriers in transporting their produce to the market, as COVID-19 safety measures resulted in delays in transport and logistics that are likely to remain particularly obstructive but which also stressed the importance of investing in sanitary and phytosanitary controls to protect the health of the agricultural production. Though the Belize Agricultural Health Authority (BAHA) has a sound technical base its small staff limits its ability to carry out livestock health checks that are prerequisites for exporting meat.

Approximately 38% Belize's total land area is deemed suitable for farming¹⁰, though only 10% was being used for agriculture in 2012, despite favorable climate for agriculture and abundant water resources¹¹. The low utilization of arable land is widely attributed to the high cost of installing necessary infrastructure, as well as the lack of secure markets and profitable new farming options.

Agricultural productivity in Belize is very low, with a value-added per worker 33% below the LAC region¹². The farming system is inhibited by the availability of its labour force, which continues to be debilitated by the spread of COVID-19. As workers become sick or quarantined, additional production and distribution costs arise as health and safety measures are upheld to limit exposure.

Gross capital formation has been historically low, 1/3 of the level prevailing in OECD countries, as FDI inflows to the sector are lower than 2% of agricultural GDP¹³. The unsatisfactory performance of the agricultural productivity is due to many reasons, but two important ones are low technology adoption (including irrigation) and high production costs. Factors such as public sector debt, regulation, market failure and vulnerability to natural disasters further complicate the development and maintenance of infrastructure in the country.

Vulnerability to prolonged droughts in recent years has highlighted the importance of irrigation for ensuring adequate water supply for crops. However, it is estimated that only about 2% of Belize's cultivated land is irrigated and mainly directed to traditional plantation crops such as sugarcane and citrus. The fisheries sector is also under threat from the effects of climate change, which affect fish stocks and other aquatic species by directly impacting growth, development, mortality and distribution of respective species, which are relied upon for food and shelter¹⁴, with the potential loss is estimated at an annual total of approximately US\$12.5 million.

Low savings and limited access to finance hinders international standards and practices from being met in the agricultural sector. Banks are hesitant to provide affordable finance to farmers owing to a lack of credit histories, high price volatility, uninsured natural or health hazards, and the lack of secure property rights¹⁵. To compensate for this uncertainty, banks and credit unions are therefore demanding for collateral beyond what smallholders can afford, while farmers are generally unwilling to take out loans unless they are able to manage the risks associated with these investments.



7* Belize ranked 127th of 142 countries in the Global Innovation Index (2013).

8* Belize's firm-level technology absorption and capacity for innovation ranked 129th and 131th of 142 countries, respectively in the Networked Readiness Index (2012).

9* For instance, data from the Statistical Institute of Belize demonstrate that export earnings from sugar contracted in 2018 and 2019 after a sharp reduction in sugar prices on the EU market following the abolition of the EU sugar production quota system in September 2017. Between 2017 and 2019, exported quantity of sugar has grown of 26% whereas value was reduced by 8%.

10* Martin and Manzano (2010).

11* Food and Agriculture Organization (FAO), Aquastat (2015).

12* Value-added per worker in Belize is estimated at \$4769, while the LAC averaged at \$7104 (Constant 2010 US\$).

13* BFAOSTAT, (n.d.).

14* Brander (2007).

15* World Bank (2018).

Recommendations and Opportunities

- Expanding cultivated services would contribute to increased production and unlock the potential to access economies of scale and reduce operating costs.
- Diversification of crops, particularly those with high potential, developing new products, or multiplying the number of actors playing a role in the sector.
- Limit input costs by reducing or optimizing protectionist rules.
- Development of the irrigation system, greenhouses, and road networks.
- Investments in improving the genetics of Belize's livestock.
- Implement Climate-smart agriculture (CSA).
- Ensuring market transparency via the provision of timely market information.
- Install digital tools to facilitate border procedures.
- Establish credit bureau to enhance credit access and attract external financing.
- Develop a system of agricultural insurance to lower costs of credit and gain the trust of financial institutions.
- Establish weather indexed insurance scheme to reduce the extent of risk exposure and ensure farmer's livelihoods even under climate change.

Exploiting linkages between the tourism and agriculture sectors

Creating linkages between the tourism and agriculture sectors involves the integration of trading, distributional, and transactional networks into the organization of both aforementioned industries at national or international degrees. Fostering the establishment of agritourism linkages naturally creates an environment for diversification within the tourism and agricultural sectors, while also contributing to the sustainable development of a more resilient economy through the creation of new employment and entrepreneurship opportunities. In 2018 alone, US\$4.2 million was spent on imported produce that was already being produced locally. In the same year, a total of US\$13.5 million was spent on the main¹⁶ agricultural products consumed by the Belizean tourism industry.



In 2018, the money spent on agricultural products consumed by the tourism industry represented 7% of the exports of that year.

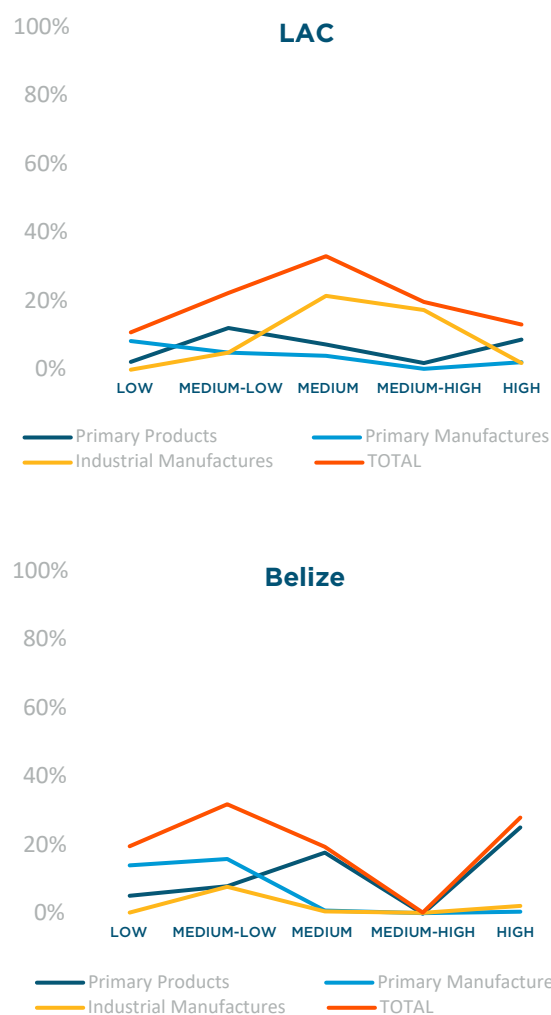
Recommendations and Opportunities

- Strengthen supply chain management to qualify for certification.
- Develop a targeted marketing strategy to establish Belizean cuisine as a salient feature in the country's tourism brand.

Diversification within the tourism and agriculture sectors and to new promising areas

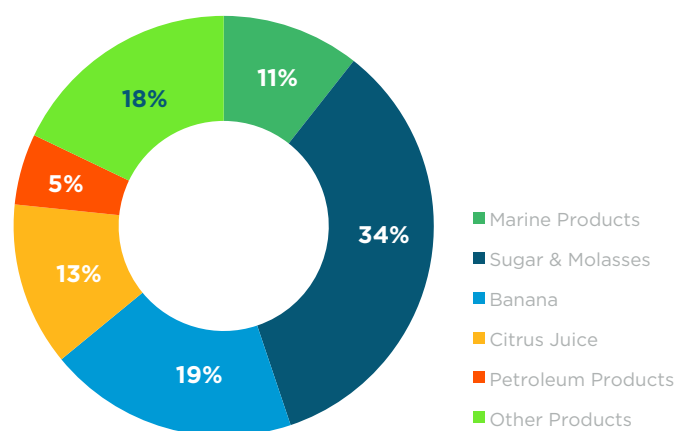
Belize's export basket (Figure 16) is comprised of goods typically exported by countries with lower degrees of income and is considered unsophisticated even when compared to other small states in the region with dominating service industries.¹⁷ Few destinations concentrate the influx of tourists. Belize City and Ambergris Caye concentrate 55.2% of overnight visitors and the overnight ecotourism product is still shaped by the Belize Barrier Reef. Meanwhile, agricultural exports are highly concentrated in only four groups of products, characterized by lack of dynamism, sharp reduction in their prices, and exposure to crop diseases (Figure 17). The impact of the COVID-19 pandemic has harshly demonstrated the vulnerabilities the tourism and agriculture industries and further highlighted the necessity to foster diversification within them both.

Figure 16. Distribution of exports by quality range category (% , 2014)



¹⁶* According the Ministry of Tourism and Civil Aviation, the top 12 agricultural products consumed by the tourism industry in 2018 included tomato, potato, sweet pepper, cabbage, onion, carrots, lime, lettuce, sweet potatoes, celery, cauliflower, and broccoli.
¹⁷* Martin (2015).

Figure 17. **Distribution of goods exports by product** (2017-2019)



Source: IDB/INT (Giordano et al., 2018) based on IMF Data and Bank's calculations based on CBB and SIB.

