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From Currency Board Discipline to Central Banking in Belize: Continuity Through Institutional Adaptation, 1894–2025

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Author Note

This paper was prepared for internal analytical and research purposes. Selected findings were presented at the Central Bank of Belize Stakeholders' Forum commemorating the 50th Anniversary of Belize's fixed exchange rate peg of BZ$2 to US$1. The views, interpretations, and conclusions expressed herein are those of the authors and do not necessarily reflect the official position, policies, or opinions of the Central Bank of Belize, its Board of Directors, or management.

Abstract

This qualitative historical documentary analysis examines the evolution of Belize's monetary system from the fragmented silver-based currency environment before 1894 to the modern central-banking framework in 2025. Drawing on legislation, gazette notices, monetary histories, institutional records, annual reports, and exchange-rate data, the study explains how Belize's monetary institutions moved from a colonial currency system to central banking, and how external monetary shocks shaped that process. It argues that Belize's monetary development was not simply a shift from currency-board rigidity to central-bank discretion. Instead, external discipline was progressively incorporated into more adaptable monetary structures as the economy and financial system matured. The paper's principal contribution is the concept of continuity through institutional adaptation: although the mechanisms of monetary governance changed, the fixed exchange rate, reserve adequacy, convertibility, and external payment capacity remained central. The evidence yields eight findings concerning legal standardisation, currency-board institutionalisation, reserve transformation, external shock transmission, the 1949 devaluation, exchange controls, post-Bretton Woods instability, and fiduciary elements. The analysis identifies 1976 as the key legal and functional turning point, when the Monetary Authority of Belize and related banking laws introduced many central-banking powers. These powers were consolidated within a permanent national institution after independence in 1982 and subsequently expanded into reserve management, banking supervision, payment systems, debt management, fiscal agency, and macroeconomic governance. Looking ahead, sustaining the peg will require disciplined public finances, adequate external buffers, stronger foreign-exchange earnings, productive diversification, secure and regulated payment channels, and continued institutional adaptation to climate, technological, financial, and geopolitical risks.

Keywords: Belize, currency board, central banking, exchange-rate regime, documentary analysis, monetary history, qualitative research

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From Currency Board Discipline to Central Banking in Belize: Continuity Through Institutional Adaptation, 1894–2025

Belize's transition from a traditional, passive currency-board system to central banking was broadly sequential yet institutionally layered. It was not a simple shift from rules to discretion. A fixed exchange rate can provide credibility, but it also requires domestic adjustment when external pressures arise. Currency boards and central banks differ materially in their mandates, instruments, and balance-sheet structures, yet exchange-rate arrangements in practice often combine rules, administrative controls, reserve management, and varying degrees of policy discretion. Belize moved from a fragmented colonial monetary system to a currency board, then to the Monetary Authority of Belize (Monetary Authority), and finally to the Central Bank of Belize (Central Bank), while preserving the fixed exchange-rate anchor as the centre of monetary credibility. External discipline, understood as the capacity to maintain the peg, meet external payment obligations, and provide foreign exchange for essential imports, remained a critical policy constraint even as domestic monetary and financial-management capacity expanded. This continuity raises the paper’s central question: how did Belize increase flexibility in domestic monetary and financial management while preserving the external discipline that had historically underpinned confidence in the currency?

This paper traces Belize's monetary institutions from the fragmented currency environment of the nineteenth century through the establishment of the Monetary Authority in 1976, the consolidation of central-banking functions in 1982, and the subsequent expansion of those functions through 2025. It examines how external monetary shocks influenced that institutional evolution. The analysis shows that Belize did not move directly from currency-board rigidity to central-bank discretion. Instead, externally anchored monetary discipline was progressively adapted to more flexible institutional structures. From this perspective, 1976 was the key legal and functional turning point, as the Monetary Authority and the Banking Ordinance conferred many powers normally associated with central banking. The establishment of the Central Bank in 1982 then consolidated those powers within a permanent national institution after independence.

Methodologically, the paper employs qualitative historical documentary analysis of legislation, gazette notices, annual reports, institutional records, monetary histories, and exchange-rate data to trace how formal rules, administrative practices, and external shocks have shaped monetary institutions over time.

The paper's principal contribution is the concept of continuity through institutional adaptation. Belize's monetary history is interpreted as a process in which external discipline was progressively embedded within broader, more sophisticated institutions. The mechanisms of monetary governance changed substantially from legal standardisation, currency-board reserve backing, and exchange controls to reserve management, banking supervision, debt management, and financial-system oversight. Across these changes, however, the underlying objectives remained consistent: preserving exchange-rate credibility, maintaining external liquidity, and sustaining confidence in the currency.

This interpretation contributes to wider debates about currency boards, central banking, exchange-rate credibility, and the development of monetary institutions in small open economies. A prominent strand of the literature contrasts hard pegs, including currency boards, with more discretionary monetary arrangements and frames exchange-rate choice as a trade-off between exchange-rate stability and monetary-policy autonomy (Mundell, 1963; Calvo & Reinhart, 2002; Obstfeld, Shambaugh, & Taylor, 2005). The broader literature is not uniformly bipolar. Optimum-currency-area theory identifies conditions under which fixed rates or a common currency may be advantageous (Mundell, 1961; McKinnon, 1963; Kenen, 1969), while empirical classifications show that actual regimes often occupy intermediate positions and diverge from their official labels (Levy-Yeyati & Sturzenegger, 2003; Reinhart & Rogoff, 2004). The paper extends this literature by shifting attention from regime labels to institutional evolution: central-banking capacity emerged through the gradual adaptation of currency-board institutions rather than their outright replacement. The analysis shows how a small open economy can expand domestic policy capacity while retaining the external anchors that support monetary credibility.

Existing studies of Belize's monetary history have primarily focused on components of the monetary framework (Slusher, 1990; Coye, 1992; Mendoza, 1992; Solis, 1995; Mendoza, 1997), real exchange-rate movements (Arana, 1997; Santoya & Soutar, 2011), or the development of specific financial institutions and markets (Barnett, 1981; Humes, 1982; Vellos & Sosa, 1996). While this body of scholarship has generated important insights into monetary policy, banking, credit, financial intermediation, capital-market development, and exchange-rate behaviour, it has generally treated these subjects as discrete areas of inquiry. Missing from the literature is a comprehensive historical account of how Belize's monetary institutions evolved across successive regimes and how external monetary discipline was maintained through changing institutional forms.

This paper seeks to fill that gap by tracing the long-run relationship among exchange-rate credibility, reserve management, and institutional adaptation from 1894 to 2025. It uses credibility, convertibility, and policy autonomy as the main interpretive framework. Credibility denotes confidence in the currency's external value and in the authorities' ability to maintain the exchange-rate anchor; convertibility denotes the capacity to exchange domestic currency for external monetary assets or foreign currency under stated rules; and policy autonomy denotes the scope available to domestic authorities to manage monetary, financial, and fiscal conditions without undermining the external anchor. A defining feature of Belize's monetary history is the ongoing effort to balance these three objectives. Early monetary arrangements prioritised credibility and convertibility through strict reserve backing and legally defined exchange standards, leaving little scope for domestic monetary intervention. Over time, however, institutional reforms increasingly sought to expand domestic authorities' capacity to manage reserves, supervise financial institutions, support government finance, regulate foreign exchange, and oversee payment systems. These developments increased policy flexibility without diminishing the importance of external constraints. Consequently, Belize's monetary evolution is best understood as a changing balance among credibility, convertibility, and policy autonomy rather than as the replacement of one monetary regime by another.

The analysis traces this evolution through several critical turning points. Monetary fragmentation and the decline of the silver standard created pressure for reform in the nineteenth century, culminating in the Coinage Ordinance and Currency Note Ordinance of 1894. These reforms standardised the monetary system and established credibility through reserve-backed convertibility. Later developments showed how international monetary disturbances could affect Belize through reserve composition and exchange-rate arrangements. The resulting pressures contributed to the 1949 devaluation and prompted further adaptations, including exchange controls, fiduciary backing, and the 1976 exchange-rate realignment. Together, these developments created the conditions for the establishment of the Monetary Authority in 1976 and the Central Bank in 1982.

The post-independence experience is equally important to the analysis. The establishment of the Central Bank did not eliminate the external constraints that had shaped Belize's monetary history. Instead, episodes such as the IMF-supported adjustment programme of 1984-1986, successive sovereign debt restructurings, the 2020 debt-payment suspension and bondholder relief episode, and the 2021 debt-conversion operation demonstrate the continuing importance of reserve adequacy, external liquidity, and confidence in the fixed exchange-rate regime. The period from 2021 to 2025 is treated as a phase of reserve strengthening and external resilience, during which the debt conversion helped improve external liquidity and reinforce confidence in the exchange-rate anchor. These developments reveal how Belize's monetary framework evolved while preserving many of the principles that had long underpinned monetary stability.

The paper is organised into six sections. Section 1 sets out the historical and conceptual background, examining how the fragmented silver-based monetary system of the nineteenth century created the need for legal standardisation. Section 2 explains the qualitative historical documentary method and the source base used to trace institutional change. Section 3 presents the principal findings on legal standardisation, currency-board institutionalisation, reserve transformation, the transmission of external shocks, the 1949 devaluation, exchange controls, post-Bretton Woods instability, and fiduciary elements. Section 4 analyses the transition from the currency board to the Monetary Authority and then to the Central Bank, including the post-1982 expansion of reserve management, banking supervision, payment-system development, debt management, and macroeconomic governance. Section 5 discusses the broader implications of Belize's experience through the lens of credibility, convertibility, and policy autonomy, with particular attention to small open economies and the policies required to sustain the peg over the next 50 years. Section 6 concludes by explaining why Belize's monetary history is best understood as continuity through institutional adaptation rather than as a sharp regime break.

The central claim is that the Central Bank of Belize should be understood not as a break with the currency-board tradition, but as an institutional adaptation and consolidation of that tradition in the context of independence, financial deepening, debt management, and modern economic governance.

1.0 Historical and Conceptual Background: Monetary Fragmentation, Trade Structure, and the Silver Crisis Leading to the Coinage Reform of 1894

The evolution of Belize's monetary system is inseparable from the structure of its early colonial economy. In the early phase of the British Settlement in the Bay of Honduras[1], economic activity was overwhelmingly dominated by the extraction and export of logwood. For nearly a century after the settlement's establishment in the seventeenth century, this single commodity formed the economic base, with its proceeds financing virtually all commercial and administrative activity (Bulmer-Thomas, 2012, p. 41). This narrow export structure limited the development of internal markets and strongly shaped the colony's physical and institutional infrastructure.

By the late eighteenth and early nineteenth centuries, however, the economic structure began to evolve. Mahogany gradually replaced logwood as the colony's most valuable domestic export, even before its extraction was formally legalised. At the same time, Belize developed into an important regional trading hub, engaging in entrepôt trade by importing manufactured goods, particularly textiles, and redistributing them across Central America and, to a lesser extent, Mexico. Exports of a small number of raw materials, such as indigo, cochineal, and sarsaparilla from Central America, also passed through Belize. Although this phase of re-export activity was relatively short-lived, it proved highly profitable and had lasting implications for both commerce and monetary circulation. As Bulmer-Thomas (2012, p. 65) observed:

> *"By the 1820s, however, a new and even more profitable economic activity had emerged… This re-export business would make the merchants in the town of Belize very prosperous—until in 1855 the opening of the US-built railroad across Panama and the upgrading of the ports on the Caribbean coast gave the neighbouring countries alternative outlets for their trade."*

During this period, the scale of re-export activity exceeded that of domestic commodity production, effectively overshadowing logwood and mahogany exports. Just as importantly, this expansion of trade fundamentally altered the colony's monetary environment. Increased commercial flows generated a

[1] According to Bulmer Thomas (2012), the status of the "British Settlement in the Bay of Honduras" was recognised under the Treaty of Paris (1763), which formally acknowledged British rights to cut and export logwood in the area, although sovereignty remained with Spain. The settlement's legal and political status was further clarified through the subsequent Convention of London (1786).

growing demand for currency and facilitated the inflow of foreign coins, particularly silver dollars from Mexico, Central America, and other parts of Latin America.

Before the 1820s, Belize had relied, in part, on Jamaican currency, which, although discounted against sterling, still bore the pound symbol (£). However, as trade expanded into re-export activities, this system was replaced by an influx of Spanish-American silver coins. As Bulmer-Thomas (2012, p. 81) explains:

> *"Before the 1820s, Belize had used Jamaican currency. This stood at a 40 percent discount to the sterling, although confusingly both currencies carried the same symbol (£). The entrepôt trade brought a flood of silver coins to Belize… mainly from Mexico and Central America, but some came from as far away as Chile and Peru."*

This externally supplied silver currency produced a highly fragmented monetary system. British Honduras[2] operated without a unified monetary authority capable of minting, managing, or regulating money, and a wide variety of coins circulated simultaneously. British silver coinage circulated alongside Spanish, Mexican, and other Latin American dollars, as well as United States currency, with their relative values determined primarily by metallic content rather than by legal tender status. As Wyeth (1979, p. 15) described, the resulting system was one of "considerable uncertainty, even chaos."

Transactions often involved multiple currencies within a single commercial transaction, reflecting both the diversity of coinage in circulation and the absence of a standardised unit of account. As shown in Table 1, drawing on Chalmers (1894), Wyeth demonstrated that even a typical "package" of currency could consist of coins from several different countries. This lack of uniformity created persistent challenges in pricing, accounting, and taxation.

[2] The territory was declared the Colony of British Honduras on 12 May 1862, became a Crown Colony in April 1871, and was renamed Belize on 1 June 1973. It remained under British administration until attaining independence on 21 September 1981.

Table 1

A Typical Currency Package Worth £80, Examined in Belize in 1876

Type of Currency (Silver/Coins)	Denomination		
	Pound (£)	Shillings (s.)	Pence (d.)
British Silver	8	8	
Spanish, Mexican, or Colombian Dollars and parts	12	16	9
United States Silver	29	10	-
Guatemalan Dollars and parts	18	13	3
Peruvian Dollars	10	12	-
Total	80	-	-

Note. Table 1 provides the composition of a typical currency package examined in Belize in 1876. Source: Wyeth (1979, p. 24), based on Chalmers (1894, p. 43).

Table 1 illustrates the variety of currencies in circulation in Belize in the late 1800s. The £80 package examined in 1876 contained only £8 8s. in British silver, about 10.5% of the total, with the remainder mainly composed of foreign silver coins. The largest foreign component was U.S. silver at £29 10s. (36.9%), followed by Guatemalan dollars at £18 13s. 3d. (23.3%), Spanish, Mexican, or Colombian dollars at £12 16s. 9d. (16.0%), and Peruvian dollars at £10 12s. (13.3%).

This composition indicates a monetary system influenced more by a mix of regional and international currencies than by any single imperial coinage. Belize's monetary landscape mirrored broader Caribbean patterns, in which commercial activity determined the composition of money, requiring continuous reliance on the process of valuing, comparing, and reconciling various silver currencies. The underlying nature of this system was present in other colonies, as Crick (1948) described such systems as:

> *"(a) hotch-potch of makeshift employment of other countries' currencies, sometimes more than one of) circulating together, and sometimes with a unit of account different from the dominant unit of circulation."*

This fragmented monetary environment reflected the colony's wider economic structure. British Honduras was closely integrated into regional and global trade networks and, like other small economies without the capacity to issue and regulate their own money, relied on currencies issued elsewhere. Money therefore entered circulation largely through trade rather than through a centralised monetary authority. The arrangement functioned tolerably while the relative values of the circulating currencies remained broadly stable. Its vulnerability became increasingly apparent after the international monetary changes of the 1870s, particularly Germany's adoption of the gold standard and the United States Coinage Act of 1873, which contributed to the declining monetary role and market value of silver. As major economies shifted towards gold-based standards, silver depreciated relative to gold, destabilising the value of the silver currencies circulating in British Honduras (Irigoin, 2020).

Because the currencies circulating in British Honduras were predominantly silver-based, this change had immediate and substantial effects. As silver declined in value, the coins in circulation could no longer maintain stable exchange rates, both relative to one another and against sterling. This created uncertainty in routine financial and commercial transactions—such as purchases of goods and services, debt settlements, wage disbursements, imports, and currency conversions—contributing to price volatility and complicating fiscal management. Bulmer-Thomas (2012, p. 103) provides a clear account of the effects of this crisis within the colony.

> *"The silver dollars (sol)… served their purpose well enough until the silver price started to fall after 1873. By 1880 it was no longer possible to maintain the fiction of a fixed rate… the Treasury each year converted sol to sterling at a different rate… The Guatemalan silver dollar was made legal tender in 1887… however, this was only a temporary measure… finally… the US gold dollar was made legal tender in 1894."*

In response, colonial authorities sought to restore order through gradual reforms. The 1887 decision to make the Guatemalan silver dollar legal tender aimed to stabilise the economy by adopting a single currency. However, because it remained linked to silver, its value continued to decline, and the core issues remained unresolved. Exchange rates remained volatile, complicating currency conversions.

More fundamentally, the crisis revealed that the colony's monetary difficulties were both institutional and commercial. The problem was not only that multiple foreign silver coins circulated simultaneously, but also that the crown colony lacked a unified unit of account, a clear legal-tender structure, and a monetary authority capable of standardising and regulating the circulation of money. As long as trade remained stable, this fragmented system could function tolerably well. Once silver depreciation disrupted relative currency values, however, the absence of a coherent legal and administrative framework became increasingly untenable. By the early 1890s, the colony required more than repeated exchange-rate adjustments: it needed a comprehensive monetary system grounded in law and institutional control. That institutional reconfiguration began with the Coinage Ordinance No. 31 of 1894.

The historical background sets out the problem that the rest of the paper investigates: Belize's monetary instability was not only a matter of coinage or exchange rates but also a problem of institutional design. The method section explains how the study uses documentary evidence to trace the evolution of that institutional design across successive monetary regimes.

2.0 Method

This study employs a qualitative historical documentary design to interpret changes in monetary institutions over time, with later sections supplemented by descriptive indicators of institutional and monetary variables. This design is appropriate because the central evidence comprises legal instruments, official administrative notices, institutional histories, central-bank records, and historical economic accounts rather than interview data or econometric modelling. The paper treats statutes, ordinances, gazette notices, monetary histories, institutional records, annual reports, and monetary statistics as evidence of institutional design, administrative intent, evolving policy constraints, and changes in the scale and composition of monetary governance. Its approach is interpretive and historical. It explains how monetary institutions changed, how policy instruments were justified, how external shocks were translated into domestic institutional reforms, and how the functions of monetary management expanded from currency-board administration to central banking.

