

International Monetary Fund

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Belize: Letter of Intent

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The following item is a Letter of Intent of the government of Belize, which describes the policies that Belize intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Belize, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

January 23, 2009

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

Dear Mr. Strauss-Kahn:

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

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

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

The Government moved immediately after these two events to provide relief to those affected by the disasters and repair and reconstruct the damaged homes and dwellings while seeking financing to repair and rehabilitate damaged infrastructure particularly the road network. Donors, including the IDB and CDB, have indicated their willingness to help meet these priorities but the process will require a considerable amount of time and resources. Accordingly, the Government of Belize requests a purchase equivalent to SDR 4.7 million (25 percent of quota) under the Fund's Policy on Emergency Assistance for Natural

Disasters. The purchase will help meet the foreign exchange needs related to the disaster response, the rise in imports of food, and the replacement of damaged household items, thereby easing pressure on our external reserves and maintaining confidence in the external position.

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

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

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

Sincerely yours,

/s/

Dean Oliver Barrow
Prime Minister and Minister of Finance