However, identification of the production of goods and services where Belize may possess clear competitive advantage remains challenging amidst to structural and institutional challenges and require development of other areas of the economy, particularly the information and communications technology (ICT) and manufacturing sectors. The ICT industry, particularly the business process outsourcing (BPO) sector, possess much potential for growth. BPO sectors tend to have greater spillover effects than does tourism in terms of indirect job creation. Belize has advantages including a shared language (as well as bilingual skills), time zone, and geographic proximity with the United States and competitive costs. However, there are several challenges that limit the development of the BPO industries, including limited workforce, absence of reliable infrastructure and policy direction, among others. The ICT participation in the country's exports has decreased in the last decades, which could explain why Belize's diversification indexes have not shown significant changes (Figure 18).

Figure 18. **Exports of goods and services in 1995 and 2018** (% of total exports)



Source: Atlas of Economic Complexity



The Duke Global Value Chains Center have documented several challenges affecting the BPO industry, among them are:

1. Limited workforce, shortage of critical abilities for the industry, and inadequate labor regulations.
2. Absence of reliable infrastructure.
3. Informal companies and challenges to identify these.
4. Weak data security and intellectual property protection.
5. Absence of policy direction, and coordination/bureaucracy failures.
6. Weak visibility of Belize as a BPO destination.

Realigning and clearly defining Belize's tourism product offering to emphasize a more holistic cultural and country specific experience is imminent. The strategic coordination and development of Belize's key industries, including its agriculture, renewable energy, health, and cultural sectors, may contribute to the creation of a sustainable competitive advantage that may distinguish it from its regional competitors and create a rich and holistic country experience outside of the traditional sun and sea route.

The manufacture of value-added goods remains largely untapped with some ventures, such as furniture from locally harvested logwood or the production of chemicals and plastics, identified as promising contenders¹⁸. Pressures imposed by the COVID-19 pandemic also demonstrated the ability of the industries to be innovative rapidly and adapt to demand, as observed with the manufacture of hand sanitizers by the Travellers Liquor Ltd. Distillery, and the production of protective equipment by stationary houses, though a targeted approach towards differentiating such products for export remains limited.

Recommendations and Opportunities

- Create niche experiences within the ecotourism segment through the consolidation of adventure centers, lodging experiences, local cuisine, culture, and cultural sites, given the high demand for nature-based tourism.
- Opportunities for diversifying the agriculture industry include development of agro-processing capacity, aquaculture, and the cacao industry.
- Implement policies to aligning existing workers' skills with the demand of the offshore services industry. Within the BPO segment, Belize should focus on offering blended customer support with helpdesk and technical support. In the long-term, Belize could specialize the industry into Hospitality and Travel BPO considering the country's knowledge in the tourism industry.

Boosting Integration to new markets

Sparse land border connectivity with neighboring countries presents barriers to regional trade, with only 0.4% of domestic exports sold to Mexico during 2017-2019¹⁹, while 3% were exported to Central America. Yet, Mexico was the source of 11% of gross imports and Central America another 14%. Belize does not have a free trade agreement in place with Mexico, and the partial scope agreement (PSA) between Belize and Guatemala covers fewer than 100 lines of each party's tariff schedule²⁰.

Coordination at land border crossings is deficient, with heavy reliance on manual procedures inhibiting effective communication and trade flows, with the need for going digital further highlighted by the COVID-19 pandemic.

The porous and relatively unpopulated borders are used for unregistered agricultural trade and illegal trafficking, while sanitary and phytosanitary issues also pose a significant hurdle for Belize's agricultural exports.

Despite Belize having been the third LAC country to ratify the WTO Trade Facilitation Agreement (TFA), the implementation of trade facilitation measures has been slow and activities to promote, facilitate, and retain FDI in Belize have been deficient. Support for foreign companies located in the country, policy advocacy efforts and business intelligence are also limited. The country also lacks a digital single window for investment, which would expedite business procedures and reduce paperwork.

The U.S. State Department identifies the country as a major money laundering and drug transshipment hub, noting that despite political will to fight money laundering, implementation is hindered by limited technical capacity and personnel resources²¹. The country image, therefore, presents reputational risks for foreign investors. The European Union also removed Belize from its list of tax havens in November 2019, following legislative reforms to its tax regime.²² However, given the COVID-19 pandemic, there has not yet been an opportunity for FDI to materialize. In addition, the overall heightened risks faced by financial institutions globally could threaten more CBR exits from Belize.

Although banks affected by the retreat of correspondent banking relationships (CBR) during 2015 and 2016 have established new CBRs or alternative ways to process cross-border transactions, costs and timeliness of transactions are a major concern, and weaknesses in AML/CTF compliance remain. This situation can compromise the ability of the banking sector to perform US dollar transactions and cause difficulties for importers and exporters.

There are insufficient customs and tax controls at the free zones, as the use of cash transactions creates a higher risk for contraband, customs and tax evasion, and money laundering²³, which are met by inadequate controls, unreliable collection of data on Free Zone exports, with few operational businesses limited to alcohol and tobacco sales. Reducing these risks would help attract productive FDI and export-related activities.

Recommendations and Opportunities

- Promote and facilitate FDI and local linkages to establish Belize as an attractive destination for new foreign investment including, inter alia:
 - Sector-based targeting to attract investment with a high probability of success;
 - Supply-based targeting to identify market opportunities for Belizean key strategic products and services; particularly for the diversification and upgrading into digitally-enabled remote services;
 - Lead generation marketing and company targeting adapted to the new context;
 - Virtual reality site-selection tours of industrial parks and free zones;
 - Implementation of a digital single window for investment aimed at would expediting the approval process;
 - Investment aftercare and policy advocacy services;²⁴ and
 - Matchmaking services to identify partners and suppliers to link companies with workers with appropriate skills.

18* IMF (2019).

19* True exports to Central America are likely higher than the official reported figures due to large unrecorded flows in agricultural goods from Belize to Guatemala (Bulmer-Thomas, 2017).

20* Organization of American States Foreign Trade Information System (SICE) queried August 24, 2020; WTO (2017).

21* USDS (2020).

22* "Belize removed from EU's tax haven 'blacklist'," (2019).

23* 'The Trouble in Free Zone' (2017), IDB (2019).

24* Including a smart talent program to connect skilled local workforce supply and demand to both local and foreign companies.

- Improve the business climate by expanding the scope of the current treaties to avoid double taxation.
- Establish an Electronic Single Window (ESW) to provide a single electronic point of interaction.
- Strengthen the CBB's capacity and resources for supervision of banks.
- Develop a Risk Management System.
- Develop a Cargo Traceability System.
- Establish an Authorized Economic Operator (AEO) program²⁵.
- Implement a coordinated border preparedness contingency plan to operate under emergencies and crisis.
- Develop a plan for a reconfigured CFZ and build the necessary infrastructure to suit its new activities.
- Develop a preliminary Green free zone framework.

Sound infrastructure for tourism and agriculture development and economic integration

Road transport is the major transport mode for cargo and passengers within Belize, yet while Belize's road network has 13,107 km of roads, only 20% is paved, one of the lowest rates in LAC (Figure 19). Insufficient road maintenance and increased traffic levels due to the expansion of tourism and agriculture have caused the paved road network to deteriorate at a speed rate. The low quality, quantity and connectivity of the transport and services infrastructure contribute to increased costs²⁶ and constraint the development of the agriculture and tourism sectors.²⁷

Figure 19. Road Data Comparison

Regional comparison of roads					
Country	Km of road (2015)	Population (2016)	Sq Km of Land Area	Km of road/Sq Km of land	Quality of roads (WEF)
Belize	5,050	366,954	22,810	0.22	3.0
El Salvador	6,979	6,344,722	20,720	0.34	3.9
Guatemala	17,621	16,582,469	107,160	0.16	3.4
Costa Rica	39,018	4,857,274	51,060	0.76	2.7
Dominican R.	19,705	10,648,791	48,310	0.41	4.4
Jamaica	22,121	2,881,355	10,830	2.04	3.8

Source: Comprehensive National Transportation Master Plan, 2018.

Meanwhile, growth in exports are constrained by the deteriorated and limited extent of the primary road infrastructure along with the lack of complementary freight services that raise logistics transport costs. The limited connectivity with neighboring countries and rising transportation costs are an impediment to Belize's closer economic integration with CARICOM, Central America and Mexico. The lack of weight regulations and dimensions for road freights impedes regional agreements for cross-border transport.

Infrastructure and operational inefficiencies in the active ports hinder the development of agricultural exports, along with distance from the largest export producers and import markets. International air traffic also experienced capacity challenges prior to the COVID-19 pandemic associated with the growth of the tourism sector²⁸. On the landside, the international airport does not meet the Standards and Recommended Practices of ICAO however, it should be noted that the concession company is in the process of renovating and expanding the terminal buildings to suit security and operational needs.