2.1 Data Sources and Sampling Strategy

The documentary corpus was purposively selected to capture the institutional evolution of Belize's monetary system across key reform periods. Sources included the Coinage Ordinance No. 31 of 1894, the Currency Note Ordinance No. 32 of 1894, the Monetary Authority of Belize Ordinance No. 9 of 1976, the Central Bank of Belize Act, official notices in the British Honduras Gazette on import restrictions and exchange control, historical accounts by Wyeth and Bulmer-Thomas, and supporting scholarship on colonial currency systems, sterling-area arrangements, and exchange-rate history. For the post-1976 analysis, the source base was expanded to include annual reports from the Monetary Authority and the Central Bank, monetary survey data, external asset ratio data, balance-sheet indicators, Treasury bill holdings, claims on Government, private-sector credit, net foreign assets, and other official statistical series. Documents and data series were included if they directly addressed currency issuance, reserve backing, exchange-rate arrangements, exchange controls, fiscal–monetary relations, banking supervision, payment-system development, reserve adequacy, monetary aggregates, domestic credit, or institutional authority.

2.2 Inclusion and Exclusion Criteria

Documents were included if they contained direct evidence of currency issuance, legal tender, reserve backing, exchange-rate arrangements, foreign-exchange administration, fiduciary backing, fiscal–monetary relations, or the institutional authority of monetary bodies. Documents were excluded if they addressed general economic history without a clear monetary or institutional connection, duplicated information already contained in primary legislation or official notices, or offered commentary unsupported by identifiable documentary evidence. This selection strategy enabled the analysis to focus on documents most directly relevant to monetary institutional change.

2.3 Analytic Procedure

The analysis proceeded in four stages. First, documents were read chronologically to reconstruct the sequence of monetary reforms, from pre-1894 fragmentation to the establishment and subsequent development of central banking. Second, legal and institutional provisions were compared across reform periods to identify changes in monetary standardisation, reserve backing, convertibility, exchange-rate anchoring, exchange controls, fiduciary backing, fiscal–monetary relations, banking supervision, payment-system responsibilities, and debt management. Third, the evidence was interpreted in relation to major external monetary and financial shocks, including the silver crisis, sterling instability, the 1949 devaluation, the collapse of Bretton Woods, the 1976 peg realignment, the 1984–1986 adjustment programme, successive sovereign debt restructurings, the 2020 debt-payment suspension, and the 2021 debt-conversion operation. Fourth, the findings were organised into historical narratives explaining how institutional change responded to external pressures and domestic policy constraints. Documentary analysis was supplemented by descriptive monetary and institutional indicators from Monetary Authority and Central Bank records, including external asset ratios, monetary aggregates, domestic credit, Treasury bill holdings, claims on Government, private-sector credit, and balance-sheet data. These indicators are used descriptively to trace changes in reserve discipline, domestic policy capacity, financial intermediation, and institutional scope rather than to estimate causal relationships. The analysis also applies a comparative before-and-after institutional approach to assess how functions changed across the currency board, Monetary Authority, and Central Bank regimes.

2.4 Source Evaluation and Limitations

Primary sources were treated as evidence of formal institutional design, statutory authority, and administrative procedure, while secondary sources were used to interpret context, chronology, and broader monetary significance. Where possible, legal provisions, gazette notices, and institutional records were used to substantiate claims regarding authority, reserve backing, exchange-rate arrangements, and administrative responsibility. Historical interpretations by Wyeth, Bulmer-Thomas, and related scholarship were used to explain how those formal rules operated in practice and how they related to wider economic conditions.

The study also applies source criticism by distinguishing between legal design and institutional practice. Statutory provisions show what monetary authorities were authorised or required to do, but they do not always reveal how rules were implemented, interpreted, or experienced by households and firms. Where documentary evidence was incomplete or where later interpretation was necessary, the analysis relies on convergence across sources rather than on a single document. This limitation is addressed again in the conclusion, where the paper identifies archival correspondence, parliamentary debates, bank records, and oral histories as areas for future research.

3.0 Findings

The documentary analysis produced eight interrelated findings that collectively explain how Belize's monetary institutions evolved from a fragmented system to a central banking system. The findings are organised both chronologically and analytically, as the study examines institutional change over time rather than individual perceptions or numerical outcomes.

The analysis is organised around three concepts that recur throughout Belize's monetary history: credibility, convertibility, and policy autonomy. Credibility denotes confidence that the monetary authority can maintain the currency's external value and preserve its convertibility. In this study, external credibility refers specifically to confidence that the exchange-rate anchor can be maintained, and that sufficient foreign exchange and reserve assets will be available to support imports, external payments, and the currency's continued convertibility. Convertibility is the ability to exchange domestic currency for an external monetary asset or foreign currency under stated rules. Policy autonomy is the scope available to domestic authorities to influence monetary conditions, support government financing, or manage the financial system without undermining the external anchor.

These concepts clarify why institutional change did not necessarily entail a break from the currency-board tradition. Under the pre-1894 fragmented system, credibility was low, convertibility was fragmented, and monetary autonomy was effectively absent. Under the currency board, credibility and convertibility were strengthened through reserve-backed rules, but autonomy remained minimal. The Monetary Authority retained the external anchor while introducing limited policy autonomy through lower reserve-cover requirements, credit controls, and restricted fiscal-financing powers. The Central Bank further expanded policy autonomy, but within a fixed exchange-rate framework in which credibility and convertibility continued to depend on reserve adequacy and external payment capacity. This framework therefore interprets Belize's monetary evolution as a changing balance among credibility, convertibility, and policy autonomy rather than as the simple replacement of one regime by another.

Table 2

A Framework for Interpreting Belize's Monetary Evolution: Credibility, Convertibility, and Policy Autonomy

Regime	Credibility	Convertibility	Policy Autonomy
Pre-1894 Fragmented System	Low	Fragmented and uncertain	None
Currency Board (1894-1976)	High through reserve backing	Strong and rules-based	Minimal
Monetary Authority (1976-1981)	High through peg and reserves	Maintained but increasingly managed	Limited
Central Bank (1982-present)	High through peg, reserves, and institutions	Maintained through reserve management and exchange controls	Greater but constrained

Note. Table 2 presents the conceptual framework used to interpret Belize's monetary evolution in terms of credibility, convertibility, and policy autonomy.

3.1 Finding 1: Legal Standardisation through the Coinage Reform of 1894

The documentary evidence indicates that the Coinage Ordinance No. 31 of 1894 was part of a process of legal standardisation through which the colonial authorities transformed a fragmented monetary environment into a unified monetary system. The reform established the United States gold dollar as the colony's monetary standard, introduced a common unit of account, and created a statutory legal-tender framework. Documentary records therefore suggest that monetary stability was pursued primarily through legal and administrative standardisation rather than through discretionary monetary management.

The Coinage Ordinance No. 31 of 1894 marked the colonial government's decisive response to the monetary instability of the late nineteenth century. It declared the United States gold dollar, of the standard weight and millesimal fineness specified in the Coinage Ordinance, to be the "standard coin" of British Honduras, thereby aligning the colony with the international gold standard and replacing earlier reliance on depreciating silver currencies (British Honduras, 1894a, s. 1). This effectively placed the British Honduras dollar at parity with the U.S. dollar (BH$1 [3]= US$1). Given that the pound sterling was then worth approximately US$4.866, the implied sterling value of the British Honduras dollar was about £0.2055, or roughly 4 shillings 1.2 pence. The Coinage Ordinance also required that all public and private monetary obligations be expressed in standard dollars and cents, thereby establishing, for the first time, a unified unit of account across the colony. The reform thus shifted the monetary system from one in which value was determined by negotiation among multiple currencies to one defined by law.

The Coinage Ordinance operationalised this standard by establishing a legal tender system. Coins listed in the statutory schedule were assigned specific values relative to the standard dollar, enabling their temporary circulation within a unified system (British Honduras, 1894a, s. 2). It also set limits on the legal tender capacity of different coin types, establishing a hierarchy for circulating currency and reducing confusion during exchanges.

[3] Throughout this paper, BH$ denotes the British Honduras dollar prior to the 1976 monetary reform, and BZ$ denotes the Belize dollar thereafter, regardless of the official change of the country's name from British Honduras to Belize on 1 June 1973, except where original sources use alternative notation.

The Coinage Ordinance also authorised the minting of subsidiary silver coins (50, 25, 10, or 5 cents) and a bronze one-cent coin, both of which served as legal tender for everyday transactions (British Honduras, 1894a, s. 3). This ensured the reform covered not only large-scale trade but also everyday economic activity by providing small-denomination currency for practical use.

The Coinage Ordinance further defined the legal tender limits for the various coins permitted to circulate within the colony. Section 5 provided that:

> *"a tender of payment of money in British Honduras, if made in standard coins, or in any coins specified in the Second or Third Schedule to this Ordinance, shall, if the coins have not been illegally dealt with, and, if of gold, have not become diminished in weight by wear or otherwise so as to be less weight than the weight specified as the least current weight in the schedule to this Ordinance, be a legal tender" (British Honduras, 1894a, s. 5):*

(a) In the case of gold coins, for the repayment of any amount;

(b) In the case of silver coins, for the payment of an amount not exceeding ten dollars, but for no greater amount; and

(c) *In the case of mixed metal or nickel, for the payment of an amount not exceeding fifty cents, but no greater amount."*

A key feature of the reform was a limited-time conversion process in which the existing mixed-currency circulation was phased out and merged into the new system. During the first six days after the Coinage Ordinance took effect, on official business days (excluding Sundays) during working hours, the Treasurer was required to accept designated circulating coins and exchange them at fixed rates for the new legal tender or government notes (British Honduras, 1894a, s. 7). If someone offered more than $50 in tender, the Treasurer had to issue a deposit receipt, signed by the Treasurer, promising to pay the individual within one calendar month, either in coins or notes, to acknowledge possible liquidity challenges during the transition (British Honduras, 1894a, s. 7).

The Coinage Ordinance also carefully addressed existing legal and financial obligations. Contracts, debts, judgments, and other monetary commitments denominated in previously used currencies had to be converted to the new standard and settled in current coins at the designated exchange rate (British

Honduras, 1894a, s. 7). This approach preserved legal continuity and resolved issues arising from fluctuating exchange rates, ensuring clarity and consistency.

In summary, these provisions show that the Coinage Ordinance served as both a standardising and a transitional instrument. It harmonised the unit of account, the medium of exchange, and the legal framework, shifting the monetary system from one driven primarily by commercial custom to one grounded in legal authority and regulation. At the same time, it enabled a smooth, controlled transition, reducing potential disruption to economic activity.

However, the reform was incomplete. It resolved the valuation issue but did not address monetary supply problems. Relying solely on metallic coins created structural issues with liquidity, portability, and scalability, particularly in a small, open, trade-dependent economy. These limitations revealed a fundamental tension: the system was stable as a unit of account but lacked adaptability as a medium of exchange. This unresolved institutional issue, the regulation and issuance of currency, ultimately prompted the next phase of reform, enacted through the Currency Note Ordinance No. 32 of 1894.

3.2 Finding 2: Institutionalisation through the Currency Note Ordinance and Currency Board

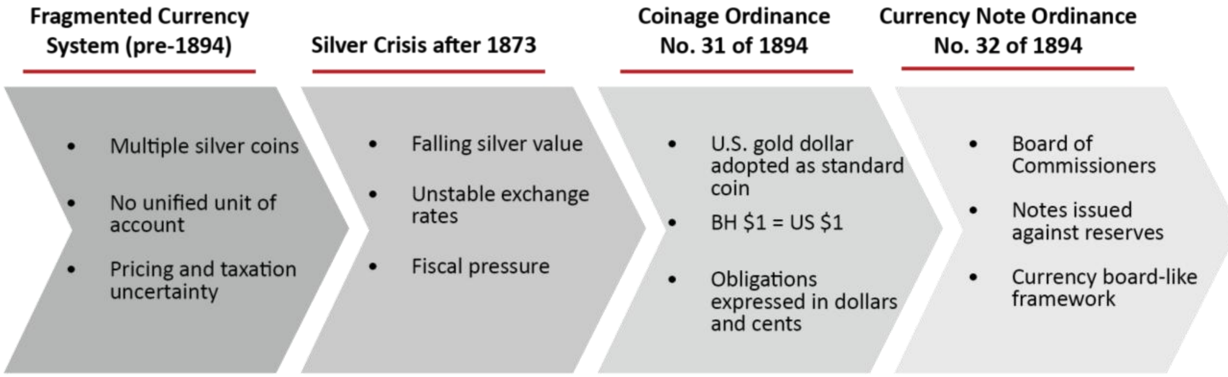
The passage of the Currency Note Ordinance No. 32 of 1894 (hereafter the Currency Note Ordinance) marked the transition from monetary standardisation to institutionalisation. Whereas the Coinage Ordinance No. 31 of 1894 established the legal monetary standard, the Currency Note Ordinance created the institutional mechanism through which that standard would operate.

The broader trajectory of this transformation, from fragmentation to standardisation and finally to institutionalisation, is summarised in Figure 1, which shows how the instability of the pre-1894 system first led to the establishment of a unified monetary standard and then to the development of a rule-based institutional framework.

Figure 1.

Evolution of Belize's Monetary System from Fragmentation to Currency Board Framework

Pre-1894 to 1894 Reforms



Note. Figure 1 illustrates the transition from a fragmented multi-currency system to the standardised and institutionalised framework established by the 1894 reforms.

The introduction of paper currency under the Currency Note Ordinance addressed a fundamental limitation of the earlier system. In a growing economy with expanding trade and increasingly complex transactions, reliance on metallic coins constrained liquidity, portability, and scalability. Paper currency offered a more flexible medium of exchange, but its success depended on maintaining confidence in a credible institutional framework.

The structure of this institution resembled a "currency board-like system" (Wyeth, 1979) and was administered by a Board of Commissioners of Currency (British Honduras, 1894b, s. 2). The Commissioners had the authority to issue and reissue notes, but only under specific conditions. Notes could be issued only in exchange for gold coins or previously issued notes, thereby maintaining a direct link between the money supply and reserve holdings (British Honduras, 1894b, ss. 4–5).

The system imposed a rule-based limit on monetary growth. Rather than acting as discretionary policymakers, the Commissioners served as guardians of convertibility, ensuring confidence by strictly adhering to legal rules. The Currency Note Ordinance addressed the credibility issue through several safeguards: currency notes were declared legal tender (British Honduras, 1894b, s. 4), redeemable on demand in gold or silver coins of the specified amount (British Honduras, 1894b, s. 2(3)), and ultimately backed by the colony's general revenue. It also set out the denominations and design of currency notes, which could be issued in denominations of one, two, five, ten, fifty, and one hundred dollars, and in any multiple of one hundred dollars (British Honduras, 1894b, s. 3).

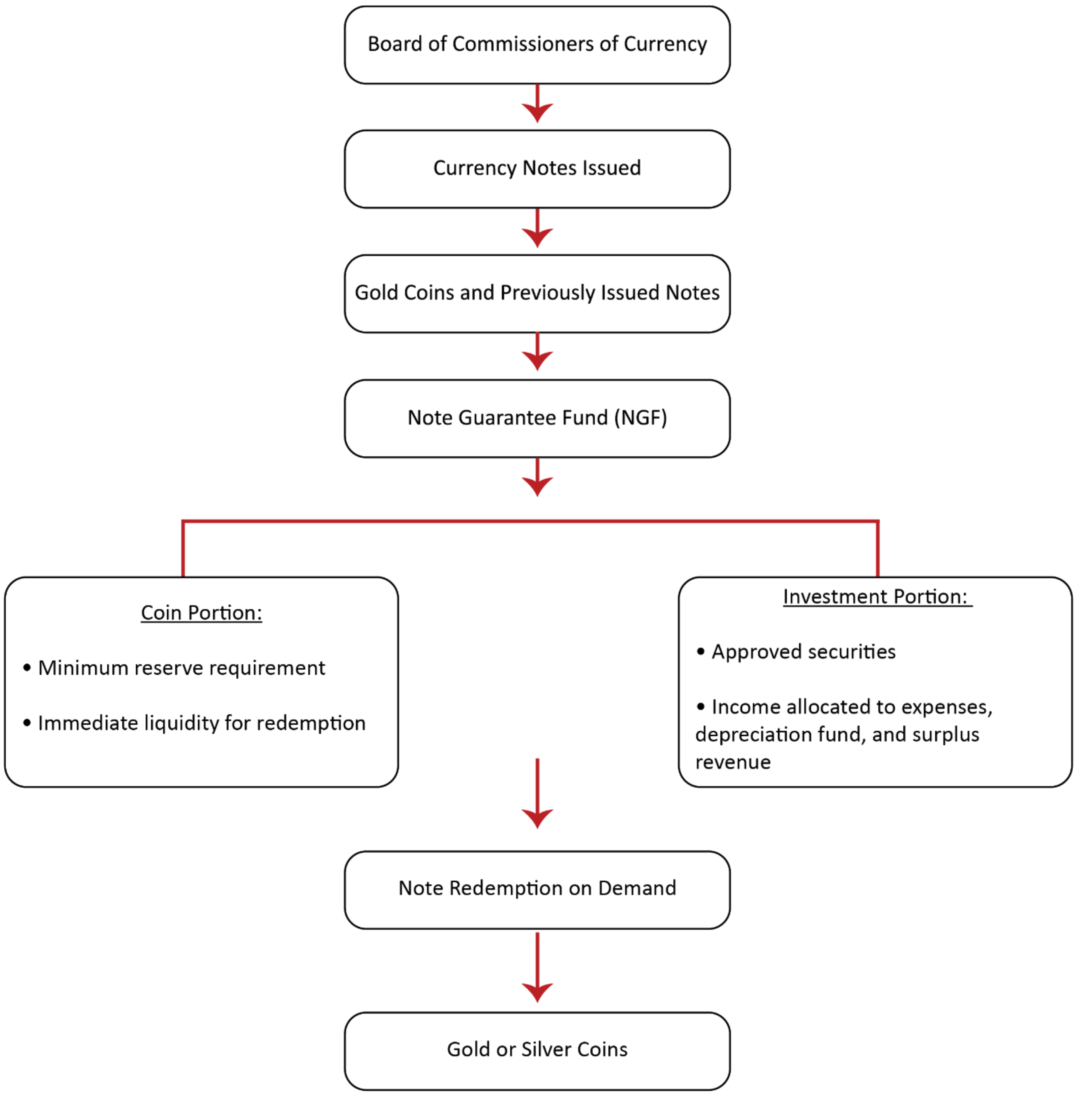
At the heart of the system was the Note Guarantee Fund (NGF), which provided reserve backing for notes in circulation (British Honduras, 1894b, s. 8). Under this system, gold coins exchanged for currency notes were deposited in the NGF, which was required to remain within the colony and under the Commissioners' control. The Fund was strictly dedicated to note redemption, as the securities and reserves it held were legally "responsible for the payment of currency notes and for no other purpose" (British Honduras, 1894b, s. 6(2)). In functional terms, this structure embodied the essential characteristics later associated with currency boards, particularly the close linkage between currency issue and reserve backing and the prioritisation of convertibility (Wyeth, 1979).

The NGF was divided into two components: a coin portion and an investment portion. The coin portion was subject to a minimum fixed requirement and had to be held as actual coin reserves in the Commissioners' custody, thereby ensuring immediate liquidity. The remaining balance constituted the investment portion, which could be invested in approved financial assets. In line with currency board principles, currency was issued strictly against these reserves, ensuring that note circulation was effectively backed by external assets and reinforcing the credibility of the system (Wyeth, 1979).

This structure is summarised in Figure 2, which illustrates how the Commissioners, the Note Guarantee Fund, and its coin and investment portions formed the institutional core of the currency board system.

Figure 2.

Structure of the Currency Board System Under Ordinance No. 32 of 1894



Note. Figure 2 illustrates the governance and reserve structure established under the Currency Note Ordinance No. 32 of 1894.

A central rule of the system was that the coin portion must never fall below a specified proportion of notes in circulation. Initially, this fixed proportion was set at two-thirds, ensuring a high reserve ratio and strong capacity for redemption. If the coin portion fell below this minimum, securities held in the investment portion were to be liquidated to restore compliance (British Honduras, 1894b, ss.

9–10). However, the Currency Note Ordinance allowed limited flexibility. If the Governor could demonstrate to the Secretary of State that a lower proportion would not threaten convertibility, the fixed requirement could be reduced, though not below one-half of the note circulation.

Currency notes were issued only against reserves held in the NGF, and the investment portion generated income that was allocated in a clearly defined sequence. First, revenues were used to cover administrative expenses; second, they were directed to the Depreciation Fund; and finally, any residual surplus could be transferred to general revenue. The Depreciation Fund served as a safeguard against valuation risks by accumulating reserves through an annual transfer equal to one per cent of the cost of the securities held in the Fund (British Honduras, 1894b, s. 6(4)(b)). These transfers continued until the NGF, later the Note Security Fund, reached 110 per cent of the outstanding currency issue (Wyeth, 1979). This layered allocation of income further reinforced the stability of the system by ensuring that reserve adequacy was maintained over time.

The investment portion introduced a limited but carefully controlled degree of financial flexibility. The Currency Note Ordinance authorised the placement of reserves primarily in government securities within Her Majesty's *"dominions,"* as well as in other instruments explicitly approved by the Secretary of State (British Honduras, 1894b, s. 11). In practice, this produced a portfolio of highly secure and liquid assets—such as British government debt or colonial securities—reflecting a deliberate prioritisation of safety, liquidity, and credibility over yield.

More broadly, the structure implied a largely automatic mechanism for currency issuance, leaving little scope for discretionary intervention. As Wyeth (1979) emphasises, such systems operated in a predominantly *"passive"* manner, with the money supply determined by the availability of reserves rather than by active policy decisions. This reinforced the discipline and rigidity of early currency board arrangements.

The 1894 reforms created a highly disciplined monetary framework, but they did not eliminate vulnerability. Rather, they relocated it. Because the currency board's credibility depended on external assets and the composition of its reserves, shocks originating in international monetary markets could be transmitted directly into the domestic system. The subsequent history of the currency board can therefore be read as the story of how this externally anchored system absorbed and only partially adapted to successive global monetary disturbances.

Belize's currency board experience should therefore be understood as a process through which changes in international monetary conditions were transmitted to a small, open, and externally dependent economy through changes in the reserve structure and composition. Exchange-rate movements, policy regime changes in the metropole, and systemic shifts affected reserve valuation and sufficiency, with direct implications for domestic monetary stability and, at times, fiscal management. Institutions such as exchange controls and fiduciary measures emerged as adaptive responses, but they did not fundamentally reduce the country's vulnerability to external monetary developments.

3.3 Finding 3: External Reserves Replaced Local Metallic Backing

Finding 3 shows that the currency board's credibility increasingly depended on externally held financial claims rather than on locally held specie. In October 1914, the transfer of gold reserves marked a clear break from the system's original physical backing. As Wyeth (1979) explains, wartime fears prompted the Royal Bank of Canada to ship the entire stock of gold to the U.S. for safekeeping, effectively removing the colony's physical reserve base and "temporarily" suspending convertibility by way of Ordinance No. 2 of 1914. From then on, the system relied more on external financial reserves, such as deposits and securities, since the gold was left in the U.S. and subsequently converted into an interest-bearing gold deposit with the Royal Bank. This shifted the framework from a locally specie-backed arrangement to a gold-exchange-standard structure in which confidence depended less on gold physically held in the colony and more on externally held financial claims convertible through overseas institutions. Wyeth (1979, p. 17) noted that:

> *"Under the terms of the deposit the bank did not have to keep the gold in the Colony but undertook to produce it within 10 days if necessary and also took over the responsibility for transaction of the BBBC, including issuing notes."*

Although the currency board's legal framework remained unchanged, its operation changed significantly. Stability now depended on the value and liquidity of foreign assets rather than on domestic specie control. This shift created a structural dependence on international financial conditions. While the system continued to appear rule-based, it actually became intertwined with external financial markets, setting the stage for future vulnerabilities.

3.4 Finding 4: Reserve Composition Became a Channel for Transmitting External Monetary Shocks to the Domestic Economy

Finding 4 shows that reserve composition became a conduit through which exchange-rate and financial shocks originating abroad were transmitted into the domestic monetary system. The sterling's depreciation after Britain left the gold standard in September 1931 provided the first major test of the currency board's revised reserve structure. Between 1930 and 1932, sterling fell by roughly 28 percent against the U.S. dollar, from US$4.86 to US$3.51 per pound (Officer, n.d.), accelerating the collapse of the interwar gold exchange standard. This mattered directly for British Honduras because, since 1894, the colony's monetary standard had been tied to the U.S. gold dollar, while part of its reserve portfolio was held in sterling-denominated assets. As sterling weakened, the pound purchased fewer U.S. dollars, increasing the sterling equivalent of the British Honduras dollar and reducing the value of London-held reserves relative to the colony's U.S.-dollar-based standard.

Reserve composition therefore became a central channel through which external monetary instability was transmitted to the domestic monetary system. Although the currency board held a mix of sterling securities and U.S. dollar assets, with U.S. instruments sometimes accounting for "up to and even over a half" of the portfolio (Wyeth, 1979, p. 19), this diversification only partly reduced exposure. The 10 percent Depreciation Fund helped absorb valuation losses arising from sterling-denominated reserves, but it could not fully offset the combined effect of a weaker sterling and the colony's continued commitment to a U.S.-dollar monetary standard. The same vulnerability reappeared at the end of the decade, when sterling again declined sharply, from US$4.89 in 1938 to US$3.83 in 1940 (Officer, n.d.), a cumulative fall of nearly 22 percent. This confirmed that fluctuations in the sterling–U.S. dollar exchange rate remained a persistent risk to reserve valuation and to the credibility of the dollar standard.

This exposure helps explain why the instability of the interwar monetary order led not merely to concerns about valuation but also to institutional reform. Wyeth's account shows that the 1937 reforms had two related but distinct dimensions. First, the currency legislation removed the gold-backing anomaly that had distinguished the British Honduras system from the more orthodox colonial currency-board model. Although legal convertibility into gold had formally survived after 1894, its practical significance had been greatly weakened after the 1914 transfer of gold reserves to the United States and the subsequent conversion of those reserves into an interest-bearing deposit with the Royal Bank of

Canada. By the mid-1930s, the formal gold component no longer reflected how the system actually operated. The 1937 currency reform regularised this position by excluding gold backing, replacing the Note Guarantee Fund with the Note Security Fund, and allowing reserves not required for immediate liquidity to be held in interest-bearing investments. It also re-established a separate Currency Note Income Account and strengthened financial reporting by requiring fuller accounts, the first of which appeared for the year ending 31 December 1939. Second, Wyeth notes that coinage remained governed separately under the Coinage Ordinance No. 2 of 1937, meaning that the reform of note backing had not yet integrated notes and coins into a single currency-board balance sheet. That separation persisted until the later amalgamation of notes and coins in the 1960s.

The 1937 reforms brought British Honduras closer to the orthodox currency-board model by removing gold from the statutory backing framework and replacing the older reserve rules with a system based mainly on liquid, interest-bearing foreign securities. This aligned the colony more closely with interwar British currency-board practice, in which note issues were backed principally by external financial assets rather than locally held specie. The transition was nevertheless gradual: although gold ceased to be required as legal backing under the revised framework, residual gold assets remained in the reserve portfolio until 1939, and other investment restrictions and institutional arrangements continued to differ from the textbook currency-board model.

These developments are important because they show that Belize's monetary stability increasingly depended on exchange-rate movements, reserve composition, and overseas financial arrangements rather than on locally held metallic reserves. Britain's exit from gold was not an isolated exchange-rate movement. It formed part of the wider collapse of the interwar monetary order and the movement toward more flexible exchange rates and domestically oriented policy frameworks (Lennard & Paker, 2024). For British Honduras, these changes meant that the stability of the currency board depended not only on the quantity of reserves, but also on the currency composition of those reserves, the location of reserve assets, and the policy choices of the reserve-currency country. The 1937 reforms acknowledged this operational reality by formalising a reserve structure based on financial assets rather than physical gold, while still leaving the system exposed to movements in sterling–U.S. dollar exchange rates. Diversification into U.S. assets reduced the intensity of valuation shocks, but it did not eliminate the underlying mechanism through which external monetary regimes shaped domestic monetary stability.

3.5 Finding 5: The 1949 Devaluation Exposed Structural Limits in the Currency-Board System

Finding 5 shows that the sterling devaluation of 18 September 1949 transformed a latent institutional vulnerability into a full-scale monetary crisis. At the time, the British Honduras dollar remained linked to the U.S. dollar under the arrangements established in 1894, while a substantial share of the currency board's reserve assets was held in sterling securities and balances. When sterling was devalued on 18 September 1949, falling from US$4.03 to US$2.80 per pound (a depreciation of approximately 31 percent), the value of those reserve assets declined sharply, while currency liabilities (the notes and coins it had issued) remained anchored to the U.S. dollar. British Honduras therefore faced a currency-reserve mismatch, with liabilities continuing to reflect the U.S. dollar standard while the reserve base deteriorated in sterling terms. The colony effectively maintained a U.S.-dollar-linked currency while holding much of its reserve portfolio in sterling assets, creating a structural exposure to movements in the sterling-U.S.-dollar exchange rate.

The crisis highlighted a fundamental limitation of the currency-board framework. Currency boards maintained credibility through reserve backing and convertibility, but they had limited capacity to absorb major shocks to the reserve currency itself. Under the orthodox currency-board model, full reserve backing was central to maintaining both credibility and convertibility, since reserve adequacy underpinned confidence in the currency and its redemption into external assets. When the value of reserve assets declined sharply, the burden of adjustment fell directly on the balance sheet of the currency board and ultimately on the colonial government responsible for maintaining reserve adequacy.

Wyeth estimates that the currency board's sterling investment holdings totalled approximately BH$911,205 in mid-1949 and that these holdings incurred valuation losses of about BH$280,000. Of this amount, roughly BH$209,000 would have been required immediately to restore reserve backing to 100 percent of the BH$838,000 in notes then in circulation. When liabilities associated with the Special Sterling Account and other sterling obligations are included, the total adjustment requirement exceeded BH$700,000 and may have approached BH$1.5 million, well beyond the colony's fiscal capacity.

The Special Sterling Account was central to both the operation of the pre-1949 monetary system and the crisis that followed. Established in 1940 through the Royal Bank of Canada's London branch, the account served as a sterling-clearing mechanism that facilitated trade and financial transactions with

Britain and Europe, even as British Honduras continued to operate a U.S.-dollar-based monetary standard. Sterling receipts from exports, remittances, and financial transactions were credited to the account, while payments in sterling reduced it. Under normal circumstances, inflows exceeded outflows, and substantial sterling balances accumulated. The Currency Commissioners guaranteed the Belize-dollar value of these balances, thereby linking the account directly to the currency board's balance sheet. So long as sterling remained stable, the arrangement posed few difficulties. However, the guarantee embedded a significant exchange-rate risk in the monetary system because the Belize-dollar value of the account ultimately depended on the sterling-U.S.-dollar exchange rate.

The operation of the account also helps explain the role of speculation. Following the September 1949 sterling devaluation, British Honduras initially chose not to follow suit. As Shoman notes, "*in recognition of the fact that 70 percent of Belize's imports then came from the US, the Belize dollar, at parity with the US dollar, was exempted from the devaluation.*" This decision reflected the colony's trade structure and an effort to shield consumers from an immediate rise in import costs. However, maintaining parity with the U.S. dollar while sterling depreciated sharply created a powerful speculative opportunity.

Prior to the sterling devaluation, £1 was worth approximately BH$4.03. After the sterling fell from US$4.03 to US$2.80, while the British Honduras dollar remained fixed at US$1.00, the same BH$4.03 could purchase approximately £1.4399 rather than £1.00, as shown in Equation 1.

$$Pounds\ sterling\ obtainable\ with\ \text{BH\$4.03} = \frac{BH\$4.03}{US\$2.80\ per\ £} = £1.439 \tag{1}$$

The percentage increase in the amount of sterling obtainable with BH$4.03 was 43.9%, as shown in Equation 2.

$$\left(\frac{1.439 - 1.000}{1.000}\right) X\ 100 = 43.9\% \tag{2}$$

This exchange-rate distortion created a strong incentive for investors who expected British Honduras to eventually devalue its currency. If such an adjustment occurred, the local-currency value of sterling holdings would rise when converted back into British Honduras dollars. The period between the sterling devaluation in September and the British Honduras devaluation in December therefore created what was effectively a one-way speculative opportunity against the existing parity. As investors shifted into sterling in anticipation of future gains, pressure on the Special Sterling Account intensified.

These expectations quickly translated into financial outflows. As Wyeth documents, the Special Sterling Account moved from a credit balance of BH$1,701,833 in June 1949 to a deficit of BH$78,759 by the end of the year. The deterioration reflected both valuation losses and a reversal of financial flows as investors repositioned themselves in anticipation of devaluation. The resulting losses extended beyond the reserve portfolio because the Currency Commissioners remained liable for the Belize-dollar value of sterling balances covered by the exchange guarantee.

The combined losses on reserve valuations, exchange guarantees, and account imbalances approached BH$1 million. Most of this burden was ultimately absorbed by the Bank of England and the British Government, illustrating the extent to which the colony's monetary stability depended upon external support. Without such assistance, restoring reserve backing would have required a fiscal transfer far beyond the colony's financial capacity. Under these circumstances, maintaining the existing parity became untenable.

The devaluation of 31 December 1949 therefore represented more than an exchange-rate adjustment. By reducing the value of the British Honduras dollar to US$0.70, equivalent to five shillings sterling[4] (or BH$4.00 to £1), the authorities restored consistency between currency liabilities and the diminished sterling reserve base, re-established reserve adequacy, and avoided a fiscally impossible recapitalisation of the currency board. The adjustment also marked a decisive change in the orientation of the monetary system, aligning British Honduras more closely with the sterling area.

The domestic consequences were immediate and far-reaching. Economic conditions had already deteriorated significantly before devaluation. As Shoman observes:

"Conditions for the working class worsened in 1949, as a prolonged drought ruined crops and the continuing decline in the mahogany and chicle trade produced even greater unemployment. On 31 December 1949, the Governor, using his reserve power in the Legislative Council, overrode the unofficial members and decreed a devaluation of the dollar (Shoman, 2011, p. 157)."

Against this backdrop, devaluation was widely perceived as a reduction in purchasing power and living standards. The colony's heavy dependence on imports from the United States meant that any

[4] The new parity was 5 shillings = BH$1. Since £1 = 20 shillings, then £1 = BH$4.00.

depreciation of the colony's currency against the U.S. dollar raised the domestic cost of imported goods. The months preceding the decision had already been marked by uncertainty, speculation, and declining confidence in the currency, while the eventual adjustment confirmed popular fears regarding rising prices and falling real incomes. Political mobilisation followed quickly. The formation of the People's Committee on the night of devaluation marked the beginning of organised nationalist politics in Belize and linked monetary policy directly to broader questions of political representation and self-government. The devaluation therefore became not merely a monetary event but also a turning point in the colony's political development.

In analytical terms, the 1949 crisis demonstrated how exchange-rate shocks could be transmitted through reserve-valuation effects, contingent liabilities, and speculative capital flows within a currency-board system. The episode revealed that the stability of Belize's monetary framework depended not only on reserve backing but also on confidence in the relationship between reserve assets and currency liabilities. The devaluation therefore represented both a necessary monetary adjustment and a pivotal moment in Belize's wider political and institutional development, exposing the limitations of the colonial currency-board model and foreshadowing the gradual evolution that culminated in the creation of the Monetary Authority in 1976 and the Central Bank of Belize in 1982.

3.6 Finding 6: Conditional Stability Emerged through Exchange Controls under Bretton Woods

Finding 6 shows that exchange controls created a form of conditional stability by moderating the external adjustment mechanism while leaving the reserve constraint intact. After the 1949 devaluation, British Honduras entered a more stable, yet still constrained, monetary environment. The Bretton Woods system, established at the United Nations Monetary and Financial Conference held at Bretton Woods, New Hampshire, in July 1944, provided an international framework of fixed but adjustable exchange rates, with participating currencies ultimately pegged to the U.S. dollar, which was convertible into gold at US$35 per ounce. For British Honduras, this framework reduced the exchange-rate volatility that had characterised the interwar period and the 1949 crisis. Yet the stability it provided was indirect. The colony’s monetary system remained tied to sterling-area arrangements, and external balance still had to be managed through reserve policy, import controls, and administrative allocation of foreign exchange.