A critical shortcoming of the Belizean transport system is the lack of planning capacity and coordination of the different institutions involved with the transport system. Responsibilities of the transport sector in Belize seem to be dispersed across several ministries and departments with limited capacities. Transport infrastructure is also highly vulnerable to the impacts of climate change, such as large-scale inundation from sea-level rise and from more severe storm surges. Meanwhile, the pandemic is expected to have significant negative impacts for transport companies. The IDB estimates indicate that half of the land transport companies in the region could have become insolvent in the third quarter of 2020²⁹.

In regard to solid waste collection and disposal services, the National Sustainable Tourism Master Plan for Belize 2030 (NSTMP), identifies "insufficient waste disposal" as a key constraint on tourism growth. Although there have been improvements in solid waste management over the last decade, until 2009, solid waste collected in cities and towns throughout the country was discharged in open or partially controlled dumps.

As for water resource management, the economic and health impacts of COVID-19 will continue to affect the finances and operations of Belize's main water provider, Belize Water Services Limited (BWS). It is expected that BWS will face liquidity constraints as collection rates decline, and more cash is required to pay for emergency water provision and to protect staff from contagion. Meanwhile, use of irrigation techniques in Belize are very limited, with 75% of farmlands still relying on rain-fed farming.³⁰ Agriculture in Belize is concentrated in north and within the Mayan Mountains, though the former has become more susceptible to drought in recent years and the siliceous soils in the south are ill-suited for agriculture due to poor drainage conditions and soil acidity.

Recommendations and Opportunities

- Invest in the development and maintenance of sustainable transport infrastructure.
- Address regulatory challenges of freight transport as a means to improve logistics performance.
- Develop sustainable financing mechanisms for road maintenance and rehabilitation.
- Adopt new technologies to improve efficiency of transportation services.
- The institutional transport framework needs to be modernized to provide a better service and optimize the use of public resources.

25* AEO programs consist of partnerships between customs agencies and businesses to facilitate the movement of goods while increasing security throughout the supply chain. Such programs provide fast-lane priority treatment and reduced physical inspections to accredited business.

26* Sugar cane which accounts for 73% by weight of agriculture production has a cost of 12% of its value for transportation from the field to the sugar factory which is a 30km trip (Egis and Transconsult, 2018)

27* Quality, quantity and connectivity of the transport and services infrastructure is low compared to sub-regional neighbors, which raises transport costs. Average freight price for a 40 ft. container US\$/km: Belize: 2.6; Nicaragua: 1.21; El Salvador: 1.34; Mexico: 1.42; Costa Rica: 1.6; Panama: 1.85; Colombia: 2.9; Honduras: 3.3; and Dominican Republic: 4.75 (IDB, 2013)

28* Morris and Audige (2017).

29* Sánchez et al. (2020)

30* CEPAL (2010).

- BWS needs to invest in expanding sewage collection and treatment in key tourist destinations.
- To support water resource management, technical improvements and increased capabilities of national agencies to support planning and decision-making processes are necessary.
- Support the development of the framework for integrated water resources management.
- Installation of drip irrigation systems to better meet crop nutrient requirements reduce losses due to recurrent droughts.

Reigniting development through the private sector

The private sector can play a key role in a small economy like Belize where each individual investment can have a large impact, particularly in a post-COVID recovery. Belize's private sector constitutes the main source of employment³¹ and consumption, being mainly formed by Micro, Small and Medium Enterprises (MSMEs) in the tourism and agriculture³² sector. MSMEs generate over 70% of private-sector employment and incomes, however current constraints to private sector growth in Belize include credit constraints, infrastructure bottlenecks, market failures and other allocative inefficiencies that affect the real economy.

Access to finance presents one of the major challenges to firm growth, though Belize's domestic credit penetration is larger than that of LAC's³³. According to the World Enterprise Survey, 63.6% of firms in Belize state that access to finance is a major constraint vs. 32.2% for LAC-26 and 12.1% for OECD countries. Issues such as the depth of credit information rank the lowest in the Doing Business Report given the absence of a credit bureau and a formal credit registry, which generates information asymmetries that curtail the ability of financial institutions (FI) to assess client creditworthiness.

Access to finance outside of the banking system is limited as Belize does not have an operating stock exchange where public offers can be listed and traded. The most important group of institutional investors is the pension system, primarily composed of the Social Security Board (SSB) and some smaller sector-specific schemes. Though the SSB is currently generating a surplus, the yearly excess income over expenditures has fallen by 50% in the last four years.³⁴ The financial sustainability of the SSB in the short to medium term is not at risk; however, long-run projections estimate that fund reserves could be exhausted by 2034³⁵.

Banks and other lending institutions, particularly credit unions, are two sub-sectors that are expected to be adversely affected by the COVID-19 pandemic, which could delay further the economic recovery. The detrimental effect of the pandemic on the financial system is reflected in the performance of the first two quarters of 2020. Banks have aggressively increased provision expenses in anticipation of an increase in Non-performing Loans (NPLs), which were already higher than in LAC and OECD prior to the beginning of the pandemic, weakening profitability indicators. The main sources of financial distress could be: (i) deterioration in the value of loans, primarily tourism and other linked sectors and (ii) a contraction in liquidity.

To enhance credit access and attract external financing, the government could establish credit bureaus providing information to lenders about a potential borrower's creditworthiness and repayment history. It should as well be able to provide farmers with land titling documents. Develop a system of agricultural insurance to lower costs of credit and gain the trust of financial institutions, considering the increasing threats to agricultural production (climate change and pandemics). Bypassing the Private Financial Sector through a State-Owned Entity, such as the Development Finance Corporation (DFC) could be an additional strategy. The development of multi-dimensional risk financing strategies, coupled with the identification of appropriate combinations of financing instruments, such as catastrophe funds, insurance, contingency funds, pandemic funds etc., would provide acceptable levels of coverage at the lowest possible cost.

Belize should improve the institutional architecture for investment attraction. Activities to promote, facilitate, and retain FDI at Belize Trade and Investment Development Service (BELTRAIDE) are underfunded. There are no services to support foreign companies located in the country, no policy advocacy efforts and business intelligence is limited. There is no mapping of procedures and lack of support as a true red carpet for investors. Due to the pandemic, companies must make requests to open business from abroad and services to do this are not provided.

As a result, more programs for strategy, lead generation, and to connect local suppliers to foreign companies are needed, as is a single window for investment, which would expedite business procedures and reduce paperwork³⁶. Foreign investors often have to rely on a list of attorneys that act as intermediaries. Additionally, land titles are not always reliable. Moreover, there is no aftercare program for existing investors.

Constraints on basic services and infrastructure limit the private sector efficiency and competitiveness.³⁷ The lack of sufficient and high-quality tourism services and facilities result in low visitor satisfaction and low competitiveness. As mentioned, only 20% of the road network is paved, limiting visitation to unique assets, such as Toledo and Cayo Districts while Belize's water and sanitation infrastructure and coastal facilities are currently stretched; and the support and service of steady, cheap and reliable telecommunications access is limited especially in remote areas of the country.

The current energy import bill, vulnerability to low rainfall that affects hydropower capacity and concentration of energy purchases are current limitations of the energy sector. Of total energy consumption, 54% is generated from renewable energy sources, mostly hydropower along with biomass mainly generated during the seasonal (December to July) production of sugarcane bagasse, and solar. Belize imports 37% of its electricity needs from Mexico and the remaining 9% of electricity is non-renewable. COVID-19 is expected to have increased difficulties for consumers and firms to pay electricity bills, which affects energy supply chains (generation and transmission).³⁸ According to the 2010 Enterprise Survey, 36.3% of the companies identified electricity as a major constraint. That proportion almost doubles (68.8%) when we look to the responses from large companies -+100 workers- (Figure 20 and 21). In that sense, Belize is clearly an outlier in the Central American region and even in the Caribbean.

31* Belize's private-sector provided over 92% of national employment, and in 2004-2011 it accounted on average for more than two-thirds of credit and four-fifths of consumption on average (Private-Sector Assessment Report, 2014).

32* In terms of agricultural output, it is estimated that MSMEs account for over 70% of the main export crops and an even higher percentage of domestic food crops (Metzgen, 2015).

33* Credit penetration in Belize, measured as domestic credit as a percentage of GDP, stands at 58.2% as of 2019, lower than the OECD average (145.8%), but higher than LAC-26 (49.8%) (World Bank, 2019).

34* Belize Social Security Board (2019).

35* IDB (2015).

36* Also known as a "One Stop-shop", the single window for investment is a service to provide foreign and local investors a single point of entry for information and support to locate their operations, guiding and accompanying them through all the administrative procedures necessary to operate their business, simplifying and digitizing procedures to reduce the time and cost of applications, and providing assistance in obtaining sites, utilities, and permits.

37* Meyers Research (2018).

38* Amidst COVID-19, BEL has provided credit to the accounts of 7,000 customers in social classifications (domestic customers who consume an average of 60 kilowatt hours (kWh) or less monthly) for their February and March electricity bills. BEL has also suspended service disconnections for hotels, restaurants, and tour operators.

Figure 20. BEL's tariff and margin

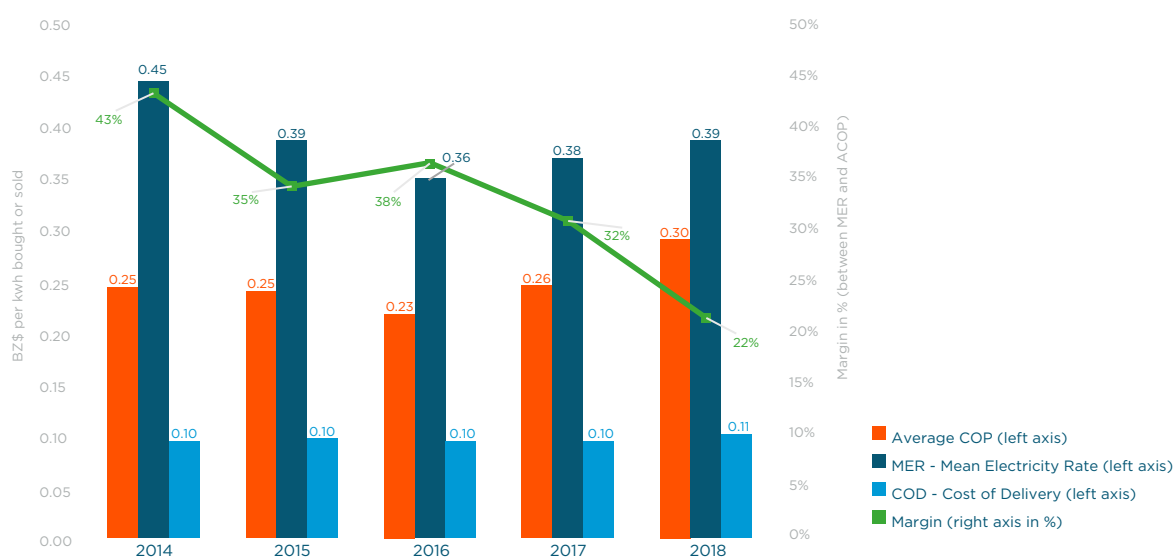
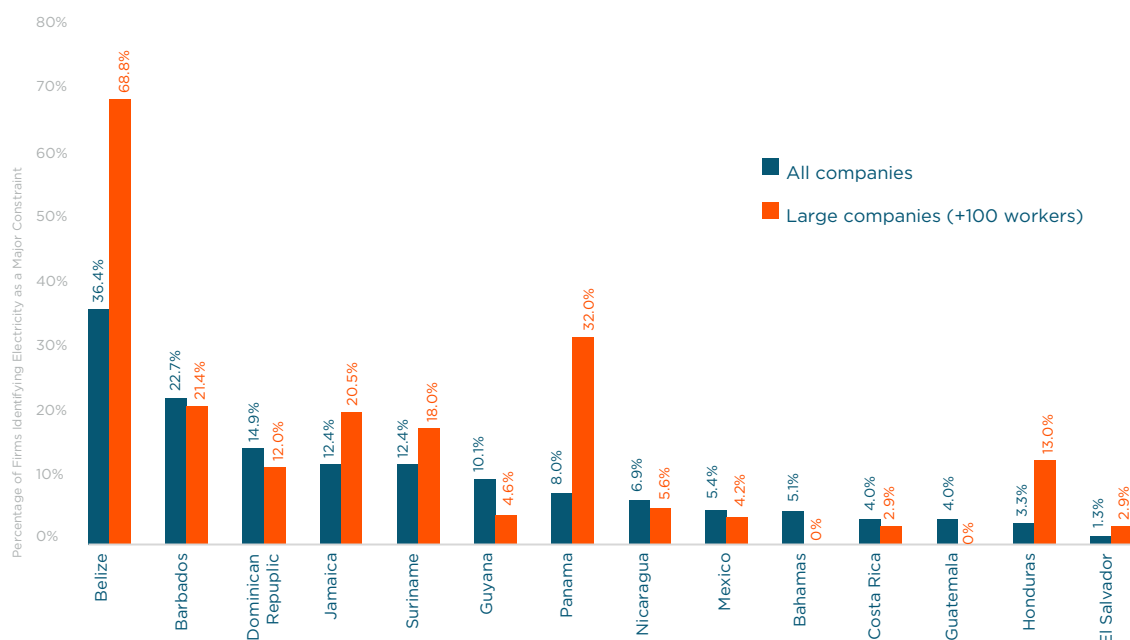


Figure 21. Firms identifying electricity as a major constraint



Source: BEL's Annual Report and WB Enterprise Survey

Belize has no visible prospective plan for the expansion of generation and transmission systems. Of its capacity growth in the last 5 years, 72.6% came from thermoelectric sources, mainly based on diesel and Heavy Fuel Oil (HFO). No new solar and wind projects were developed in that period. Belize is not yet connected to the Sistema de Interconexión Eléctrica de los Países de América Central (SIEPAC). The Ministries of Public Service, Energy Public Utilities (MPSEPU), Public Utilities Commission (PUC), BEL, or others, have not publicly presented a prospective plan that could shed light and certainty to the private sector.

As mentioned, poor quality and low maintenance of the road network, limited port infrastructure and restricted global air connectivity hinder private sector development. Belize's road system, though extensive is generally rated as poor. Similarly, ports have infrastructure challenges and the extensive coral barrier reef limits the transit of larger size vessels. As a result, maritime activity is small in scale and there is limited port infrastructure to handle bulk cargo³⁹, particularly affecting sugar exporters that currently load at anchorage. Although there are ongoing investments for the international airport⁴⁰, increased passenger flow caused congestion before the pandemic.

39* To address the lack of cruise ship facilities near Belize City, the government signed an investment agreement with Stake Bank Enterprise Limited for the construction of a cruise ship docking facility at State Bank Caye (US\$50M) (Amandala, 2017, 2019). The country has two main commercial seaports: Port of Belize (containerized and break bulk cargo), located in Belize City, and Port of Big Creek (banana, citrus, petroleum) located in the south, about 70 miles south of Belize City. Both are privately operated by Port of Belize Ltd and Banana Enterprises Limited respectively.

40* Having completed a BZ\$20 million improvement project in December, 2017, the Belize Airport Concession Company Limited commenced with a new 14,000 sq. ft., BZ\$6 million expansion, with completion scheduled for September, 2020 (PGIA, 2020).

Weak water sector service quality and performance represents a hurdle to businesses, with the number of firms reporting water insufficiencies (outages) in Belize at 20% in 2014, which is higher than the average of 17.5% of firms in LAC. In addition, there is a large telecommunications infrastructure deficit, while the digital ecosystem is in early stage and technology adoption is low⁴¹. One factor associated with underinvestment in the sector is lack of competition. Deployment of broadband is also cumbersome and expensive, particularly in rural areas, deterring private sector investment. Affordability is a main constraint to ICT adoption, ranking 5th and 7th for the highest tariffs of mobile telephony and mobile broadband in LAC, respectively.

Productivity and gross capital formation in the agriculture sector are low, and factors such as insufficient research and technology absorption prevent the diversification/sophistication of the good export basket. Limited agricultural productivity is attributed to lack of technology adoption, production costs, etc. Meanwhile, high operating costs and low levels of infrastructure hinder larger tourism developments, along with low diversification in tourism destinations and origin of tourists, poor training of employees, insufficient connectivity, lack of international hotel brands, and high operating cost among others. Similarly, though cruise tourism accounts for more over 2/3 of all tourist arrivals, lower average expenditure from this segment results in a diminished multiplying effect of the sector in the economy.

Recommendations and Opportunities to Improve the Investment Environment

To improve the investment environment:

- Address institutional deficiencies in the financial system through the establishment of a credit bureau and a collateral registry, as previously recommended.
- The development of a centralized capital market is necessary in the medium term.
- Institutional improvements in the electricity, water and sanitation sectors may allow for larger private sector participation and better service quality.
- Update the telecommunications regulatory framework to allow for broader and more effective digitalization and competition.
- Support near-shoring⁴² and other trade-related opportunities to decrease the costs of foreign trade.
- Improve the business environment through:
 - improve competition in sectors where the private sector participates;
 - increase the capacity of the government to assess and prioritize investments as well as manage and oversee agreements with the private sector.
 - enhance the country's to assess and manage environmental and social risks in private sector projects.

- prioritize the attraction of FDI, which could generate new jobs and promote economies of scale through the consolidation of small firms of relatively low productivity. FDI could also help to break coordination failures by crowding-in additional private investment in under-invested sectors or regions with economic potential.

To boost economic recovery and promote medium-term diversification:

- Support FIs to maintain and expand their loan portfolios and help with the economic recovery.
- Domestic banks can be used to channel government resources to finance targeted sectors such as tourism, agriculture, and their respective value chains.
- Review the DFC's current programs and identify improvements that would enable the institution to expand access to credit.
- The design and implementation of risk-sharing facilities for one or multiple sectors, that address major needs such as:
 - Working capital.
 - Green energy investments.
 - Renovation and CAPEX and (iv) refinancing.
- Support to MSME with short-term financing and guarantees.