Exchange controls, first introduced during the Second World War, remained central after 1949. Embedded within the sterling-area framework, they distinguished between relatively freer transactions within the sterling area and more tightly controlled payments to the dollar area and the wider international economy. Their purpose was to conserve scarce external reserves, limit hard-currency leakage, and prevent balance-of-payments pressures from passing automatically into domestic monetary contraction. In this sense, the postwar system preserved the currency board's commitment to reserve backing and convertibility but increasingly relied on administrative controls to sustain that commitment.

The local operation of this system is evident in the import restrictions announced by the Import Control and Supply Office in May 1948. The notice stated that the "balance of payment difficulties of the sterling area" required colonial authorities to conserve scarce foreign exchange. Imports were therefore restricted if the goods could be sold in dollar or other hard-currency markets, were manufactured wholly or largely from dollar-area materials, or were in short supply and useful to the United Kingdom in obtaining essential supplies for the sterling area. The notice also required imports to be reduced to the "lowest level compatible with the efficient economic life of the Colony," while permitting imports above local requirements where re-export could generate hard-currency earnings (British Honduras Gazette, 28 May 1948). These provisions show that exchange control operated not only through import licensing and commodity prioritisation but also through financial regulation.

By the late 1940s, these controls had become part of the colony's routine machinery for external management. They addressed persistent balance-of-payments difficulties, the need to preserve sterling balances, hard-currency shortages, and speculative capital movements linked to expectations of exchange-rate realignment. Their operation relied on authorised intermediaries, controls on capital outflows, and licensing arrangements that prioritised essential imports. Exchange controls were therefore not merely prohibitions; they were administrative instruments for rationing scarce foreign exchange in line with macroeconomic priorities.

The institutionalisation of these controls is further demonstrated by a March 1949 Gazette notice on exchange control. The notice recorded that the Governor had directed that the powers and functions previously exercised by the Colonial Secretary under the Defence (Finance) Regulations, 1940, and other exchange-control legislation were henceforth to be exercised by the Financial Secretary (British Honduras Gazette, 19 March 1949). This administrative transfer placed exchange control more directly within colonial financial management and shows that, by the eve of the 1949 devaluation, it had moved beyond a temporary wartime expedient.

These measures altered the practical operation of the currency board. Under orthodox currency-board logic, reserve losses would normally lead to automatic monetary contraction. In British Honduras, however, exchange controls slowed this process by restricting external transactions that would otherwise deplete reserves. They did not remove the reserve constraint, but they moderated how reserve losses and balance-of-payments pressures were transmitted through the domestic economy and gave the authorities limited administrative control over the timing and distribution of adjustment.

Within the Bretton Woods environment, this hybrid arrangement was more workable than it had been during the interwar instability. Fixed but adjustable exchange rates reduced reserve-valuation shocks, while exchange controls regulated the use of foreign exchange at the colonial level. Even so, the system remained conditional: import dependence, external imbalance, and the need to conserve sterling and hard currency meant that formal convertibility increasingly depended on administrative mediation.

The result was a monetary order that was neither a return to pure currency-board automaticity nor a fully discretionary regime. It was a conditional stability arrangement: reserve discipline remained the foundation, but exchange controls and import licensing absorbed part of the adjustment burden. This configuration could endure as long as the external monetary environment remained relatively stable. Once Bretton Woods began to unravel after 1971, however, the same hybrid structure faced pressures that administrative controls could only partially contain.

3.7 Finding 7: Post-Bretton Woods Instability Made Exchange-Rate Realignment Unavoidable

Finding 7 shows that post-Bretton Woods instability exposed the limits of the hybrid currency-board arrangement and made exchange-rate realignment unavoidable. The system had rested on fixed exchange rates and the convertibility of the U.S. dollar into gold, but growing international imbalances led the United States to suspend dollar convertibility in August 1971. By 1973, the major currencies had moved toward generalised floating. The external environment that had helped stabilise Belize's post-1949 sterling-linked framework was therefore replaced by a more volatile system of exchange-rate movements.

For Belize, the key problem was the renewed instability of the sterling-U.S. dollar relationship. The currency board's reserves and external payments remained exposed to movements in major international currencies, while the economy's dependence on imports meant that exchange-rate changes could quickly affect domestic prices, reserve adequacy, and confidence in the exchange-rate anchor. The collapse of Bretton Woods, therefore, did not create a new vulnerability; rather, it revived the same reserve-valuation and external-transmission problems that had emerged during the sterling crises of the 1930s and culminated in the 1949 devaluation.

Maintaining the sterling linkage became increasingly problematic as sterling itself was no longer a stable intermediary anchor. Sterling’s official parity fell from US$2.80 per pound after the 1949 devaluation to US$2.40 following the November 1967 devaluation (Bank of England, 1967). By the end of 1976, sterling had weakened further to US$1.71 per pound (Officer, n.d.). Relative to the post-devaluation parity of 1949, sterling therefore declined by about 39 percent by the end of 1976; relative to its 1894 value of approximately US$4.88 per pound, it had lost about 65 percent; see Table A2. As sterling weakened, the implied value of the British Honduras dollar against the U.S. dollar drifted progressively away from the structure of the colony's trade, payments, and reserve relationships.

The weakening of sterling accelerated with the November 1967 devaluation, when the United Kingdom reduced the pound’s parity from US$2.80 to US$2.40 per pound. The adjustment reflected persistent balance-of-payments weakness, slowing export growth, high imports, declining confidence in sterling, speculative pressure, and additional strain from the 1967 Middle East crisis and the closure of the Suez Canal (Bank of England, 1967). For British Honduras, the episode reinforced the risks of remaining linked to a reserve currency whose external value had become increasingly difficult to maintain, and helped explain why sterling’s decline between 1949 and 1976 was driven not only by gradual market forces but also by major policy realignments.

Table 3

Sterling Depreciation and the Implied British Honduras Dollar Value Against the U.S. Dollar

Date/Observation	US$ per £1	BH$ per £1	Implied BH$ per US$1
December 1894 (ordinances enacted)	4.88	4.866	1.00
December 1949 (post-devaluation)	2.80	4.00	1.43
November 1967 (post-devaluation parity)	2.40	4.00	1.67
December 1968	2.39	4.00	1.67
December 1971	2.59	4.00	1.54
December 1974	2.34	4.00	1.71
December 1975	2.02	4.00	1.98
December 1976 (counterfactual under continued sterling link)	1.71	4.00	2.34

Note. The date labels identify the month associated with the legal or exchange-rate observation. December 1894 marks the enactment of the Coinage Ordinance No. 31 and Currency Note Ordinance No. 32; December 1949 and November 1967 identify the respective post-devaluation official parities. The December observations for 1968, 1971, 1974, 1975, and 1976 are year-end market rates. The annual series in Table A1 records an average exchange rate of US$2.75 per pound for 1967 because the devaluation occurred in November; the official post-devaluation parity was US$2.40 per pound, closely reflected in the December 1968 market rate of US$2.39. The December 1976 row is counterfactual and shows the implied rate had the sterling link continued; Belize had already re-pegged to the U.S. dollar at BZ$2 = US$1 on 11 May 1976. *Sources.* British Honduras (1894a, 1894b), Bank of England (1967), Officer (n.d.), and the authors' calculations.

Table 3 illustrates the growing inconsistency between the sterling-based framework inherited from 1949 and Belize's evolving external economic relationships. The benchmark parities and selected market observations show that, under a continued sterling link, the implied exchange rate would have moved from BH$1.43 per US$1 after the 1949 devaluation to BH$1.67 per US$1 following the 1967 parity change, BH$1.98 per US$1 by 1975, and BH$2.34 per US$1 by 1976. Sterling weakness therefore represented not only a cumulative depreciation against the U.S. dollar but also a direct source of potential misalignment for British Honduras. By re-pegging to the U.S. dollar in 1976, Belize prevented a further drift in the domestic currency's external value and established a more durable anchor for a small, open economy whose commercial and financial ties were increasingly oriented towards the United States.

The 1976 re-peg was more than a discretionary devaluation or a technical exchange-rate adjustment. It was a pragmatic effort to preserve external stability by replacing an increasingly volatile sterling link with the currency most relevant to Belize's trade, reserves, and international transactions. The year-end evidence clarifies the choice: had the sterling link continued, the implied rate in 1976 would have been approximately BH$2.34 per US$1, whereas the adopted parity of BZ$2 = US$1 limited the depreciation and provided a simpler anchor. Other rates, including BZ$1.80, BZ$1.90, BZ$2.10, or BZ$2.20 per U.S. dollar, were technically possible because no single parity was mechanically determined by market rates. The selected rate instead balanced external competitiveness, confidence in the currency, Belize's evolving trade and payments relationships, and the practical value of a simple exchange rate for businesses and the public. Its importance, therefore, lay not only in the precise numerical value chosen but also in establishing a credible and sustainable transition from a sterling-based reserve system to a direct U.S. dollar anchor.

The regional context reinforces this interpretation. Belize's decision in 1976 to replace its sterling peg with a U.S. dollar peg was part of a broader reassessment of exchange-rate arrangements across the Commonwealth Caribbean following the weakening of sterling and the collapse of the Bretton Woods system. Barbados and the Eastern Caribbean territories shared a common monetary heritage through the British Caribbean Currency Board (BCCB), established in 1950 to provide a unified currency system linked to sterling. Following the creation of the Eastern Caribbean Currency Authority (ECCA) in 1965, the Eastern Caribbean dollar maintained the longstanding sterling parity of EC$4.80 = £1. Barbados remained within this framework until the establishment of the Central Bank of Barbados in 1972, after which it re-pegged its currency to the U.S. dollar at Bds$2 = US$1 in July 1975. The Bahamas had moved earlier towards a direct U.S. dollar anchor. The Bahamian dollar was introduced in 1966 to replace the Bahamian pound at B$1 = 7 shillings, a conversion designed to establish practical parity with the U.S.

dollar; after sterling was devalued in 1967, the Bahamas retained the one-to-one U.S.-dollar relationship rather than following sterling downward.

The Eastern Caribbean territories initially retained their sterling linkage, but successive depreciations of sterling and the growing instability of the post-Bretton Woods monetary environment eventually prompted the Eastern Caribbean dollar to be re-pegged to the U.S. dollar on 7 July 1976 at EC$2.70 = US$1. Belize's adoption of a fixed parity of BZ$2 = US$1 on 11 May 1976 therefore occurred within a wider regional movement away from sterling and towards the U.S. dollar as a more stable monetary anchor. These developments suggest that monetary authorities across the Caribbean were responding to similar external pressures: the declining usefulness of sterling as an intermediary anchor, rising exchange-rate volatility, and the growing importance of the U.S. dollar in trade, reserves, and international payments.

At the same time, Belize's decision should not be interpreted as conformity with a single regional model. Although its choice shared important similarities with Barbados, the Bahamas, and the Eastern Caribbean re-pegging, other Caribbean economies pursued different exchange-rate and institutional responses. Countries such as Guyana, Jamaica, and Trinidad and Tobago adopted monetary arrangements that reflected their own economic structures, policy preferences, and external relationships. More generally, the move to generalised floating rates after 1971 increased exchange-rate volatility, heightened uncertainty about the value of reserve assets, and strengthened the transmission of external monetary shocks throughout the Caribbean. Belize's re-pegging should therefore be understood as one variant of a broader Caribbean search for monetary stability in an era of floating major currencies, rather than as the direct adoption of a regional template.

Exchange controls continued to provide a defensive buffer by regulating foreign-exchange transactions, prioritising imports, and limiting capital outflows. However, their effectiveness diminished as exchange-rate volatility became a persistent source of reserve-valuation shocks transmitted from the international monetary system. Controls could slow reserve losses and ration scarce foreign exchange, but they could not stabilise exchange rates, which determine the value of reserve assets.

The limitations of the hybrid regime therefore became increasingly evident. A currency board built on fixed external commitments, externally valued reserves, and administrative foreign-exchange controls became progressively harder to sustain in a world of floating major currencies. The problem was not merely the existence of exchange controls, but the widening gap between the system's fixed-rule foundations and the instability of the international environment in which it operated.

The collapse of Bretton Woods thus marked the final stage in the currency board's long move away from its original model of automatic adjustment. Exchange controls and reserve-management adaptations had enabled the system to function under the relatively stable conditions of the postwar order, but they could not provide a durable solution once systemic exchange-rate volatility returned. Hence, the 1976 re-peg was both an exchange-rate adjustment and a strategic institutional response to the transformed international monetary system.

Table 4

Structural Turning Points in the Evolution of Belize's Monetary Framework, 1894–1976

Period	Monetary Regime	Principal Anchor	Key Shock or Institutional Adaptation
1894–1914	Gold-linked currency board	U.S. dollar/gold parity	Establishment of a standardised currency system
1914–1937	Gold-exchange-standard period	Sterling and external reserves	Transfer of gold reserves and increasing reserve dependence
1937–1949	Reformed currency board	U.S.-dollar legal standard; reserves increasingly held in sterling and other external assets	Reserve reforms and growing sterling exposure
1949–1971	Sterling-area / Bretton Woods period	1949–1967: Sterling at US$2.80 per £1; 1967–1971: sterling at the	1949 devaluation and exchange-control framework

		official parity of US$2.40 per £1.	
1971–1976	Post-Bretton Woods transition	Weakening the sterling anchor	Exchange-rate volatility and reserve uncertainty
1976	Monetary Authority and U.S.-dollar peg	BZ$2 = US$1	Exchange-rate realignment and institutional transition

Note. Table 4 summarises the major monetary regimes, external anchors, and institutional adaptations discussed throughout the paper. These turning points indicate a process of institutional adaptation rather than abrupt regime change. The external anchor evolved from gold to sterling and ultimately to the U.S. dollar, while the capacity for domestic monetary management expanded gradually. The year-end exchange-rate data strengthen this interpretation by showing that the 1976 re-peg prevented the implied sterling-linked rate from moving toward approximately BH$2.34 per US$1.

By shifting the anchor to the U.S. dollar while maintaining a fixed exchange rate, Belize sought to preserve external discipline and confidence in convertibility while adapting its monetary framework to evolving global conditions. The re-peg thus linked exchange-rate realignment to institutional reform, setting the stage for the transition to the Monetary Authority and, ultimately, the Central Bank of Belize.

3.8 Finding 8: Fiduciary Elements Offered Limited Internal Adjustment

Finding 8 shows that fiduciary elements introduced a limited domestic-asset channel within the currency-board framework, but they did not alter the system’s fundamental dependence on external reserves and the exchange-rate anchor. If exchange controls managed the external side of adjustment, fiduciary backing represented the principal attempt to create a modest degree of internal flexibility.

The documentary evidence indicates that fiduciary backing emerged as part of a broader reassessment of currency-board arrangements after the Second World War. As macroeconomic theory increasingly recognised the role of fiscal and monetary policy in promoting economic development and stabilisation, Belize's currency board, like many others within the British colonial system, came under pressure to relax some of the rigidities associated with orthodox reserve-backing requirements (Jahan et al., 2014). Wyeth (1979) notes that the post-war period generated growing criticism of the currency-board model because its strict reserve requirements and passive operating rules left colonial governments with little ability to influence domestic monetary conditions or support economic development through monetary instruments.

In Belize, the first step towards greater flexibility came with the authorisation of a fiduciary issue of BH$350,000 in 1958, equivalent to roughly 15 percent of the currency in circulation. However, the authority was not used. In 1965, the ceiling was increased to BH$1 million, approximately 25 percent of the currency in circulation at the time, and in 1967, the Currency Commissioners purchased BH$500,000 in Government securities. A further BH$500,000 was acquired in 1970, bringing the fiduciary issue to its maximum authorised level of BH$1 million. Even at its peak, however, the fiduciary issue represented only about 17 percent of the currency in circulation, and subsequently declined to about 9 percent by the end of the currency-board period.

The importance of the fiduciary issue was not that it materially changed monetary policy, but that it altered the composition of reserve backing. Prior to these reforms, currency liabilities had been backed almost entirely by external assets. The fiduciary issue permitted a small portion of the reserve portfolio to consist of Belize Government securities, thereby reducing the cost of maintaining full external cover. Wyeth observed that the value of these domestic securities was approximately equal to the additional liabilities assumed when coinage was finally incorporated into the Currency Fund in the mid-1960s, a reform that eliminated one of the last institutional anomalies in the Belizean currency system.

Importantly, the fiduciary issue was not used as an active policy instrument. The Currency Commissioners did not vary the amount in response to business-cycle conditions, reserve movements, or domestic economic developments. Rather, the securities were purchased in two separate transactions in 1967 and 1970 and were then largely left unchanged. This contrasts sharply with modern central-bank practice. As Wyeth notes, the fiduciary issue functioned essentially as a one-off adjustment to the reserve structure rather than as a mechanism for active monetary management. The currency board's ability to increase the money supply, therefore, remained largely constrained by reserve availability, external payment conditions, and the need to maintain the exchange-rate anchor.

Belize's experience also reveals the persistence of a conservative monetary culture inherited from the currency-board tradition. Although legal authority existed to expand the fiduciary issue, policymakers exercised considerable caution in using it. Similar patterns occurred elsewhere in the British colonial currency-board system, where authorities often viewed domestic-asset backing as potentially threatening the credibility and convertibility on which the system depended. Consequently, reserve-cover ratios remained exceptionally high even after fiduciary elements were introduced. Throughout most of the period after 1949, total reserves exceeded the value of currency liabilities, while sterling and foreign-asset backing alone generally remained sufficient to cover virtually all notes in circulation.

The significance of fiduciary backing lay not in its size but in what it signalled about the evolution of monetary institutions. By allowing a limited amount of domestic securities within the reserve structure, the reform acknowledged that a growing economy required some degree of domestic monetary flexibility. While the currency board remained fundamentally constrained by reserve backing and the exchange-rate anchor, the introduction of fiduciary assets marked a departure from strict orthodoxy and foreshadowed the broader reforms embodied in the Monetary Authority of Belize in 1976. It thus represented an important transitional step from the traditional currency-board system to the more flexible framework that eventually culminated in the Central Bank of Belize.