To promote infrastructure investments, prioritizing the intersection of job creation and achieve climate change goals:

- Invest in local renewable energy (RE), energy efficiency, grip upgrades or expansion that can lead to job creation.
- Increase the reliability and stability of the power system with additional regional interconnections.
- The private sector could contribute to the development and finance of water and sanitation access, for example thorough PPP schemes.
- Alleviate water stress with innovative approaches, especially during emergencies, such as the with the COVID-19 pandemic.
- Support sustainable investments in transport infrastructure and other critical infrastructure.

To spur private sector innovation and competitiveness in the agroindustry and tourism sector:

- Promote CSA practices.
- Increasing the resilience of the tourism sector.
- Promote FDI in agribusiness.

41* The penetration of ICT services is among the worst in LAC (26th in mobile broadband, 25th in mobile telephony and 20th in fixed broadband). Fixed line teledensity and mobile penetration also remain lower than the region's average.

42* Nearshoring is the outsourcing of business processes, especially information technology processes, to companies in a nearby country. Nearshoring offer solutions for companies that want to outsource processes in order to maximize business efficiency but reduce the barriers of traditional offshoring. Compared to offshoring, the benefits are, for example, no or little time shift as well as cultural differences, easy communication due to good language skills and fast but also cost-effective travel.

A roadmap for digital transformation

Implementation of the GoB's National E-Government Policy and Strategy (2018) has been slow and fragmented. Similarly, the National ICT Innovation Policy & High-Level Strategy (2019)⁴³ has not been operationalized. Consequently, Belize ranked in 120 out of 176 countries in the ICT Development Index, with its position remaining steady relative to its rank in 2016 and is comparable to that of El Salvador (119) and Guatemala (125) but way below most Caribbean and historically low levels of connectivity hamper ICT adoption in all sectors⁴⁴.

Broadband connectivity for households is especially relevant in the context of the COVID-19 pandemic as families must have access to the Internet for key public health information, working from home, studying online, and socializing remotely. In 2017, only 6.7% of Belizean households had fixed Internet connectivity, though connectivity rates are expected to have increased at the beginning of the COVID-19 pandemic, the economic crisis has forced a significant number of households to disconnect after losing their main sources of income.

The Government's online presence lacks appropriate data, service availability and cohesive design. As of 2019, few of the main customer-facing ministries offer citizens and business services digitally, with even application forms having limited availability online. Belize's current identity system may cause issues when transitioning to a digital system as it does not issue a unique identity document, which is a requisite to build an identification system to make citizen's information interoperable among different government entities and services. While Belize has an interoperability platform, there are currently no interoperability standards in place.

Digitalized administrative records offer an opportunity for the collection of a robust dataset for improved public services though many challenges are presented in building a data ecosystem to harness the value of data⁴⁵. Interactions of citizens with the government leave a trace, an administrative record of that transaction, which have the potential to be a source of statistical information. The Statistical Institute of Belize has started taking steps in this direction through coordination with the Vital Statistics Unit (Registrar General Department) and the Belize Tax Services to sign MOUs to access and use the administrative records produced by these institutions.

Belize has not yet implemented comprehensive cybersecurity initiatives and lacks awareness within the private sector regarding cybersecurity⁴⁶. Belize's current laws relating to cybersecurity do not relate to privacy or data protection, which are essential for developing export-oriented ICT sector and BPO services.

Low development of human capital hinders Belize's ability to drive digital transformation in the public and private sector, while the COVID-19 crisis has greatly increased the urgency of digital transformation, as digital initiatives have supported almost every country in responding to the pandemic. In Belize, the government rerouted efforts to quickly design and develop an in-house tracking, tracing, and reporting platform for COVID-19. The pandemic has also underscored how fundamental technology and the Internet has become to business resilience.

Levels of digitalization in the agriculture and tourism sector are below regional averages. In Belize, only 40.6% of small businesses would use email compared to 88.0% of the medium and 100.0% of the large. Slow adoption can be attributed to limited digital skills among employees, the lack exposure to relevant digital solutions tailored to their needs and capacities, and affordable specialized IT support and connectivity. Meanwhile, the agricultural industry is challenged by information asymmetries, cultural tendencies and limited access to broadband challenge the adoption of new agriculture technologies.

There has also been late adoption of a regulatory environment to facilitate online payments and e-commerce. To date, the financial system regulations seem to have neutralized the development of locally usable solutions for e-payments and/or mobile money payments and there is no integrated fulfillment company that can handle payments and deliver logistical services. Most of the existing national e-commerce exchanges are channeled through the Facebook marketplace page.

Recommendations and Opportunities

- Develop a National Connectivity Agenda or a Universal Service strategy.
- Rethink institutional leadership and implement cross-sectorial initiatives.
- Establish a revolving Innovation Fund (or Technology innovation fund) that provides seed capital to innovative and technology-based firms.
- Establish an incubator through BELTRAIDE to support innovative ventures.
- Develop an ICT Cluster.
- Implement digital skills boot camps.
- Improving the national identity system for increased accuracy.
- Enact privacy and data protection legislation.
- Improve birth certificate identification to create a National Authentication Framework (NAF).
- Create a specific plan for the Government that will enable the processing and delivery of digital services for citizens and business.
- Design an open data strategy to publish public data in open format.
- Enable digital payments, e-transactions and mobile money systems to operate securely.
- Develop a specific policy and strategy for enhancing the ICT business ecosystem.

43* This policy was developed with the view of leveraging the power of ICT across all sectors, empowering citizens and business and government to adopt ICT as an enabler of economic and social transformation in Belize and was adopted as a cabinet paper.

44* According to 2018 International Telecommunication Union (ITU) data, the mobile telephony penetration rate is 64.9% (2018), which is below the region's average of 111.8%.

45* These include lack of a Data Protection Law to secure data sharing, regulate data processing by public and private entities, and thus protect Belizean's personal data, though the Freedom of Information Act approved in 2000 and a draft of a Data Protection Bill from 2014 are currently under review.

46* These are: the Telecommunications Act, the Electronic Evidence Act, the Intellectual Property Act, the Interception of Communications Act, the Cybercrime Act and the recently approved the National Cybersecurity Strategy and action plan.

3.3 Social Protection and Skills to Shape the Future

To recover and attain sustained growth, protecting vulnerable populations and managing the health crisis, while creating skills and jobs and containing violence is crucial.

The main downside of the economic contraction has been the deterioration in social conditions and loss of employment, showing the importance of having a social safety net in place, including health, education and employment protection. At the same time, while there are issues related to social protection that contribute to the country's insecurity, creating a more secure Belize cannot be solved simply by improving social protection and specific interventions are needed.

Social protection for vulnerable populations and design of a social safety net

The crisis related to the COVID-19 pandemic is impacting the income and consumption of most people in the country. Women are particularly vulnerable since they are thrice as likely than men to be unemployed and, those who are employed, are concentrated in tourism and related activities. Likewise, Belize's vulnerable population includes the migrants (14% of the country's population in 2019), who face the crisis without access to the Government's social protection programs as this often requires presenting a valid social security card or a permit of permanent residency. A recent IDB survey of migrant families shows that lack of identity documentation is the main reason hampering access to governmental assistance and livelihood opportunities.

Unfortunately, the country does not have a consolidated Social Protection Strategy. Although the strengths of the existing system include a high level of domestic financing, a modern structure for expenditure budget classification, and versatility of programs with potential for integration, the weaknesses are lack of information sharing between programs, low coverage with minimal redistribution effects and weak updating of data for evidence-based policymaking.

The safety net is composed mainly by five programs, with low coverage and poor targeting: (i) The URP that was launched in 2020 as a temporary cash transfer for unemployed persons and workers who lost their jobs and income due to the COVID-19 crisis; (ii) the Building Opportunities for Our Social Transformation (BOOST) conditional cash transfer program, which targets poor households through the application of a proxy means test with a yearly budget of about US \$1 million; (iii) the Food Pantry, which aims to fight malnutrition by providing a subsidized weekly food basket; (iv) the Non-Contributory Old-Age Pension that is paid to females over 65 years old, and males over 67 years old who have inadequate means of support; and (v) the Roving Caregivers Program, a parenting education and early stimulation program for children under three years old.

Leakage of safety net benefits to non-poor individuals was estimated at 25% in 2011. Therefore, Belize should seize the opportunity to consolidate data of all beneficiaries in a single social registry and improve targeting. The creation of the URP allowed for the collection of information on over 80,000 vulnerable individuals. This offers a unique opportunity to create a large social registry, by joining the data of all social and cash transfer programs. This information can be complemented with other sources of administrative data. To assess the quality of current targeting, Belize could assess the overlap between the poorest areas identified by the poverty mapping conducted by IDB and the rosters of beneficiaries of the existing safety net programs.