4.0 Transition from Currency Board to Central Banking

Belize's monetary system evolved through distinct but connected institutional stages. The transition from a currency board arrangement to central banking occurred gradually, reflecting both domestic institutional development and the evolving requirements of a small open economy exposed to external shocks.

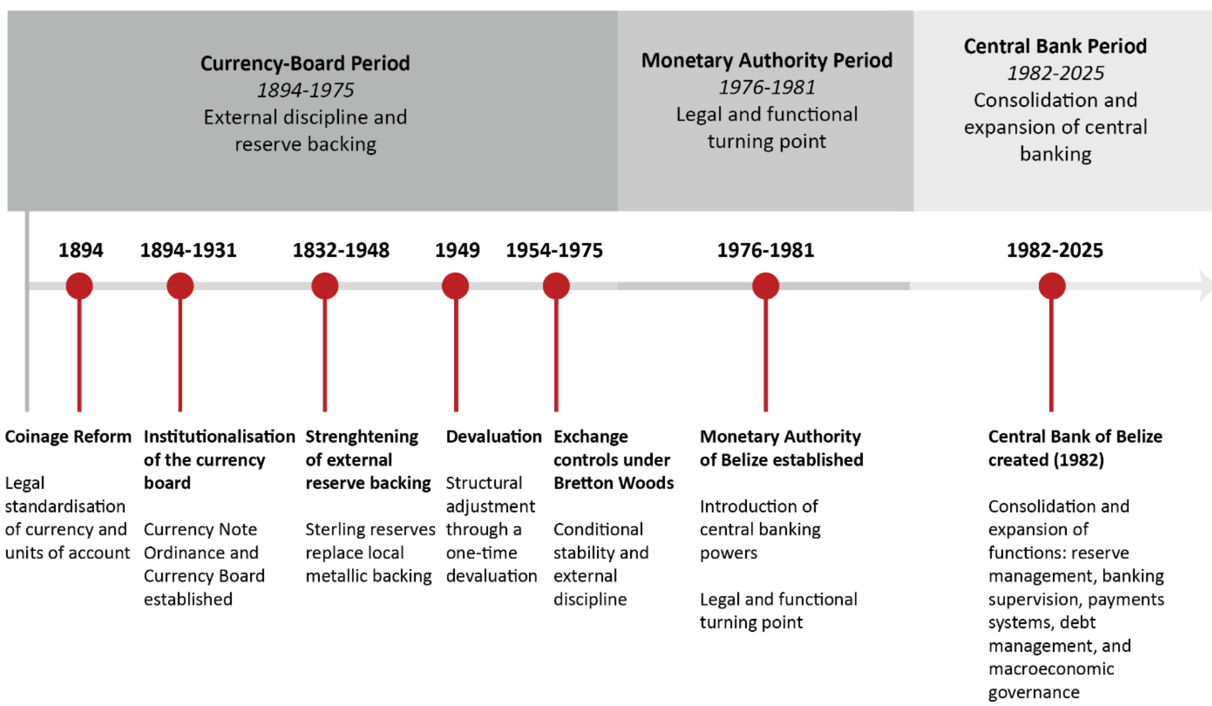
Figure 3 summarises three broad phases in Belize's monetary development from 1894 to 2025. The first phase, from 1894 to 1975, was governed by the currency-board framework and was characterised by external discipline, high reserve backing, and a fixed exchange rate. Within this phase, the institutional structure and reserve arrangements evolved in response to the transfer of gold reserves, the 1949 devaluation, the use of exchange controls under Bretton Woods, and the introduction of limited fiduciary backing. The second phase, from 1976 to 1981, began with the establishment of the Monetary Authority, which introduced many central-banking powers and marked the principal legal and functional turning point in Belize's monetary history. The third phase, from 1982 to 2025, began when the Central Bank commenced operations after independence and consolidated and expanded responsibilities for reserve management, banking supervision, payment systems, debt management, and macroeconomic governance.

These transition periods provide the structural context for the subsequent analysis. Sections 4.1 and 4.2 examine, respectively, the establishment of the Monetary Authority (1976-1981) and the consolidation of central banking after independence (1982). Section 4.3 traces the expansion and modernisation of central bank functions from 1982 to 2025.

The remainder of this section analyses how these institutional transitions expanded Belize's monetary capabilities while preserving the external discipline that has anchored the Belize dollar for more than a century.

Figure 3.

Major Transition Periods in Belize's Monetary Institutions, 1894-2025



Note. Major transition periods are defined by the legal and institutional framework that governed monetary policy and the management of external reserves. Dates indicate the period during which the associated institutional arrangements and policy frameworks were operative.

4.1 The Monetary Authority and the Transition from Currency Board to Central Banking, 1976–1981

In functional terms, the 1976 reform operated as a transitional arrangement between the traditional currency-board system and the later Central Bank. Belize established the Monetary Authority at a time when the country still needed the credibility provided by external discipline while also developing the institutional capacity required for broader monetary management. The limited fiduciary innovations of the late currency-board period had already shown that a degree of domestic flexibility could coexist with an externally anchored monetary system, but those innovations remained constrained by the currency board's underlying logic. The creation of the Monetary Authority represented a more comprehensive legal and operational expansion of domestic monetary capacity while preserving confidence in the exchange-rate anchor.

As a non-independent territory, Belize operated within colonial legislative conventions, while its financial system had not yet developed the depth, breadth, and institutional complexity required for a fully-fledged central bank in practice. The Monetary Authority therefore served as an intermediate institution in operational form, even though the 1976 legislation already contained many central-banking powers. As Belize moved from internal self-government towards independence, it needed to preserve confidence in the exchange-rate regime while building capacity in currency management, government banking, financial-sector oversight, foreign-exchange administration, and monetary operations. Following independence on 21 September 1981, the case for a permanent national monetary institution grew stronger, and the Central Bank of Belize, established on 1 January 1982, consolidated the legal and operational transition that had begun under the Monetary Authority.

The broad statutory objectives set out in Section 6 of the Monetary Authority of Belize Ordinance No. 9 of 1976 reflected this expanded institutional purpose. Rather than focusing solely on currency issuance and reserve management, the Ordinance created a broader mandate that encompassed several functions typically associated with central banking: monetary and reserve management; banking supervision and liquidity regulation; government banking and public-debt operations; exchange-control administration; payment-system and clearing functions; lender-of-last-resort support; and credit and monetary management. The Banking Ordinance, enacted during the same reform period and brought into operation in 1977, reinforced this shift by establishing a licensing and supervisory framework for banks and financial institutions. The point is therefore not that central-banking powers appeared only in 1982, but that many such powers were legally introduced in 1976 and operationalised progressively before being consolidated under the Central Bank after independence.

The monetary authority nevertheless preserved important elements of the existing monetary framework. Under both the gold-standard and sterling-linked phases of the currency board, currency issuance had been constrained by reserve requirements that were effectively close to 100 percent and often exceeded that level. Currency liabilities were therefore determined largely by balance-of-payments developments and reserve accumulation rather than by policy decisions. The reforms introduced in 1976 altered this institutional logic while retaining external discipline as the foundation of monetary stability.

Exchange-rate stability remained the centerpiece of the new framework. Section 15 of the Ordinance established the parity of the Belize dollar at US$0.50, equivalent to BZ$2 = US$1, and provided a mechanism for altering that parity by ministerial order, following consultation with the Board. The new arrangement preserved exchange-rate discipline while replacing the increasingly unstable sterling linkage with a direct U.S. dollar anchor more closely aligned with Belize's trade, payments, and reserve relationships. In this respect, the Monetary Authority institutionalised the exchange-rate realignment discussed in Finding 7 and established a legislative framework to maintain the new parity.

At the same time, reserve-backing requirements were substantially reduced. Section 28 of the Ordinance required the Monetary Authority to maintain approved external assets equal to at least 50 percent of notes and coins in circulation and of the Monetary Authority’s sight and time deposit liabilities to customers. This represented a fundamental departure from the near-full-reserve principles of the currency-board era. Whereas monetary expansion had previously depended largely on reserve inflows and outflows, the reduction in reserve-cover requirements created space for more active monetary administration while preserving a significant external constraint. Rather than abandoning external discipline, the reform reconfigured it. The fixed exchange-rate peg became the principal nominal anchor while reserve requirements and policy instruments provided scope for managed adjustment.

The practical significance of these reforms became increasingly evident during the Monetary Authority period. Monetary conditions were no longer determined solely by reserve flows. The Monetary Authority acquired powers to vary reserve requirements, alter liquidity ratios, impose quantitative restrictions on lending, regulate instalment and hire-purchase credit, and control the foreign-asset positions of financial institutions. These instruments introduced an element of active monetary management that had largely been absent under the currency board. Consequently, monetary conditions were jointly determined by reserve availability and policy actions, rather than by the balance of payments alone.

The most significant departure from the currency-board model occurred in the Monetary Authority's relationship with the banking system. Under the currency board, monetary administration was largely confined to currency issuance, reserve management, and exchange-rate maintenance, while commercial banks operated under limited domestic prudential oversight. The Monetary Authority fundamentally altered this arrangement. The Banking Ordinance, gazetted on 18 September 1976, took effect on 1 February 1977, establishing a comprehensive regulatory framework that required all banking institutions operating in Belize to be licensed and to comply with statutory reserve and liquidity requirements (Monetary Authority of Belize [MAB], 1978).

By the late 1970s, Belize had the most diversified banking structure to date. While the Royal Bank of Canada had dominated commercial banking for much of the twentieth century, the post-war period saw the entry of Barclays Bank D.C.O. in 1949, the Bank of Nova Scotia in 1968, and Atlantic Bank in 1971 (Wyeth, 1979). The establishment of Atlantic Bank increased the number of commercial banks operating in Belize to four. In the same year, three additional branches were opened, marking the start of an important phase of financial deepening and geographic expansion. By the time the Monetary Authority commenced operations in 1976, four commercial banks were serving an increasingly monetised economy through a growing national branch network. By the end of 1979, fourteen banking offices served Belize's urban and rural communities, and by the end of 1981, the network had expanded to sixteen banking offices nationwide (MAB, 1981; MAB, 1982).

The branch expansion fundamentally altered the structure of the financial system. Banking services increasingly extended beyond Belize City into district towns and agricultural regions where sugar, citrus, banana, forestry, and livestock activities were concentrated. This geographical expansion improved the mobilisation of savings, increased access to credit, and facilitated the integration of local communities into the formal financial sector. The Monetary Authority observed that Belize's ratio of approximately one banking office per 10,000 inhabitants compared favourably with several developing economies, underscoring the significant progress in expanding financial intermediation (MAB, 1981).

The growth of the banking system had significant institutional implications. Under the currency-board system, the Board of Commissioners of Currency had little direct relationship with commercial banks beyond currency issuance and reserve administration. Banks determined lending, deposit creation, and liquidity management with relatively limited domestic prudential oversight, while monetary conditions adjusted principally through reserve movements and balance-of-payments pressures. The Monetary Authority altered this relationship. Through its statutory powers over reserve requirements, liquidity ratios, foreign-exchange positions, and lending practices, it obtained mechanisms to influence the behaviour of commercial banks directly rather than merely accommodating it.

The emergence of banking supervision as a core policy function reflected these changes. From February 1977, the Banking Ordinance required licensed financial institutions to maintain reserve balances with the Authority of at least 5 percent of average deposit liabilities (s. 17) and to hold approved liquid assets of at least 20 percent of average deposits (s. 18). Throughout 1977-1981, the Authority monitored compliance with these requirements and gradually developed a prudential framework that extended well beyond reserve backing and currency issuance. In 1978, for example, one institution was penalised for failing to meet reserve requirements, demonstrating the Authority's willingness to move beyond passive observation to active enforcement (MAB, 1979).

The Monetary Authority also exercised direct oversight of bank lending. Under Section 13 of the Banking Ordinance, lending exposures exceeding statutory limits required ministerial approval following assessment by the Authority. The Authority reviewed 55 applications in 1977 and 50 in 1978, before the number rose to 64 in 1979 and 65 in 1980 (MAB, 1978; MAB, 1981). Applications were assessed on the basis of employment creation, foreign-exchange earning potential, development impacts, and the adequacy of collateral. This process introduced developmental and prudential supervision of bank lending that had not existed under the currency-board system.

Particularly significant was the emergence of reserve and liquidity requirements as supervisory tools. Under the currency board, discipline operated primarily through reserve constraints imposed on the monetary authority itself. Under the Monetary Authority, prudential discipline was increasingly extended to commercial banks. Financial institutions were required to maintain prescribed reserve and liquidity ratios, and the Monetary Authority was empowered to adjust these requirements as circumstances warranted. By 1981, banks maintained liquidity ratios that consistently exceeded statutory minimum levels, with approved liquid assets reaching as high as 35.3 percent of deposit liabilities during seasonal inflows from sugar-export receipts (MAB, 1982). Monetary outcomes, therefore, increasingly reflected the interaction among reserve developments, commercial-bank behaviour, and policy decisions rather than external reserve movements alone.

The Monetary Authority also emerged as the lender of last resort. During the severe liquidity pressures experienced in late 1979, commercial banks increasingly relied on borrowing facilities provided under Section 26 of the Monetary Authority Ordinance. Average borrowings reached BZ$5.3 million in November and BZ$7.4 million in December 1979 (MAB, 1980). In response to these pressures and declining foreign reserves, the Monetary Authority implemented Belize's first direct quantitative credit restraint in December 1979, requiring banks to reduce outstanding loans and advances by 5 percent by March 1980. The measure proved successful. Outstanding credit declined by approximately 6.5 percent during the first quarter of 1980, and banking-system liquidity recovered progressively during the year (MAB, 1981). The annual report explicitly characterised this intervention as the Authority's first attempt to influence the growth of monetary aggregates in Belize, marking a critical shift from passive monetary administration to active monetary management.

An equally important institutional innovation occurred in the payments system. In October 1977, settlement of local interbank balances was transferred from foreign correspondent arrangements to accounts held at the Monetary Authority. For the first time, interbank transactions were settled domestically through the national monetary authority rather than through overseas banking centres (MAB, 1978). This milestone significantly strengthened domestic financial infrastructure and positioned the Monetary Authority at the centre of financial intermediation.

The process culminated in October 1978 with the establishment of a formal Bankers' Clearing House, jointly operated by the Monetary Authority and the four commercial banks (MAB, 1979). Under the agreement, representatives of each bank met daily to exchange cheques and settle net positions through accounts held at the institution. During its first three months of operation, the clearing house processed approximately BZ$67.3 million in transactions. Total cheque clearings rose to BZ$264.2 million in 1979, increased by 18 percent to BZ$311.9 million in 1980, and expanded further to BZ$340.2 million in 1981 (MAB, 1981; MAB, 1982). The Authority regarded these increases as indicators not only of expanding economic activity but also of the growing use of banking instruments, greater financial integration, and the payments system's expanding role in the national economy.

The development of the clearinghouse system was institutionally significant. Currency boards typically focus on note issuance and reserve backing and play little role in domestic payment settlement. By contrast, the Monetary Authority became the focal institution for interbank clearing and settlement. In practical terms, the Monetary Authority evolved from merely issuing currency to becoming the operational centre of Belize's financial system.

The Monetary Authority's role in payment-system development extended beyond domestic cheque clearing. In 1977, Belize became a participant in the CARICOM Multilateral Clearing Facility (CMCF), a regional payments arrangement established to facilitate the multilateral settlement of transactions among CARICOM member states while conserving foreign-exchange reserves. Through the CMCF, participating monetary authorities and central banks could settle eligible regional transactions on a net basis rather than through individual bilateral payments. The Monetary Authority served as Belize's representative institution within the arrangement and acted as the domestic counterpart for CMCF transactions. The Monetary Authority remained an active participant throughout the period, maintaining settlement accounts with the Facility and participating in regional efforts to strengthen monetary cooperation and payments integration within the Caribbean (MAB, 1981, 1982). By linking Belize to a regional payments mechanism, the Monetary Authority expanded its operational responsibilities beyond the domestic financial system and assumed functions more commonly associated with central banks than with traditional currency boards.

The Monetary Authority simultaneously expanded its internal institutional capacity. During 1980, technical assistance was provided through the secondment of Dr. S.R.K. Rao from the Reserve Bank of India under an International Monetary Fund programme to strengthen research capabilities and assist with institutional development (MAB, 1981). In 1981, the Exchange Control Section was elevated to departmental status, staff numbers increased from 25 to 29, and senior officials participated in international supervisory and central banking forums, including the Second International Conference of

Banking Supervisors in Washington, D.C. (MAB, 1982). These developments reflected deliberate efforts to build the technical expertise and administrative infrastructure associated with modern central banking.

These developments reflected broader structural changes within the Belizean economy. Expansion in agriculture, tourism, commerce, construction, and public investment increased demand for financial intermediation and credit. Commercial-bank deposits rose from BZ$62.3 million in 1977 to BZ$83.3 million in 1979 and continued to grow thereafter, while bank credit increasingly became an important determinant of monetary conditions (MAB, 1982, Appendix). In contrast to the traditional currency-board framework described by Wyeth (1979), in which monetary conditions were largely determined by reserve movements and foreign trade, the late 1970s and early 1980s saw the growing importance of domestic financial intermediation and domestic credit creation as sources of monetary expansion. The Monetary Authority, therefore, faced the challenge of maintaining exchange-rate stability while managing an increasingly sophisticated banking system, an increasingly active payments system, and an expanding domestic credit market.

The Monetary Authority also established the first formal institutional link between monetary operations and government financing. Under the currency board, financing the Government through the monetary system had effectively been prohibited. By contrast, the Authority could provide temporary advances to the Government of up to 15 percent of estimated current revenues and was authorized to purchase and hold Treasury bills and government securities, with the total value not exceeding seven times its paid-up capital and General Reserve Account. Although modest by later central-banking standards, these provisions represented a significant institutional innovation. They formalised a fiscal-monetary relationship that had only been foreshadowed by the fiduciary arrangements of the late currency-board period, creating a framework in which domestic financial assets could play a role in monetary administration.

By 1981, Belize's monetary regime differed substantially from the system inherited from the Board of Commissioners of Currency. The currency board issued currency and maintained reserve backing, while exchange controls operated alongside the currency board framework through colonial financial authorities and, later, the Financial Secretary. By contrast, the Monetary Authority regulated commercial banks, monitored reserve and liquidity positions, operated the national clearing system, managed Treasury bill auctions, influenced interest rates through the discount rate, imposed quantitative credit restraints, administered exchange controls, and provided lender-of-last-resort facilities. These functions collectively transformed the institution from a passive issuer of currency into an active manager of monetary and financial conditions (MAB, 1978, 1979, 1980, 1981, 1982; Wyeth, 1979).

Evidence from year-end Treasury bill holdings illustrates the practical significance of this change. Holdings of Government of Belize Treasury bills by the Monetary Authority rose from BZ$0.9 million at the end of 1977 to BZ$6.2 million in 1978, BZ$7.2 million in 1979, BZ$7.4 million in 1980, and BZ$14.4 million in 1981. The pattern reveals two important developments. First, government securities became an established component of the Authority's balance sheet. Second, the sharp increase in holdings immediately before the establishment of the Central Bank points to an expanding role in managing public debt and domestic liquidity.

Table 5

Year-End Holdings of Government of Belize Treasury Bills by the Monetary Authority, 1977–1981

Year-End	Treasury Bill Holdings (BZ$ Million)
1977	0.9
1978	6.2
1979	7.2
1980	7.4
1981	14.4

Note. Table 5 shows that Treasury bill holdings increased substantially during the Monetary Authority period, reflecting a growing role in domestic liquidity and public debt management.

Alongside the expansion of banking supervision, payment-system management, and liquidity regulation, the growth in Treasury-bill holdings shows that the Monetary Authority increasingly relied on domestic financial instruments to influence monetary conditions while maintaining the exchange-rate anchor.

The significance of these holdings lies not merely in their growth, but in what they reveal about the institution's evolving role. Under an orthodox currency-board system, the balance sheet was dominated by currency liabilities and foreign-reserve assets. The growing presence of government securities on the Monetary Authority's balance sheet indicated the emergence of a domestic-asset channel through which monetary and liquidity conditions were influenced independently of reserve movements. Therefore, government securities served not only as instruments of fiscal financing but also as an embryonic mechanism of monetary management. Although modest in scale, this development marked an important departure from the passive, reserve-based logic of the currency-board system.

The Monetary Authority's relationship with the Government extended well beyond temporary financing. The Ordinance required it to act as banker to the Government and public-sector entities, administer exchange control, manage and service public debt, exercise powers under banking legislation, and serve as fiscal agent in transactions with international financial institutions. These functions significantly expanded its role beyond that of a currency board and demonstrated that it already possessed many of the operational characteristics that would later be consolidated under the Central Bank.

Table 6

Major Institutional Milestones in the Transition from Currency Board to Central Banking, 1976–1981

Year	Key Development
1976	Monetary Authority established
1977	Banking Ordinance operational
1977	Reserve and liquidity requirements introduced
1977	Domestic settlement of interbank balances was introduced
1977	Treasury Bills introduced
1977	Monetary Authority became a participant in the CARICOM Multilateral Clearing Facility
1978	Bankers' Clearing House was established
1979	First quantitative credit controls were imposed
1980	Active discount-rate management initiated
1980	New Belize notes issued
1981	Exchange Control Department was established

Year	Key Development
1981	Sixteen-branch banking network achieved
1982	Central Bank was established

Importantly, however, the Monetary Authority remained a hybrid institution. Exchange controls continued to operate, reserve backing continued to constrain monetary expansion, and the fixed exchange-rate regime remained the primary source of external credibility. Nevertheless, by the end of 1981, Belize had many of the institutional features of a modern central bank. The country had a national banking network, a functioning interbank clearing system, formal prudential supervision, domestic liquidity instruments, credit-restraint powers, lender-of-last-resort facilities, Treasury bill operations, and an exchange-control administration (MAB, 1982).

These central-banking functions indicate that the transition from a currency board to a central bank had already begun in practice well before 1982. Viewed through the framework introduced in the Findings section, especially Table 2, the Monetary Authority marked a significant increase in policy autonomy while preserving credibility and convertibility through the newly established fixed exchange-rate peg and reserve requirements. The reform therefore altered the balance among the three objectives rather than abandoning the priorities of the currency-board era.

Thus, the Central Bank of Belize inherited an institution that had already developed many of the operational characteristics of central banking. Its significance lay not in rejecting Belize's currency-board tradition, but in adapting that tradition to the changing requirements of economic management, financial development, public finance, and national institution-building during the years immediately preceding independence. In this sense, the Central Bank represented the culmination of a gradual process of institutional evolution rather than a sharp break with the past. The Monetary Authority served as the critical bridge between the externally anchored currency-board system and the broader framework of monetary, financial, and supervisory responsibilities that would characterise central banking in Belize after 1982.

This continuity also had an organisational dimension. The Central Bank did not begin with a wholly new operating culture or administrative base. It inherited the MAB's institutional memory, operating procedures, and technical capacity, and continuity in personnel appears to have supported the transfer of functions from the Monetary Authority to the Central Bank. This reinforces the interpretation that 1982 was less a functional rupture than the national consolidation of a monetary authority whose central-banking functions had already begun to develop during 1976-1981.

4.2 From Monetary Authority to Central Bank: Institutional Consolidation after Independence, 1982

The establishment of the Central Bank of Belize on 1 January 1982 marked the culmination of an institutional evolution that had accelerated during the Monetary Authority period, rather than the creation of an entirely new monetary system. By the time Belize attained independence on 21 September 1981, the Monetary Authority was already performing the central-banking functions identified in Section 4.1. The Central Bank therefore inherited an institutional framework that had already moved substantially beyond the traditional currency-board model.

The significance of the 1982 reform lay less in introducing new functions than in consolidating them within a permanent national institution operating under the authority of an independent state. Whereas the Monetary Authority had served as a transitional institution within a colonial constitutional framework, the Central Bank was established as Belize's principal monetary institution after independence. The reform completed the shift from an institution whose primary purpose was to maintain currency stability and convertibility to one responsible for monetary stability, financial-system oversight, reserve management, government banking, public-debt administration, and economic policy support.

Importantly, the creation of the Central Bank did not represent a rejection of the monetary arrangements introduced in 1976. The fixed exchange-rate peg of BZ$2 per US$1 remained unchanged, exchange controls continued to operate, and reserve adequacy remained a central policy concern. Likewise, many operational functions developed by the Monetary Authority, including Treasury bill operations, government banking arrangements, prudential supervision, payment system management, and foreign exchange administration, were retained and expanded. The Central Bank therefore preserved the essential foundations of the Monetary Authority framework while providing those functions with a stronger legal, institutional, and national basis (Government of Belize, 1976, 1982; MAB, 1982).

The continuity between the Monetary Authority and the Central Bank is particularly evident in the evolution of the monetary balance sheet. In the final years of the Monetary Authority, the relationship between foreign reserves, domestic assets, and monetary liabilities had already begun to shift significantly. The increased use of Treasury bills, the growth of claims on Government, the expansion of domestic credit, and the lower reserve-cover requirements introduced in 1976 had weakened the rigid link between reserve accumulation and money creation that characterised the currency-board era. The Central Bank inherited this evolving framework and expanded it, allowing domestic assets and domestic credit to play a progressively larger role in monetary development while preserving the exchange-rate anchor established in 1976.

The monetary survey illustrates the extent of this transition. During the final years of the Monetary Authority, net foreign assets fell from BZ$11.5 million at the end of 1977 to BZ$3.9 million at the end of 1981. Over the same period, domestic credit rose from BZ$64.7 million to BZ$137.4 million, while broad money (M2) expanded from BZ$74.4 million to BZ$124.2 million. These developments indicate that monetary expansion was increasingly driven by domestic credit creation and domestic assets rather than by reserve flows alone. The automaticity that had characterised the earlier currency-board system was therefore already diminishing before the Central Bank formally commenced operations (Central Bank of Belize, n.d.; MAB, 1982).

Table 7

Monetary Indicators During the Monetary Authority Period

Year	Net Foreign Assets (BZ$mn)	Domestic Credit (BZ$ mn)	M2 (BZ$ mn)
1977	11.5	64.7	74.4
1978	25.9	72.7	95.0
1979	9.7	93.8	98.6
1980	11.8	107.2	111.1
1981	3.9	137.4	124.2

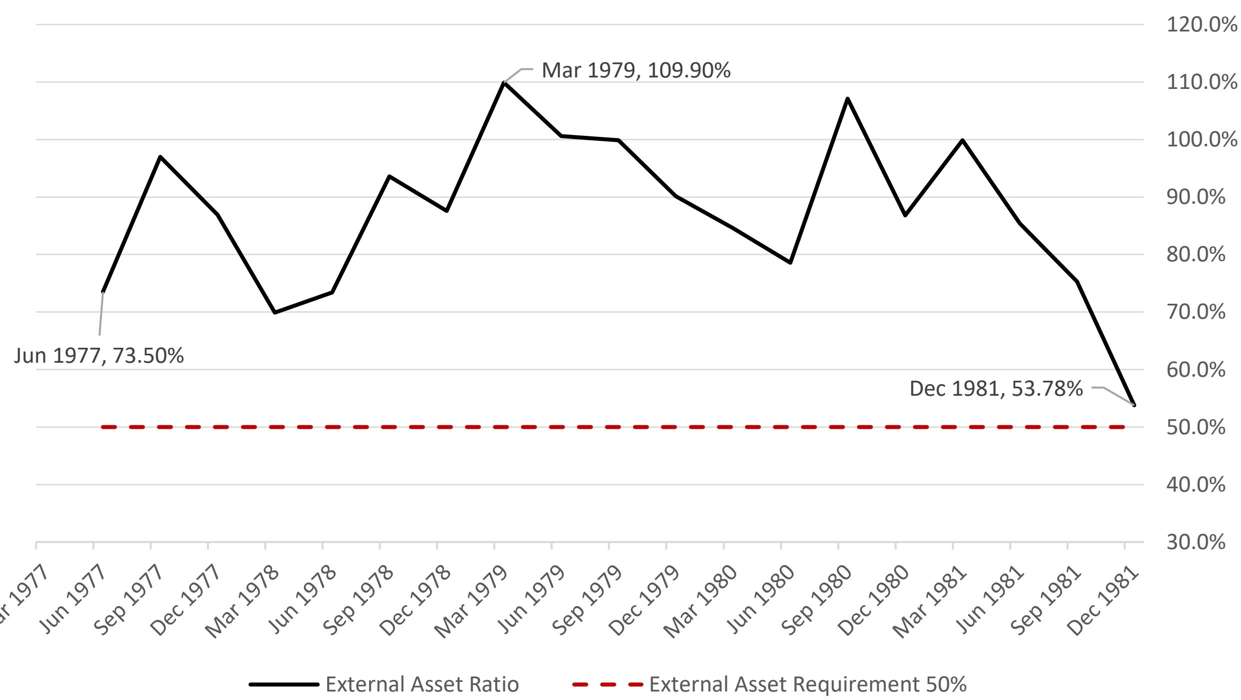
Source. Central Bank of Belize, *Monetary Survey* and *Central Bank External Assets Ratio (T5) Database*.

Note. Rising domestic credit and M2 alongside declining net foreign assets indicate a gradual shift away from strict currency-board automaticity.

The evolution of the external asset ratio provides particularly strong evidence of this institutional transition. In 1979, the ratio exceeded 100 percent in both March and June, indicating that foreign assets broadly matched or exceeded monetary liabilities. Thereafter, the ratio declined steadily, falling to 75.3 percent in September 1981 and to 53.8 percent by December 1981. By the time the Central Bank commenced operations, external assets covered only about half of monetary liabilities. Thus, the monetary system had already moved substantially away from the automatic reserve-backing principles associated with an orthodox currency board, although it remained considerably more conservative than many contemporary central-bank systems.

Figure 4.

External Asset Ratio Relative to the Statutory 50% Requirement, March 1977–December 1981



These developments reflected the legislative reforms introduced by the Monetary Authority Ordinance in 1976. Reserve-cover requirements were reduced from the near-full-cover principles of the currency board to 50 per cent of monetary liabilities, and the Monetary Authority gained powers to provide temporary advances to the Government and to hold government securities up to prescribed limits. The Central Bank inherited and expanded these powers. Rather than abandoning external discipline, the reforms supplemented the exchange-rate anchor with a broader range of monetary, supervisory, and financial instruments. The institutional evolution, therefore, reflected a change in the mechanisms for maintaining stability, rather than a change in the objective of stability itself.

The relationship between monetary and fiscal policy also deepened. Claims on Government increased from BZ$5.5 million in 1977 to BZ$32.7 million by the end of 1981. This sixfold increase reflected the growing importance of domestic public assets in the monetary system and provided quantitative evidence of fiscal-monetary linkages that had only been foreshadowed by fiduciary backing in the final years of the currency board. Under the Central Bank, these linkages were institutionalised within a broader framework of government banking, debt management, and macroeconomic coordination (Wyeth, 1979; MAB, 1982; Government of Belize, 1982).

Equally important was the institutional context in which the Central Bank commenced operations. Belize entered independence with a functioning interbank clearing system, a supervised commercial banking sector comprising four banks and sixteen banking offices, an operational Treasury-bill market, active exchange-control administration, lender-of-last-resort facilities, credit-control mechanisms, and established relationships with regional and international financial institutions. As a result, the new Central Bank did not need to build these systems from scratch. Instead, it inherited, consolidated, and expanded them within a permanent national institution designed to support the monetary and financial requirements of an independent state (MAB, 1981, 1982).

The significance of these institutional changes became increasingly apparent in subsequent decades. As Belize's economy expanded and public borrowing needs grew, the Central Bank assumed progressively broader responsibilities for reserve management, domestic liquidity operations, debt management, banking supervision, payment-system oversight, and financial stability. These responsibilities proved particularly important during periods of external and fiscal stress, including the sovereign debt restructurings of 2007, 2013, and 2017 (Central Bank of Belize Annual Reports; Government of Belize, 1982).

Therefore, the establishment of the Central Bank should be seen as the formal institutional expression[5] of processes that had already begun under the Monetary Authority. By the eve of independence, Belize possessed a functioning payments system, a supervised banking sector, domestic liquidity-management instruments, lender-of-last-resort facilities, and an increasingly sophisticated framework of monetary administration. The Central Bank consolidated these capacities within a permanent national institution and expanded them to meet the needs of an independent state. In this respect, the 1982 transition represented less a discontinuity with the past than the completion of a gradual evolution from currency-board discipline toward a broader framework of monetary governance while preserving the exchange-rate anchor that remained the foundation of monetary credibility (MAB, 1978, 1979, 1980, 1981, 1982).

In conjunction with the reforms of 1976-1981, the establishment of the Central Bank confirms the central argument of this paper: Belize's monetary evolution was characterised not by the abandonment of external discipline but by its institutional adaptation. The mechanisms of monetary governance changed substantially, yet the fundamental commitment to exchange-rate stability and external credibility remained intact. The Central Bank thus emerged not as a repudiation of the currency-board tradition, but as its evolution into a more complex institutional form capable of supporting the monetary, financial, and developmental requirements of an independent nation.

The establishment of the Central Bank further expanded policy autonomy by broadening its supervisory, lending, reserve-management, and fiscal-agent functions. Nevertheless, credibility continued to derive from confidence in the exchange-rate anchor and reserve adequacy, while convertibility remained dependent on the country's ability to meet external payment obligations. The transition, therefore, reflected institutional adaptation rather than a fundamental reordering of monetary objectives.

The early years after independence quickly demonstrated the practical importance of these institutional reforms. The balance-of-payments and reserve pressures that emerged by 1984 required monetary, fiscal, and debt-management instruments that had not existed under the earlier currency-

[6] 'Formal institutional expression' is used here to mean the point at which evolving administrative responsibilities, practices, and policy functions become embodied in a formally constituted institution. The Central Bank therefore represented the institutionalisation of developments that had already begun under the Monetary Authority.

board framework. The Central Bank's response to this crisis illustrates how the expanded institutional capacity developed during 1976-1981 became operationally significant after independence.

4.3 Expansion and Modernisation of Central Bank Functions, 1982-2025

The expansion of the Central Bank's responsibilities after 1982 shows that the institutional transition completed at independence continued to evolve in practice. By the eve of independence, banking supervision, exchange-control administration, government banking, reserve management, payment-system oversight, and limited monetary-policy functions had already emerged. The Central Bank's subsequent development therefore involved the expansion, formalisation, and integration of these functions within a broader framework of monetary and financial governance, rather than the creation of entirely new responsibilities.

This institutional evolution was accompanied by substantial growth in financial intermediation and monetary activity. Broad money (M2) rose from approximately BZ$124 million in 1981 to more than BZ$5.1 billion by 2025, while domestic credit expanded from approximately BZ$137 million to more than BZ$4.1 billion over the same period. This represented compound annual growth of approximately 8.8 percent for broad money and 8.0 percent for domestic credit between 1981 and 2025. The rapid growth of monetary and financial aggregates reflected the increasing scale and complexity of Belize's economy and created demand for more active monetary management, prudential regulation, and institutional oversight (Central Bank of Belize, Monetary Survey).