In parallel to the implementation of a single registry of beneficiaries, initiatives should be taken to improve the payment systems to beneficiaries. According to the National Financial Inclusion Strategy 2019, 97% of the beneficiaries of cash transfer from the Ministry of Human Development (e.g. BOOST) received these transfers through credit union accounts. Even though the payment system is not interoperable, there are models that integrate credit unions and local banks, thus allowing a greater capillarity of the payment system, through the use of prepaid debit cards at ATMs and Point of Sale transactions used by the bank.

In a post-Covid scenario, it is key to rationalize the safety net programs, adopting harmonized targeting mechanisms and creating a comprehensive social protection system. It will also be necessary to scale down the URP, supporting the reinsertion of beneficiaries in the labor market.

Managing the health crisis and strengthening the health sector

In addition to increasing COVID-19 cases, the country risks having imported cases, particularly given its tourism industry and frequent migration flows. Case surveillance at points of entry with focus on rapid detection of imported cases, comprehensive and rapid contact tracing, and case identification is strategic to mitigate these risks. The procedures of surveillance at the borders includes improvement of infrastructure at the points of entry, such as putting in place screening and holding areas for conducting health screening for travelers (measuring temperature, testing and collecting information on travel and exposure history), as well as frequent monitoring of irregular entrance from land borders.

The entire tourism sector must follow sanitary guidelines for a safe reopening, but testing is still limited due to shortages in materials supply and testing limitations. According to the World Health Organization (WHO) recommendations, a positivity rate of testing should remain under 5% of the samples taken at least for two weeks. Belize requires to upscale its testing capacity as its positivity rate in COVID-19 tests still exceeds the threshold. Priority measures to scaling up testing capacity include: i) expanding testing capacity to 4 regional labs by equipping them with testing kits, supplies and equipment to run PCR tests; ii) ensuring appropriate laboratory equipment such as an extraction machine at the National Laboratory to automatize the RNA extraction; iii) implementing random testing at high transmission places or communities with a breakout; and iv) facilitating access to laboratory supplies by using regional procurement mechanism, in particular the PAHO Strategic Fund⁴⁷. Surveillance and testing are key, as Belize could face significant challenges in securing COVID-19 vaccines, when available⁴⁸.

To address the COVID-19 pandemic and strengthen the health sector, Belize must ensure the development, training, and retention of health workers. The MoH has identified, with PAHO's support, critical gaps on availability of nurses, medical officers, and lab technicians among other personnel. Belize has a rate of 1 physician per 1,000 people and 15 nurses per 1,000 people, both below international standards⁴⁹. Hospital infrastructure and integration of care must be strengthened as the only facility with critical care beds to treat COVID-19 patients is the Karl Heusner Memorial Hospital (KMH). The country has 370 inpatient beds (almost 1 bed per 1,000 - and an occupancy rate of 61%) and 12 Critical Care Beds (0.03 beds per 1,000 - with a occupancy rate of 70%). Key activities include improving current inpatient infrastructure at regional level, ensuring patient pathways and proper medical waste systems.

47* PAHO Strategic Fund is a regional technical cooperation mechanism for joint purchases of essential drugs and strategic public health supplies. It strengthens strategic supply management systems, providing technical cooperation to plan demand, guarantee rational use and avoid stock-outs in the countries of the Americas

48* The IDB is supporting Belize to interrupt the transmission chain of COVID-19, including strengthening vaccine logistics, supply chain management, and application.

49* MoH, 2014



Belize is at risk of displacing key essential services to cope with the additional demand of care. Women at reproductive age face significant barriers to access services such as family planning, prenatal care and safe childbirth as do patients with chronic conditions and Gender Based Violence (GBV) victims. Negative outcomes for disrupted services are higher number of unwanted pregnancies, and mortality. Actions recommended to manage the increase on the demand of health services due to COVID-19 and maintain the provision of essential health services include: i) setting up triage, screening areas, treatment, and critical care areas at health facilities; ii) dissemination of guidance to health providers for COVID-19 and severe acute respiratory infections, including community care; iii) make guidance available for home care of patients with mild COVID-19 symptoms and recommend referral to healthcare facilities if symptoms worsen; iv) support comprehensive medical, nutritional, and psycho-social care for people with COVID-19; and v) maintain routine and emergency health service provision for the population⁵⁰.

Telehealth has been positioned as a potential solution of the interruption of essential medical services as the leading causes of death in recent years were chronic noncommunicable diseases (responsible for around 40% of deaths annually), and each year there are approximately 8,000 pregnancies. For chronically ill patients, telehealth can be implemented to: i) improve specialized care at primary care level through connectivity of primary health level staff with specialists, and to ii) directly monitor and provide consultations to patients from their home through phone calls or video call appointments, and the use of app of text messages to report status of physical activity, or adherence to medication. For essential care, telehealth can be implemented as well for monitoring low-risk groups.

Employment protection

In the short term, Belize is expected to lose 9.3% of formal jobs, and should the recession be extended, this estimate could rise to 25.6%.⁵¹ Relative to other small economies in the region, Belize is expected to face the largest increase in estimated unemployment levels. Before the COVID-19 crisis, unemployment had been rising as the labor force expanded.⁵² Youth unemployment rate doubled that of adults, a trend common to other small economies.

In the emergency period, a priority is to support firms, so they retain their employees. One strategy to achieve is to postpone social security contributions. This means having a reduction of certain social contributions in the short term and develop a path of measures to achieve better balances in the labor markets in the medium term. During the recovery phase, the government may partially or fully subsidize social contributions for a faster recovery of formal employment. Another potential strategy could be to implement temporary employment programs in the public and/or private sectors. The program consists of hiring vulnerable workers on a temporary basis, by the public and/or private sector, to provide them with an income and relevant certifiable training that allows them to be employed at the end of the program. It could be in the construction of infrastructure necessary to reopen the economy, infrastructure to promote digital transformation or in other areas related to the management of the health crisis.

Adapting to the new normal requires sectors to apply health and sanitary measures, to reopen firms safely. The content of most of the training offerings that were rapidly deployed in advanced countries has been directed at how to prepare workers to face the health emergency, including safety, hygiene, and health procedures adapted to each sector, incorporating necessary hygiene measures and specifications for the use of protective equipment (adapted according to risk areas). Examples of online training are available from multilateral organizations such as WHO, ministries of labor and national scientific institutions, and national health institutions.

In the transition period, it is key to help entrepreneurs, businesses and companies for the reorientation and adaptation of their business models, to reinvent themselves. Belize could support reengineering processes for companies to adapt their operations to the new normal, subject to creating jobs (or retaining their original employees). The focus will be to support companies to manage change, which includes a wide range of managerial, administrative and reformulation support for their mode of operation, and training workers in the tasks and occupations that arise as a result of the reinvention of the company.

Belize will need to implement strategies to reskill and upskill the labor force to protect employment and seize this opportunity for economic diversification. As important sectors for the economy and for employment are hit, workers will need new skills to be employed in new growing, dynamic sectors with potential to lead post-pandemic growth. At the same time, as business models change and adapt to the “new normal” the demand for skills will change and therefore the need for retraining. Many new jobs may lie on sectors that require Science, Technology, Engineering and Math (STEM) skills while other jobs that already exist will need to adapt, incorporating skills like biosecurity, digital literacy, health and safety at work, converting in person processes into virtual ones, managing virtual work and education spaces, green skills to adapt and mitigate to climate change, among others. Reskilling workers (especially women) that are being laid out from the services sector to one that is in demand, should be a number-one priority both in the transition and the recovery periods.

To reskill workers to move to sectors that have a faster recovery or even emerging (new) sectors it is key to identify the critical skills for the future and integrate these skills in progressive modules of customized training available to all levels of occupations and organizational roles. The training should offer certifications or credentials that reflect the acquired skills and count with online training modules (or with downloadable content) in critical areas such as managing emotions and expectations, mental health, self-control and critical thinking. Moreover, the country should seize this opportunity to modernize the education and training system. The incentives for hiring and retaining workers during the transition period should cover training costs and a percentage of the worker's salary for the duration of the program. The training should be demand-oriented, and the financing mechanism will depend on whether the objective is to retain existing workers (in which case part of the existing payroll in the company will be financed) or if it is to hire new workers (in which case there will be payments to companies for hiring new staff and training them).

These programs should be complemented with support for workers in the transition and enhanced recruitment strategies. This implies performing a good skill assessment for those looking to move, identifying potential hiring sectors for individuals with their profile or similar, finding short trajectories for quick reskilling, and connection to job opportunities and skills development programs that are agile and cost-effective. In terms of training for unemployed individuals, it is important to provide monetary subsidies for unemployed workers, conditional on registering, advancing, and completing demand-oriented training programs.

Addressing skill formation

School-closures due to the COVID-19 pandemic have created an unprecedented disruption to the education system. As the GoB has moved towards an at-home learning modality, vulnerable students are disadvantaged as they experience uneven access to distance education resources, online learning opportunities and hardware. Less than half of primary school students (46%) and a little more than half of secondary school students (58%) have internet connection at home. Only 44% of students at the primary level, and 55% at the secondary level, have access to either a tablet or computer at home.