Table 8

Growth of the Monetary System, Selected Year-End Observations (BZ$ million)

Year	Broad Money (M2)	Domestic Credit	M2 Annual Growth	Domestic Credit Annual Growth
1981	124.2	137.4	—	—
1990	377.0	270.8	13.1%	7.8%
2000	965.8	822.5	9.9%	11.7%
2010	2,076.8	1,945.0	8.0%	9.0%

Year	Broad Money (M2)	Domestic Credit	M2 Annual Growth	Domestic Credit Annual Growth
2015	3,453.0	2,286.3	10.7%	3.3%
2020	4,387.0	3,039.8	4.9%	5.9%
2025	5,146.0	4,126.1	3.3%	6.3%

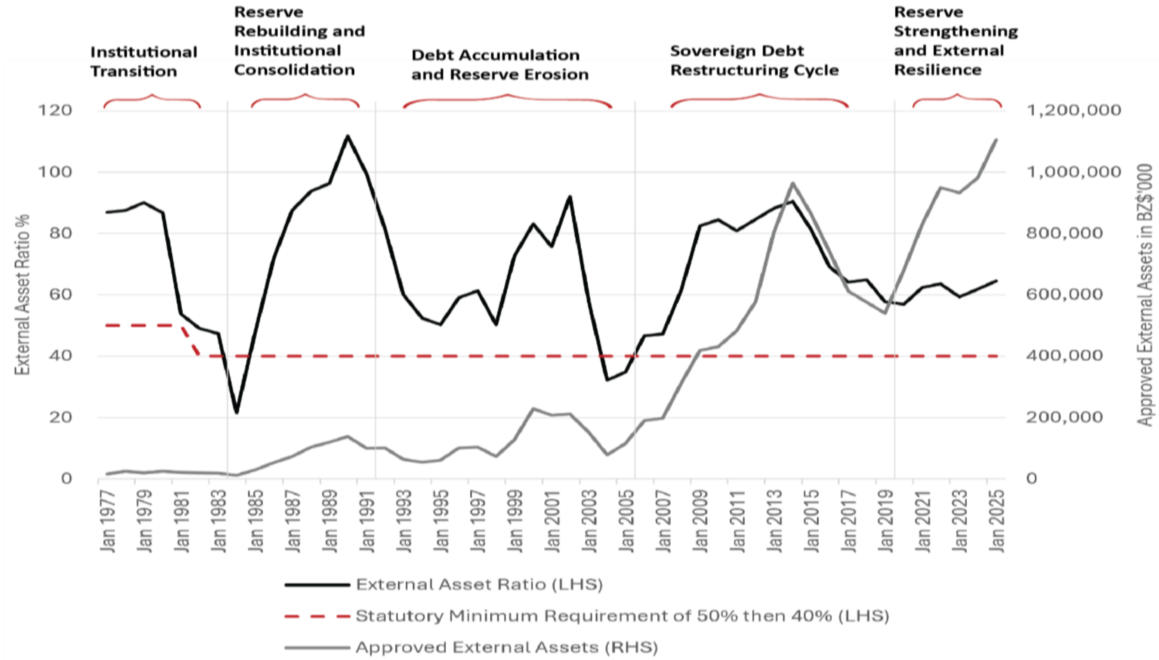
Source. Central Bank of Belize, *Monetary Survey*. *Note.* Growth rates are compound annual rates calculated between the selected observation years. Over 1981–2025, M2 grew by about 8.8% annually and domestic credit by about 8.0%.

4.3.1 External Reserve Coverage and the Evolution of Monetary Discipline

The evolution of the Central Bank's External Asset Ratio (EAR) offers valuable insight into the changing nature of monetary discipline in Belize. Under the currency-board system, reserve backing frequently exceeded 100 percent of monetary liabilities, whereas the legal instruments governing the Monetary Authority and the Central Bank used different statutory formulations for external-asset cover. Section 28 of the Monetary Authority of Belize Ordinance required approved external assets to be at least 50 percent of the sum of notes and coins in circulation and deposit liabilities. The Central Bank Act subsequently established a more flexible reserve framework, requiring approved external assets to equal at least 40 percent of the Bank's notes and coins in circulation plus customers' demand and time liabilities. Therefore, the EAR measures not only reserve adequacy but also the prudential buffer maintained above the relevant statutory minimum. Consequently, the ratio provides an important indicator of how Belize balanced monetary expansion, financial development, fiscal pressures, and exchange-rate stability.

Figure 5.

External Asset Ratio, Statutory Reserve Requirement, and Major Institutional and Fiscal Developments, 1977–2025



Note. The vertical markers delineate five major phases in the evolution of reserve adequacy and monetary governance: Institutional Transition (1977–1984), Reserve Rebuilding and Institutional Consolidation (1985–1992), Debt Accumulation and Reserve Erosion (1993–2006), Sovereign Debt Restructuring Cycle (2007–2020), and Reserve Strengthening and External Resilience (2021–2025). Source. Central Bank of Belize, Monetary Survey.

Figure 5 traces the evolution of the EAR relative to the statutory reserve requirement and highlights key institutional, fiscal, and external developments that shaped Belize's monetary framework after the transition from the currency board. The series reveals a recurring pattern: periods of reserve erosion were consistently followed by policy adjustment, institutional reform, external financing, debt restructuring, or reserve-rebuilding efforts designed to restore confidence in the fixed exchange-rate regime. Viewed over the entire period, the figure supports the paper's central argument of continuity through institutional adaptation. Although the institutions, policy instruments, and legal frameworks governing monetary management changed substantially, reserve adequacy remained a critical indicator of exchange-rate credibility and external stability.

The first phase identified in Figure 5, Institutional Transition (1977–1984), encompasses the final years of the Monetary Authority and the establishment of the Central Bank following independence.

During this period, Belize acquired many of the institutional features associated with modern central banking, including banking supervision, liquidity management, lender-of-last-resort facilities, domestic clearing arrangements, Treasury-bill operations, and exchange-control administration. At the same time, however, the external position deteriorated significantly. Weak economic growth, expanding public-sector financing requirements, declining foreign-exchange reserves, rapid domestic credit expansion, and rising external obligations gradually eroded reserve coverage. The EAR fell sharply, reaching approximately 21.5 percent by the end of 1984. By that time, net international reserves had fallen to negative US$13.5 million, while external payment arrears had reached approximately US$6.3 million. These developments represented the most severe test of Belize's monetary framework since independence and raised serious concerns about the sustainability of the exchange-rate regime (Alvarez, 1987).

The reserve crisis gave rise to the second phase, Reserve Rebuilding and Institutional Consolidation (1985–1992). The IMF-supported Stand-By Arrangement approved on 3 December 1984 and effective until 1 June 1986 represented the first major test of Belize's post-currency-board monetary framework. The programme provided access to SDR 7.125 million, all of which was drawn, and formed an integral component of a broader strategy of fiscal adjustment, monetary restraint, reserve rebuilding, and balance-of-payments stabilisation. Monetary measures included increases in cash reserve requirements, liquid-asset requirements, minimum lending rates, deposit rates, and Treasury-bill rates. These measures contributed to contractions in domestic credit of 5.4 percent in 1985 and 4.3 percent in 1986. Reserve recovery was supported by IMF resources totalling approximately BZ$15.2 million, USAID Economic Stabilisation Facility assistance of BZ$24.0 million, improved sugar export earnings, and other private inflows. Net international reserves increased by US$6.6 million in 1985 and by a further US$15.9 million in 1986, while external payment arrears were eliminated in September 1985 (Alvarez, 1987).

The significance of the 1984–1986 adjustment extends beyond short-term stabilisation. It demonstrated that although the Central Bank possessed a broader array of policy instruments than either the Board of Commissioners of Currency or the Monetary Authority, preserving monetary stability ultimately still required rebuilding reserves, reducing external imbalances, and maintaining confidence in the exchange-rate anchor. The episode therefore provides strong evidence that institutional evolution expanded policy flexibility without eliminating the constraints imposed by reserve adequacy and external credibility. In this respect, the adjustment programme served not merely as a stabilisation exercise but also as a practical demonstration of continuity between currency-board discipline and the more flexible framework of central banking.

The adjustment experience also accelerated the Central Bank's institutional development. The crisis exposed weaknesses in reserve management, external-debt monitoring, macroeconomic coordination, and policy surveillance. In response, the authorities strengthened debt-management and monitoring arrangements involving the Central Bank and the Ministries responsible for finance and economic development, while also obtaining technical assistance through the Commonwealth Secretariat (Alvarez, 1987). These reforms expanded the Bank's role beyond reserve administration and monetary operations into broader areas of debt surveillance, economic analysis, and macroeconomic management. Consequently, the adjustment programme contributed significantly to the institutional capacity that would support the exchange-rate regime in subsequent decades.

From the perspective of credibility, convertibility, and policy autonomy, the adjustment programme illustrated the limits of discretion under a fixed exchange-rate regime. Policymakers possessed more instruments than had existed under the currency board, but preserving credibility and convertibility nonetheless required monetary tightening, external financing, and reserve rebuilding. The episode therefore demonstrated that greater autonomy remained conditional upon maintaining external stability.

The period from approximately 1985 to 1992 can consequently be characterised as one of reserve rebuilding, institutional consolidation, and policy learning. The successful restoration of reserve adequacy demonstrated the effectiveness of the adjustment measures, while the crisis reinforced the importance of maintaining a strong external position under a fixed exchange-rate regime. More importantly, it strengthened the relationship among reserve management, debt sustainability, fiscal policy, and exchange-rate credibility. These linkages would recur in later episodes of fiscal and external stress and become defining features of Belize's post-independence monetary framework.

The third phase, Debt Accumulation and Reserve Erosion (1993–2006), reflects the gradual weakening of reserve coverage, driven by rising public debt, fiscal expansion, strong domestic credit growth, and increasing external financing needs. By the mid-2000s, expansionary fiscal policies, widening current account deficits, rising external commercial debt service costs, and deteriorating market access had generated substantial liquidity pressures. Public debt exceeded 100 percent of GDP by

2003, while international reserves fell below one month of import coverage by the end of 2005. Although fiscal adjustment during 2005–2006 improved the primary balance and modestly strengthened reserves, significant financing gaps remained. The EAR declined to 32.3 percent in December 2004 and reached a low of 30.1 percent in October 2006, highlighting the vulnerabilities that preceded Belize's first sovereign debt restructuring (Asonuma et al., 2014).

The fourth phase, Sovereign Debt Restructuring Cycle (2007–2020), was shaped by a prolonged interaction between reserve adequacy, debt sustainability, and external financing conditions. The 2006–07 restructuring consolidated approximately US$547 million of external commercial debt into a single bond and provided significant short-term liquidity relief. Subsequent restructurings in 2012–13 and 2016–17 similarly sought to ease debt-service pressures through lower financing costs, maturity extensions, and deferred repayment schedules. While these operations reduced immediate financing pressures, reserve adequacy remained closely tied to fiscal performance, economic growth, and continued market access. The 2020 debt-payment suspension and bondholder-relief episode, implemented during the COVID-19 shock, temporarily eased external debt-service obligations while tourism collapsed and fiscal pressures intensified. Together, these developments demonstrate that debt-management operations had become an increasingly important component of preserving reserve adequacy and exchange-rate credibility in the post-independence era.

The fifth and most recent phase, Reserve Strengthening and External Resilience (2021–2025), began with Belize's debt conversion for marine conservation. Through a US$364 million Blue Loan arrangement supported by The Nature Conservancy, Belize financed the repurchase of approximately US$553 million in outstanding external commercial debt. Bondholders received a cash price of 55 cents per dollar of face value, while the larger Blue Loan amount also covered transaction costs, reserves, and conservation-related commitments. The operation replaced the repurchased debt with a new financing structure and reduced the outstanding principal by approximately US$189 million, lowering public debt by an estimated 12 percentage points of GDP while creating a long-term financing mechanism for marine conservation. From a monetary-governance perspective, the importance of the operation extends beyond debt reduction. The transaction strengthened reserve resilience, improved external liquidity, and reinforced confidence in the exchange-rate regime. In the years following the operation, the EAR remained comfortably above the statutory minimum and generally fluctuated between approximately 60 and 70 percent. By December 2025, the ratio stood at 64.6 percent, indicating a substantially stronger reserve position than during earlier periods of stress.

Over the longer term, the evolution of the EAR shows that reserve adequacy in Belize has been shaped not only by monetary developments but also by fiscal policy, debt-management decisions, external financing conditions, and the economy's capacity to generate foreign exchange through exports, tourism, and other productive activities. The figure therefore provides a quantitative bridge between Belize's monetary history and the broader fiscal and external realities that increasingly influenced monetary governance after independence. The recurring pattern of reserve decline followed by deliberate reserve rebuilding reinforces the continuing importance of external discipline throughout the period.

Viewed against the statutory 40 percent reserve requirement established under the Central Bank Act, the EAR also reveals an important continuity in Belize's monetary arrangements. Although reserve-cover requirements became significantly more flexible than those of the currency-board era, policymakers generally sought to maintain reserve coverage well above the legal minimum. Importantly, the EAR of 64.6 percent recorded in December 2025 remained far above the statutory requirement, yet well below the reserve-cover ratios frequently observed during the currency-board period, when backing often exceeded 100 percent. This comparison captures the essence of Belize's monetary evolution. The country did not abandon external discipline after the transition to central banking. Rather, it replaced rigid reserve-backed rules with a more flexible institutional framework in which reserve adequacy, external liquidity, debt sustainability, and confidence in the fixed exchange-rate regime remained central operational and credibility constraints.

4.3.2 Expansion of Financial Intermediation and Banking Supervision

The growth of monetary aggregates was accompanied by profound changes in the structure of the financial system. Claims on the private sector rose from approximately BZ$96 million in 1981 to almost BZ$2.9 billion by 2025, while claims on the Central Government exceeded BZ$1.1 billion. These developments reflected a substantial deepening of financial intermediation and heightened the importance of prudential supervision, liquidity management, and systemic-risk monitoring.

Prudential oversight did not originate with the Central Bank but emerged during the Monetary Authority period through reserve requirements, liquidity regulations, lending restrictions, large-exposure monitoring, and supervision of licensed institutions (MAB, 1978-1982). The Central Bank inherited these responsibilities and progressively expanded them to cover domestic banks, international banks, credit unions, and an expanding range of financial-service providers. Regulatory responsibilities later broadened through AML/CFT/CPF frameworks, reflecting both domestic financial development and evolving international supervisory standards (Belize, 2020c, 2023).

The expansion of supervisory responsibilities transformed the Central Bank from a primarily monetary institution into a comprehensive financial-sector regulator. Offshore banking supervision was introduced in 1996 under the Offshore Banking Act, which was later replaced by the International Banking Act. Credit unions were brought under the Bank's supervisory umbrella in 2005, significantly broadening the regulatory perimeter beyond traditional banking institutions.

4.3.3 Payments-System Development and Financial Infrastructure

The evolution of Belize's payments infrastructure offers another illustration of institutional continuity and expansion. The foundations of the modern payments system were established during the Monetary Authority period through the introduction of domestic interbank settlement in 1977, the establishment of the Bankers' Clearing House in 1978, and participation in the CARICOM Multilateral Clearing Facility (MAB, 1978, 1979, 1981, 1982).

The Central Bank subsequently expanded this role through the National Payment System Reform Project, launched in 2010; the implementation of the Automated Payment and Securities Settlement System in 2016; and the enactment of the National Payment System Act in 2017. The Bank's responsibilities therefore evolved from facilitating cheque clearing and interbank settlements to regulating and overseeing sophisticated electronic payment and securities-settlement infrastructure.

4.3.4 Reserve Management, Fiscal Agency, and Macroeconomic Governance

Reserve management also evolved while retaining continuity with Belize's longstanding commitment to exchange-rate stability. Under the currency board, reserves primarily served as backing for currency liabilities. Under the Monetary Authority, and subsequently the Central Bank, reserves increasingly became instruments for supporting the exchange-rate peg, preserving confidence, and maintaining external liquidity. The persistence of reserve coverage well above the 40-per cent statutory minimum throughout most of the period demonstrates that reserve adequacy remained a core concern for policymakers.

The Central Bank also assumed an increasingly important role in public finance. In addition to acting as banker and fiscal agent to the Government, it became involved in debt management, economic analysis, policy advice, external-debt monitoring, and macroeconomic coordination. This role was already evident during the 1984–1986 adjustment period, when reserve losses, external arrears, and public-sector borrowing pressures required tighter monetary policy and more systematic debt monitoring. The sovereign debt restructurings of 2006–07, 2012–13, and 2016–17 further demonstrated the Central Bank's public-finance role by showing how closely reserve adequacy, debt-service profiles, fiscal credibility, and exchange-rate stability were linked. The 2020 debt-payment suspension and bondholder-relief episode then served as a bridge between those earlier Superbond restructurings and the 2021 debt conversion, highlighting how external-debt management remained directly connected to reserve resilience and the credibility of the fixed exchange-rate regime during the COVID-19 shock. The 2021 debt conversion for marine conservation continued this pattern by linking debt reduction, reserve resilience, and external sustainability through a new conservation-finance structure. These episodes illustrate the increasingly close linkages between fiscal sustainability, debt management, reserve adequacy, and monetary stability (Asonuma et al., 2014, 2018; The Nature Conservancy, 2022).

Collectively, the growth of monetary aggregates, the behaviour of the EAR, the expansion of private-sector credit, the widening scope of financial supervision, the modernisation of payment systems, and the growing importance of debt management reveal a profound transformation in Belize's monetary governance. Functions that began as limited innovations under the Monetary Authority evolved into a comprehensive framework for monetary and financial administration centred on the Central Bank.

From a longer historical perspective, the most striking feature of Belize's monetary evolution is not the abandonment of currency-board principles but their progressive adaptation. Exchange-rate stability, reserve adequacy, and external credibility remained foundational objectives throughout the transitions from a currency board to a Monetary Authority and subsequently to a Central Bank. What changed were the institutional mechanisms used to pursue those objectives. The evolution of responsibilities after 1982 therefore represents a continuation of the institutional transformation documented in Section 4.1

rather than a separate phase of development. The modern Central Bank emerged through a long process of institutional adaptation that expanded domestic policy capacity while preserving the external anchor that remained central to monetary credibility.

Table 9

Major Turning Points in Belize's Monetary Evolution, 1894-2021

Event	Immediate Problem	Institutional Response	Long-Term Significance
1894 Coinage and Currency Note Ordinances	Monetary fragmentation and silver instability	Creation of a standardised currency and currency-board framework	Established monetary credibility and convertibility
1949 Devaluation	Sterling devaluation and reserve mismatch	Realignment to sterling parity	Revealed limits of the currency-board model and stimulated political mobilisation
1976 Re-peg and Monetary Authority	Collapse of Bretton Woods and sterling instability	U.S. dollar peg and Monetary Authority established	Began the transition from a currency board to central banking
1984-1986 IMF-Supported Adjustment	Reserve crisis, arrears, and balance-of-payments pressures	Monetary tightening, fiscal adjustment, reserve rebuilding	First major test of the Central Bank framework and confirmation of continuing external discipline
2006-2017 Superbond Restructurings	Debt-service and liquidity pressures	External debt restructuring and fiscal adjustment	Strengthened link between monetary stability and debt sustainability
2020-2021 Payment Suspension and Debt Conversion	COVID-19 shock, external-debt service	Interest-payment suspension, bondholder relief, Blue Loan, and	Linked crisis relief, debt reduction, reserve

Event	Immediate Problem	Institutional Response	Long-Term Significance
	pressures, and high public debt	debt-for-nature conversion	resilience, and external sustainability

Note. Table 9 summarises the major turning points supporting the paper's thesis of continuity through institutional adaptation.