Dropout rates are expected to increase due to school closures. Already pre-pandemic, Belize struggled with some of LAC's lowest education attendance rates. These rates are lower among male children and youth compare to female students and even lower among migrants. While the factors contributing to dropout are multiple, a key factor is that students fall behind in their schoolwork, which ultimately causes them to drop out. Difficulties accessing the MoEYSC online learning materials or low-quality online instruction as teachers have not been trained in distance education are among the reasons why students may fall behind during school closures. Using the methodology of Acevedo et. al., (2020), the IDB estimated an 8% increase in students not attending primary and between 2.6% and 10.2% increase in secondary (close to 1,400 students in total) due to academic reasons. The deterioration of economic conditions will also increase dropout as attendance may decline due to the impossibility to afford education-related expenditures or pressures to find a job to compensate for the family income losses. Following the same methodology, the IDB estimates that the number of students not attending school due to economic reasons will increase 3.3% for children between 5-12 years old, 4.7% in the case of children and youth between 13-16 years old and close to 1% for students between 17-24 years old.

The effect of the pandemic goes beyond dropout rates in the short term. COVID-19 could also affect the prospects in the labor market for youth starting their careers in a period of economic crisis. Using the estimates from Székely and Karver (2015), the percentage of youth between 18-24 years old not studying or working (NEET)⁵³ could increase from the current 28.1% to up to 32.8% due to the COVID-19 crisis. This implies nearly 2,500 additional youth in this risky situation with no independent source of income, probably below the poverty line and lacking the skills to improve their economic situation.

All these expected consequences amplify the challenges of the education and training system in a country with a large skills gap, where most of the workforce is underqualified for today's jobs and for the jobs of the future. In Belize, only 40% of the workforce has completed secondary education, and a small fraction of those who completed this level obtain satisfactory performance in basic skills, like English and Math⁵⁴. Already pre-pandemic, employers from all the economic sectors were increasingly

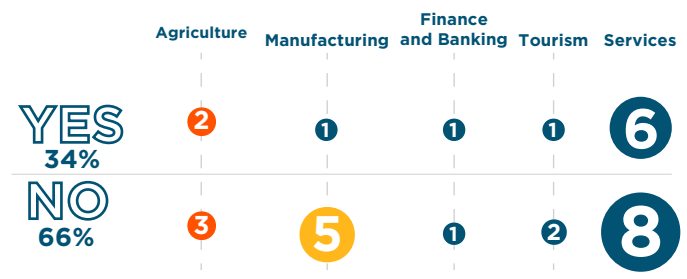
demanding a more qualified workforce and digital skills in all sectors, while routine and manual jobs in the agricultural sector experienced a steady decline. The education and training system has not responded adequately by developing high quality and relevant skills on demand. Employers demand STEM skills, but the workforce is trained predominantly in social sciences (Figure 22).

Figure 22. **Graduates in STEM and Non STEM programs and average income**

FIELD	Share of graduates (%)	Average monthly wages (USD)
STEM	17.0%	970.14
Non-STEM	83.0%	918.08

The situation calls for urgent action and sustained measures but could also be an opportunity to invest in the overdue modernization of the education and training system. The education and training system needs to diversify and upscale the type of programs currently offered, to reduce the existent skill mismatch, reskill current workers and, prepare a new generation of workers to support the promotion and modernization of new economic sectors. In the sectors identified with great potential for growth, the number of programs and courses is very limited and, in most cases, not designed to support the future needs. For skilled agriculture workers, the skills offered by the current programs match the current needs of the market, but the scale is limited.⁵⁵ Something similar happens for jobs in tourism where the formal system offers some programs providing the most required skills, but not the most advanced technical and transversal skills needed to modernize the sector. Perhaps most importantly, firms in the tourism and the manufacturing industries base their relationship on offering positions and not on requesting specific on-the-job training programs for employees (Figure 23).

Figure 23. **Number of employers by economic sector that have/had relationship with a training institution**



Source: Naslund-Hadley, E. Navarro, P. and Prada, M.2020. Skills to shape the future: Employability in Belize. Interamerican Development Bank, Washington, D.F. *Average monthly wages refer to the year 2010. ** The figures are part of a survey results and are not representative by economic sector.

To ensure that students and future workers acquire the relevant skills, the first step during the emergency period is to strengthen the capacity to provide high quality distance education, supporting and monitoring students. Another recommendation for the emergency period is to provide agile and cost-effective training needed to implement the responses to the crisis in close coordinate with sectorial ministries, entities⁵⁶, and the private sector. The coordination could start in the framework of the temporary employment program designing short trainings for prospective beneficiaries, designing safety and health courses needed to reopen safely and/or offer digital literacy courses.

53* NEET is an acronym used to refer to youth Not in Education, Employment or Training.

54* In 2018, only 65.3% of the students enrolled in the last year of secondary obtained a satisfactory performance in English and 47.4% in Mathematics (Grade I, II, & III in General Proficiency of the Caribbean Secondary Education Certificate Examination-CSEC). These numbers are reduced to 47% and 35% in rural areas for English and Mathematics, respectively.

55* BOnly 4 out of the 56 secondary schools have an actual agriculture program. Some advanced courses are offered in Natural Resource Institute (ANRI) and the Agriculture College of University of Belize, has recently established a certificate program in agriculture in the Cayo District (Elliott, 2019).

56* For example, the Belizean Tourism Board (BTB), the Ministry of Agriculture, among others.



10 Best practices for distance learning

To ensure that students and future workers acquire the relevant skills, the first step during the emergency period is to strengthen the capacity to provide high quality distance education, supporting and monitoring students. Best practices for distance learning include:

1. Increase access to digital content by negotiating with internet providers for reduced prices of services, and facilitating access to hardware, such as tablets and laptops;
2. Make online learning tools and platforms available for use on a range of devices, software applications and operating systems, including mobile phones, tablets and computers;
3. Select content with different bandwidth in mind, including content that can be uploaded onto devices to be made available offline;
4. Ensure that digital learning is aligned with existing curricula;
5. Map content that is already available within the education system, and identify preferably evidence-based content to complement existing resources;
6. Create a consolidated platform as a one-stop shop where parents can access all content;
7. Create a virtual helpdesk at the school, district or central level to support caregivers, teachers and students;
8. Put in place a system for the individual monitoring of the progress and engagement of each student, including remedial support whenever needed;
9. Mitigate the mental health and socio-emotional effects of the pandemic by training teachers in strategies to promote student wellbeing, and identification and referral of potential victims of intrafamily and gender-based violence;
10. Train teachers in interactive distance education methodologies to avoid a purely traditional learning model that focuses on mere transmission of content; and train school administrators in distance education, including coordination and monitoring of instruction and learning.

In the transition period, it is recommended to continue supporting the consolidation of distance education (primary and secondary) and prioritize investments in skill development programs to support economic sectors that are expected to recover first. Given the fiscal situation of the country, it is recommended to centralize the efforts to reskill and upskill individuals currently in the labor force with skill development programs offered to the new generation by investing in modernizing and strengthening secondary and technical and vocational education (TVET) system.

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centralize the efforts to reskill and upskill individuals currently in the labor force with skill development programs offered to the new generation by investing in modernizing and strengthening secondary and technical and vocational education (TVET) system. Besides the other promising sectors identified in this document, it is recommended for the transition period to invest in skills needed for jobs in the energy sector, particularly in renewable energies and energy efficiency, due to its great potential and related promising career paths. Even though Belize has an abundance of resources for renewable energy and one of the largest shares of installed capacity of renewable power, it does not currently offer renewable energy courses to prepare their current and future workers in these areas.

During the recovery period Belize should act on two fronts in education. First, by seizing the opportunity for sustained change to implement a hybrid learning model that combines face-to-face and remote digital experiences to intentionally create personalized, relevant and engaging student-centered experiences. Second, Belize needs to evolve toward an ecosystem for skills development that provides high quality services in close coordination with employers and other stakeholders, considering the aspirations of workers.



5 principles to create a successful ecosystem for skills

These five principles compile the lessons learned from analyzing some of the most successful skill systems around the world and adapting them to the context and reality of the country:

1. Definition of a strategic vision for skills development as well as an effective governance structure to guide policymaking and to coordinate all parties involved in the skills system. Although Belize has shown progress in developing a national vision and strategic plan, challenges remain to ensure active participation of key stakeholders, including the private sector;
2. Creation of an integrated skills information system to systematically identify present and future skills needs at the industry-level, and hopefully, at the firm-level. This system should include firm-level administrative records that can show movements of workers and describe the dynamics of job vacancies, as well as periodic skills assessments to identify the skills that are already acquired by the workers with their previous education and experience. Such an information system would allow Belize to allocate resources to the development of skills that meet the needs of employers;
3. Establishment of forums where employers and educators meet regularly helps to improve the interaction and the exchange of information;
4. Creation of quality assurance mechanisms to monitor, maintain, enhance, and ensure the quality of the services provided by educational institutions and designation of an entity responsible for coordination and oversight of all agencies and institutions involved in this task.; and
5. Promotion of women's entry and permanence in the labor market.

Citizen security issues and deficiencies

Belize had the sixth highest homicide rate in the world in 2017, at 38 intentional homicide victims per 100,000 inhabitants. The COVID-19 pandemic has interrupted Belize's pattern of elevated violence by 30%, when compared to the same period of 2019, but crime is expected to return to previous levels when COVID-19 restrictions become more relaxed. Gang rivalry remains the major driver behind criminal activity in Belize, resulting in 85% of homicides. Limited access to education and employment opportunities have been identified as key factors (82% of gang-involved individuals were classified as unemployed and 76% were secondary school dropouts) behind the elevated criminal activity, both exacerbated by the pandemic. Nevertheless, only one program is employed geared specifically towards working with gang-involved individuals, and currently lacks appropriate resources to adequately do so.

The Belize Police Department (BPD) has proven ineffective at mitigating crime and violence. This is largely due to lack of confidence and cooperation from the general populace, as well as crucial resources, training and equipment. The heavily overburdened BPD has insufficient organizational, human, and logistical resources to satisfy all its functions. Other impediments to effective law enforcement are unsupportive laws, general distrust, and the limited cooperation between the police, prosecutors, and corrections officials causing the conviction rate to remain low. There are many inefficiencies and access barriers in social service delivery for families of high-risk individuals. Families receiving social services must access each separately for each family member, from multiple state services (e.g., conflict resolution, nutrition, parenting, violence prevention, welfare) and at different offices, raising the transaction costs of receiving such services and reducing the likelihood of program adhesion.

Belize's criminal justice lacks required organizational, human, and logistical resources to fulfill all its functions.

For instance, the remand population constituted a third of the overall prison population over the last decade. The factors driving the high remand population include poor training of prosecutors, lack of court information and management systems, high caseloads drive by Police overcharging, and lack of access to legal assistance. There is a chronic shortage of criminal lawyers with only 25 criminal law attorneys nation-wide to serve the estimated 3,000 adults and children expected to be apprehended per year. Children in the juvenile justice system are especially disadvantaged as they enter the system due to issues arising from lack of family attachment and/or support. Belize's current legal framework allows parents to abandon adolescent children for any behavior they deem as "uncontrollable".

Recommendations and Opportunities

Emergency period

- Implement policies to ensure access to basic health care.
- Make use of international best practices to guarantee women's safety, particularly intimate partner violence.
- Support the levels of income and consumption of the vulnerable population through the existing cash transfer programs. Expand social safety net programs to protect the most vulnerable, including migrants. Increase the allocation of resources devoted to BOOST, the Food Pantry, the Non-Contributory Old-Age Pension, and the Roving Caregivers Program and extend the URP.

- Protect human capital development by prioritizing policies to prevent dropout, learning losses and widening of skill gaps.

- Implement policies to create and prevent further destruction of employment such as temporary job programs and postponing firm's social security contributions.

Transition period

- Ensure the organization of health care services to provide routine health services and continue the health care response to COVID-19 patients.

- Design strategies to phase out the URP and include modifications to continue offering income assistance conditional on prerequisites for recovery (modifications such as cash for training).

- Continue supporting the consolidation of distance education (primary and secondary).

- Prioritize investments in skill development programs to support economic sectors expected to recover first to guarantee that the population is ready to work in the sectors with highest potential possibly through digital skills boot camps.

- Provide incentives for hiring and retraining workers combined with access to fast, certifiable, and high-quality training programs.

- Consolidate the data of all beneficiaries in a single social registry.

- Improve data collection on employment and business activity in order to better inform policy making.

- Strengthen the legal framework and the mobile money and mobile payment ecosystem so that mobile payment mechanisms can be used by businesses and for social transfers.

- Strengthen institutional coordination between ministries and the justice system to facilitate data collection on gender-based violence (GBV).

- Strengthen regularization programs to permit migrants to join the productive sector and develop policies that promote the recruitment of migrant workers.

- Implement Cure Violence in Southside Belize City and the Office of Juvenile Justice and Delinquency Prevention (OJJDP) Comprehensive Gang Model.

- Implement a single multi-agency center in Southside Belize for delivery of intensive, risk-focused and wrap around programming focused on the specific needs of the most vulnerable youth, their families, and their communities.

- Mainstream violence-prevention measures across all GoB programs targeted to incorporate at-risk populations.

- Support current efforts underway to develop and implement a full juvenile diversion policy and program by the Supreme Court, the Attorney General's Ministry, and UNICEF/UNDP.

Recovery period

- Rationalize existing cash transfer programs (harmonizing poverty classification criteria).
- Develop links between cash transfer programs and skill development, with focus on the skills demanded by the post-COVID-19 economy.
- Strengthen the delivery of quality care services by updating current infrastructure, ensuring training and retention of human resources of health, and institutionalizing a service model of continuous quality improvement.
- Seize the opportunity for sustained change to implement a hybrid learning model that combines face-to-face and remote digital experiences to intentionally create student-centered experiences that are deeply personalized, relevant, and engaging.
- Evolve toward an ecosystem for skills development that provides high quality services in close coordination with employers and other stakeholders, considering the aspirations of workers.
- Support the implementation of GBV policies.
- Support the implementation of migration policies to promote an efficient, orderly, and inclusive integration of migrants and become a positive force for local development.
- Review policies, laws, and procedures driving exploding prison rate for adults and juveniles.
- Reduce juvenile recidivism by deepening and extending successful interventions piloted under the Community Action for Public Safety (CAPS) program.
- Establish a financially sustainable, nationally accessible legal assistance program, such as free online legal information portal.



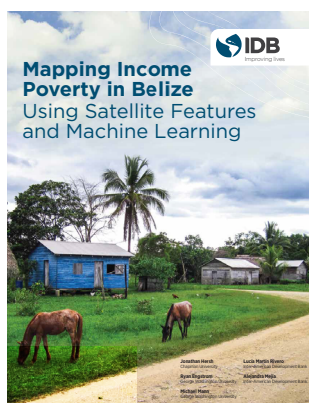
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For more detailed information on each of the topics covered within this publication, below are some of the publications that may be consulted. To access more material and IDB knowledge products, please visit <https://publications.iadb.org/en>

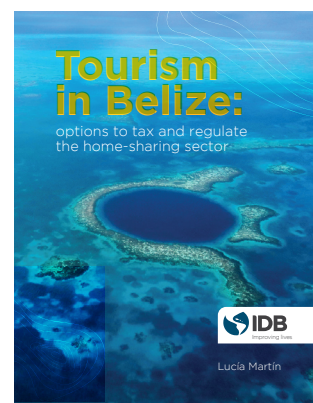
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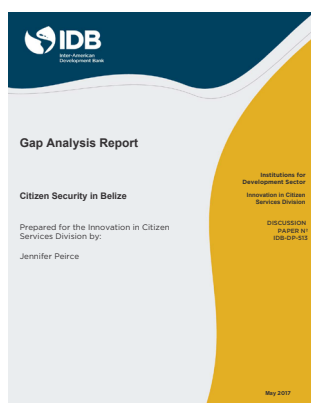
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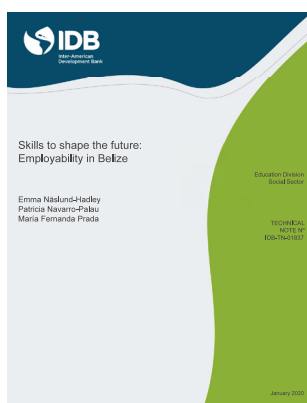
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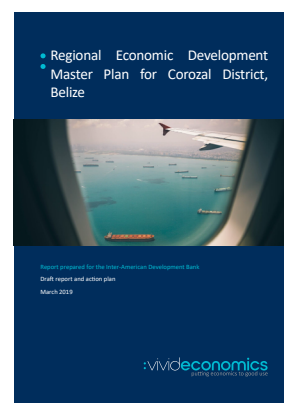
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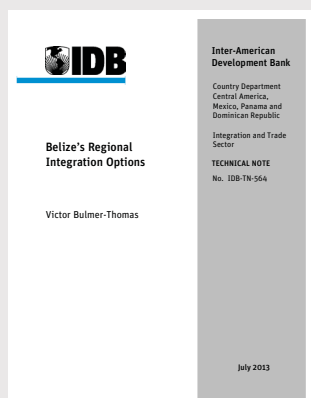
Employability



Master Plan for Corozal District



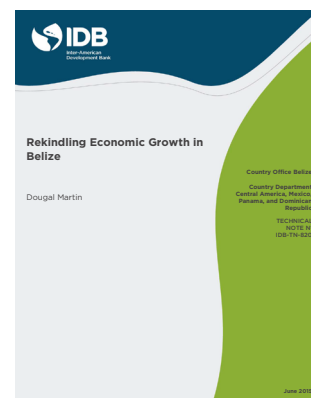
Regional Integration



Trade and Tax Policy



Economic Growth



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