4.3.5 From Legal Powers to Institutional Capacity: Was 1982 a Functional Break or a Consolidation?

Having traced the expansion of Central Bank functions after 1982, the remaining question is whether that year marked a functional break from the Monetary Authority or the consolidation of powers, staff, systems, and operating practices developed during 1976–1981. The evidence supports the latter interpretation. The 1976 reforms were the principal legal and functional turning point because they introduced many central-banking powers; the 1982 reform placed those powers within a permanent national institution after independence. Belize's transformation is therefore best understood as a progression from legal authority to operational capacity, and finally to institutional consolidation.

First, the reserve framework changed in stages rather than all at once. The currency board operated under a system of approximately full reserve backing, often exceeding 100 percent. Under the Monetary Authority, the statutory external-asset requirement was reduced to 50 percent of relevant liabilities, while the Central Bank Act later set the requirement at 40 percent. This gradual decline in reserve-cover requirements altered the relationship between foreign reserves and monetary liabilities. Under the currency board, reserve movements largely determined monetary conditions automatically. Under the Monetary Authority and the Central Bank, reserve adequacy remained important, but monetary stability increasingly depended on reserve management, financial supervision, credit instruments, and broader policy actions rather than on automatic reserve backing alone.

Second, the determination of the money supply changed fundamentally. During the currency-board period, monetary expansion was largely an external process, driven by balance-of-payments developments and reserve accumulation. By contrast, the modern monetary system became increasingly influenced by domestic credit creation. Broad money (M2) expanded from BZ$124 million in 1981 to more than BZ$5.1 billion by the end of 2025, while domestic credit rose from BZ$137 million to more than BZ$4.1 billion. The scale of this expansion far exceeded anything experienced under the currency-board regime and required active management of liquidity, financial institutions, and macroeconomic conditions.

Third, the composition of domestic credit changed significantly, reflecting the emergence of a much deeper financial system. Claims on the private sector rose from approximately BZ$96 million in 1981 to almost BZ$2.9 billion by 2025, making private-sector lending the dominant component of banking-system assets. Claims on the Central Government also increased substantially, exceeding BZ$1.1 billion by 2025. The resulting expansion of financial intermediation required a much broader supervisory and regulatory framework than either the currency board or the Monetary Authority had been designed to provide. Consequently, prudential supervision, systemic-risk monitoring, and financial-sector oversight became core central-bank functions.

Fourth, the management of foreign assets changed fundamentally. Under the currency board, reserves primarily backed currency liabilities. By contrast, the Central Bank became the principal manager of Belize's external liquidity position. Total net foreign assets rose from approximately BZ$134 million in 2005 to BZ$1.76 billion by 2025. Most of this increase occurred within the Central Bank, whose net foreign asset position rose from BZ$52 million to more than BZ$1.1 billion. Domestic banks also accumulated substantial net foreign assets, approaching BZ$700 million by 2025. These two pools of foreign assets perform complementary functions within a single national foreign-exchange system: commercial-bank assets meet much of the routine private demand for imports and other external payments, while Central Bank reserves support official obligations, system-wide liquidity, convertibility, and confidence in the peg. These developments indicate that reserve accumulation became an active policy responsibility rather than merely a by-product of currency issuance. The Central Bank's role evolved from a passive custodian of reserves to the principal manager of the country's external liquidity and exchange-rate stability.

Fifth, the relationship between monetary and fiscal policy changed dramatically. Government financing was effectively prohibited under the currency board, became tightly constrained under the Monetary Authority, and expanded significantly under the Central Bank. The Bank's role as fiscal agent, debt manager, economic adviser, and temporary source of government financing created institutional linkages between public finance and monetary management that would have been inconsistent with the traditional currency-board model. The growth of claims on Central Government from BZ$32.7 million in 1981 to more than BZ$1.1 billion by 2025 illustrates the growing importance of this relationship.

Finally, the Central Bank's institutional responsibilities expanded well beyond those of the Monetary Authority or the original currency-board framework. In addition to monetary management and reserve administration, the modern Central Bank supervises domestic and international banks and credit unions; administers exchange controls; oversees payment and securities settlement systems; regulates AML/CFT/CPF compliance across a wide range of financial institutions; and plays a central role in safeguarding financial stability. These responsibilities emerged gradually through successive legislative reforms and reflect the growing complexity of Belize's financial system.

Therefore, the distinction between the Monetary Authority and the Central Bank lies less in the sudden addition of wholly new functions than in the legal status, permanence, national authority, and the subsequent expansion of functions after independence. The Monetary Authority had already introduced central-banking powers in law and practice, but the Central Bank placed those powers within an institution accountable to an independent state and capable of broader, long-term development. In this sense, 1982 was a point of consolidation, not merely a change of name, nor a complete functional break.

Table 10

Indicators of Institutional Transformation (BZ$ million, except where indicated)

Indicator	**1981**	**2025**
Broad Money (M2)	124.2	5,146.0
Domestic Credit	137.4	4,126.1
Private Sector Credit	96.0	2,870.9
Central Government Credit	32.7	1,106.0
Central Bank NFA	n.a.	1,104.7
Total NFA	3.9	1,761.1

Hence, the transition should be understood not as a single institutional event but as part of an ongoing process of monetary evolution. The Monetary Authority marked a transitional departure from the strict automaticity of the currency-board system, while the Central Bank institutionalised a broader framework of monetary governance. Although exchange-rate stability remained the central objective throughout, the mechanisms used to achieve it became progressively more flexible, more complex, and more deeply integrated with fiscal management, financial intermediation, prudential supervision, and reserve management. The growth of monetary aggregates, the expansion of private-sector credit, the accumulation of foreign assets within the Central Bank and the banking system, and the widening of statutory responsibilities collectively demonstrate that the Central Bank had become much more than a renamed Monetary Authority. By 2025, it had evolved into the principal institution responsible for monetary stability, financial-sector oversight, payment-system development, financial integrity, and macroeconomic management in Belize.

The evidence suggests that the significance of central banking in Belize did not lie in abandoning the principles that governed the currency-board era. Rather, it lay in building the institutional capacity to preserve those principles amid increasingly complex economic and financial conditions.

5.0 Discussion

5.1 Credibility versus Autonomy in Belize's Monetary Evolution

The historical evidence suggests that Belize's monetary evolution can be understood as a sustained effort to balance three related objectives: external credibility, convertibility, and domestic policy autonomy. Across the period examined, institutional reforms repeatedly sought to expand the capacity of domestic authorities to influence monetary and financial conditions while preserving confidence in the currency, its external value, and the country’s ability to meet external payment obligations. The central issue was therefore not whether stability should be maintained, but how stability could be preserved as economic and institutional complexity increased.

Under the pre-1894 fragmented monetary system, neither credibility nor autonomy was well established. Multiple foreign currencies circulated simultaneously, exchange rates varied, and no unified monetary authority existed. The 1894 reforms strengthened credibility by establishing a common legal standard and a reserve-backed currency-board framework. However, this credibility came with very limited policy flexibility. Monetary conditions were largely determined by external reserve movements rather than by domestic policy decisions, and meaningful domestic-asset flexibility did not appear until the limited fiduciary arrangements introduced late in the currency-board period.

The subsequent history of the currency board revealed both its strengths and its weaknesses. External discipline fostered credibility and stability during normal periods, but it also transmitted exchange-rate, reserve-valuation, and financial shocks directly into the domestic economy. The sterling crises of the 1930s, the 1949 devaluation, and the collapse of Bretton Woods all demonstrated that monetary credibility depended on developments beyond Belize's control and could weaken sharply in the face of severe reserve-valuation and confidence shocks. In this sense, the currency board supported credibility only so long as the reserve structure, external anchor, and confidence in convertibility remained intact.

The transition to the Monetary Authority, and subsequently to the Central Bank, altered this balance. New policy instruments, supervisory responsibilities, and fiscal-monetary linkages broadened the scope for domestic intervention. Yet the evidence suggests that greater institutional flexibility did not diminish the importance of external constraints. The fixed exchange-rate peg replaced reserve-backed automaticity as the principal nominal anchor, but preserving confidence in that anchor continued to depend on reserve adequacy and external sustainability.

The IMF-supported adjustment programme of 1984-1986 illustrates this relationship particularly clearly. Although Belize now possessed a wider range of monetary and financial instruments than had existed under the currency board, policymakers remained constrained by pressures on reserves, external payments, and exchange-rate credibility. The adjustment programme therefore demonstrated that central banking expanded the range of policy tools without removing the external discipline imposed by a fixed exchange-rate system. Autonomy expanded, but it remained conditional on maintaining confidence in the peg.

The same dynamic is evident in later episodes of reserve pressure, sovereign debt restructuring, the 2020 debt-payment suspension, and debt-management reform. These episodes differed in their immediate causes, yet each ultimately reflected the continuing importance of external credibility within Belize's monetary framework. In practical terms, this meant not only maintaining investor confidence but also preserving the country's capacity to pay for imports, meet external obligations, and provide foreign exchange for legitimate external transactions. The recurring need to rebuild reserves, strengthen external liquidity, and maintain confidence in the exchange-rate anchor suggests that institutional evolution did not replace external discipline. Rather, it altered the mechanisms through which that discipline was managed.

Viewed over the full historical period, Belize's monetary development is best understood not as a transition from discipline to discretion, but as a gradual rebalancing among credibility, convertibility, and policy autonomy. Policy flexibility expanded substantially between 1894 and 2025, yet preserving external confidence and the capacity to meet external payment obligations remained overriding objectives. The enduring importance of the exchange-rate anchor demonstrates remarkable continuity in the principles underpinning Belize's monetary arrangements despite profound institutional change.

This also points to a broader development-policy dimension. Under a fixed exchange-rate regime, reserve adequacy is not simply a monetary or fiscal matter; it also depends on the structure of production, the capacity to generate export receipts, the import intensity of growth, and the consistency of development strategy across political cycles. Fiscal excess can trigger reserve stress, but durable external stability also requires a real-sector base capable of earning the foreign exchange needed to sustain the peg.

5.2 Institutional Adaptation and Preservation of Convertibility

A central finding of this study is that external discipline remained the defining feature of Belize's monetary arrangements despite significant institutional transformation. The currency board, Monetary Authority, and Central Bank differed substantially in legal structure, operational responsibilities, and policy instruments, yet all three were ultimately organised to preserve exchange-rate stability and maintain confidence in the currency. The evidence suggests that institutional change did not eliminate external discipline but instead altered the mechanisms through which it was maintained.

Under the currency board, discipline operated primarily through reserve backing and convertibility requirements. Because reserve adequacy directly constrained currency issuance, relatively little institutional capacity was required beyond the administration of reserve assets and currency liabilities. Monetary stability was achieved largely through rules rather than active policy intervention. Although this structure provided credibility, it also left the economy highly exposed to external shocks and offered limited scope for domestic monetary management.

The establishment of the Monetary Authority marked an important transitional stage. The new institution preserved exchange-rate discipline while introducing reserve requirements, liquidity controls, banking supervision, lender-of-last-resort facilities, government banking functions, and payment-system responsibilities. These developments indicate that policymakers increasingly recognised that sustaining monetary stability in a growing economy required more than reserve backing alone. External discipline could be maintained only if supported by stronger institutions capable of monitoring banks, managing liquidity, administering exchange controls, and coordinating monetary and fiscal operations.

The Central Bank completed this process of institutional expansion. Following independence, the Bank assumed broader responsibilities for reserve management, public debt administration, economic analysis, banking supervision, payment system oversight, financial integrity regulation, and support for macroeconomic policy. What had previously been a passive reserve-management institution evolved into a central component of the state's economic and financial architecture. Monetary stability increasingly depended not on automatic adjustment but on the quality and effectiveness of institutional governance.

The IMF-supported adjustment programme of 1984-1986 offers a particularly important illustration of this transformation. The crisis exposed weaknesses in reserve management, debt monitoring, macroeconomic coordination, and public-sector financing. The response required a higher degree of institutional coordination than the traditional currency-board model would have allowed. The Central Bank became deeply involved in monetary tightening, rebuilding reserves, monitoring external debt, and cooperating with the Government and international financial institutions. The creation of debt-management and monitoring arrangements involving the Central Bank and fiscal authorities further expanded the institution's role within the broader framework of economic governance. The adjustment programme was not merely a stabilisation effort but also an important stage in developing the institutional capacity necessary to sustain Belize's exchange-rate regime.

The sovereign debt restructurings of 2006–07, 2012–13, and 2016–17 deepen this interpretation, and the 2020 debt-payment suspension and bondholder-relief episode extends it. These were not solely fiscal events. Each affected reserve adequacy, external liquidity, investor confidence, and the sustainability of the exchange-rate system. The Central Bank's role as fiscal agent, adviser, reserve manager, and guardian of the financial system became increasingly important during these episodes. The

2020 suspension was especially important because it temporarily eased external debt-service pressures during the COVID-19 shock and helped set the stage for the 2021 debt-conversion operation. Likewise, the 2021 debt-conversion operation linked debt sustainability, reserve resilience, and environmental finance, further broadening the institutional responsibilities associated with monetary stability (Asonuma et al., 2014, 2018; The Nature Conservancy, 2022).

Belize's experience suggests that the long-run evolution of monetary institutions is closely linked to the development of state capacity. As the economy grew and the financial system became more complex, maintaining the credibility of the exchange-rate anchor required increasingly sophisticated administrative, supervisory, and analytical capabilities. The transition from a currency board to a central bank should consequently be viewed not as a move away from external discipline but as a process through which the state developed the institutional tools necessary to sustain that discipline amid changing domestic and international conditions.

5.3 Implications for Small Open Economies

Belize's monetary evolution calls into question any simple opposition between currency boards and central banks. The historical evidence presented in this study suggests that formal institutional labels alone are less informative than the mechanisms that maintain monetary credibility. Belize's experience indicates that central-banking capacity can emerge through the gradual adaptation of a currency-board framework rather than through its outright replacement.

The three major monetary regimes examined in this paper differed materially in their legal mandates, balance-sheet structures, reserve requirements, and available policy instruments, while retaining an enduring concern with exchange-rate credibility and external stability. Under the currency board, credibility was maintained through near-complete reserve backing, automatic adjustment, and strict limits on discretionary intervention. The Monetary Authority introduced a limited set of policy instruments while preserving exchange-rate discipline. The Central Bank expanded those instruments further through reserve management, banking supervision, lender-of-last-resort facilities, debt management, and financial-sector oversight. Across these institutional transitions, maintaining exchange-rate stability and external confidence remained a central objective, although the mechanisms and institutional responsibilities used to pursue it changed substantially.

Table 11 summarises this progression. It shows that the evolution from a currency board to central banking was not a binary transition from rules to discretion. Rather, it was a gradual rebalancing of external discipline and domestic policy capacity. The system shifted from automatic adjustment to managed adjustment, while maintaining exchange-rate stability as its principal objective.

Table 11

Comparative Summary of Belize's Monetary Regimes

Feature	Currency Board	Monetary Authority	Central Bank
Exchange-rate anchor	External anchor through U.S. dollar and later sterling-linked arrangements	BZ$2 = US$1	BZ$2 = US$1 maintained
Reserve discipline	Near-full reserve backing	Approved external assets of at least 50 percent of notes and coins in circulation and deposit liabilities	Approved external assets of at least 40 percent of the Bank's notes and coins in circulation, and demand and time liabilities
Policy flexibility	Minimal; automatic adjustment	Limited reserve, liquidity, credit, and fiscal-financing instruments	Broader monetary, supervisory, fiscal-agent, and financial-stability functions

Note. Table 11 provides a condensed comparison of Belize's principal monetary regimes; see Appendix C for greater detail.

Belize's experience suggests that monetary development in small open economies may be better understood as a process of institutional layering rather than institutional replacement. New responsibilities were progressively added to the existing framework of external discipline. Banking supervision was expanded without abandoning the exchange-rate anchor. Reserve management became more sophisticated without eliminating reserve adequacy as a credibility constraint. Debt management assumed greater importance without diminishing the significance of external liquidity. The resulting system was no less constrained than earlier arrangements; rather, it relied on a broader set of institutions to manage those constraints.

The IMF-supported adjustment programme of 1984-1986 offers a clear illustration of this point. By the mid-1980s, Belize had many of the policy instruments associated with modern central banking. Nevertheless, the balance-of-payments crisis showed that monetary autonomy remained conditional on reserve adequacy and exchange-rate credibility. The adjustment programme required tighter monetary and fiscal policies to rebuild reserves, eliminate arrears, and restore confidence in the fixed exchange-rate regime. In this respect, the crisis revealed that the transition to central banking had expanded policymakers' toolkit without removing the external constraints that had historically shaped Belize's monetary system.

Belize's experience also has broader implications for comparative studies of small open economies. Jurisdictions such as Hong Kong, Bermuda, the Cayman Islands, and the Eastern Caribbean Currency Union likewise demonstrate the use of robust external monetary anchors alongside evolving financial and regulatory institutions. These economies differ substantially in size, constitutional status, financial structure, reserve arrangements, and policy instruments; they should therefore be treated as comparative reference points rather than as instances of a single institutional model. Belize contributes to this broader literature by showing that external discipline can remain durable even as the domestic institutions supporting monetary and financial stability evolve.

More generally, the Belize case suggests that the central policy challenge for small open economies is not choosing between credibility and autonomy, but balancing them. Externally anchored systems often provide an important source of confidence and stability, particularly where domestic financial markets are relatively small and external shocks are significant. At the same time, economic development, financial deepening, and state-building create demands for greater policy capacity and stronger institutions. Belize demonstrates that these objectives are not necessarily incompatible. Institutional flexibility can expand while the underlying commitment to exchange-rate stability and external credibility remains intact.

Belize's monetary history offers a broader lesson. The evolution from a currency board to a central bank was not a transition from rules to discretion or from discipline to autonomy. Rather, it was a process through which external discipline was progressively embedded within increasingly sophisticated institutions of monetary and financial governance. What changed was the way monetary stability was managed, not the importance of stability itself. The Belizean experience therefore supports the interpretation that, for small open economies, successful monetary development may depend less on abandoning external anchors than on building the institutional capacity required to preserve them under changing domestic and international conditions.

5.4 Sustaining the Peg over the Next Fifty Years

The historical record also has prospective implications. The endurance of the BZ$2 = US$1 parity cannot be treated as self-sustaining merely because it has survived for fifty years. Under a fixed exchange-rate regime, future stability will continue to depend on policymakers' willingness and capacity to adjust fiscal, monetary, financial, and debt-management policies before pressures on reserves and confidence become acute. The central lesson from the episodes examined in this paper is therefore forward-looking: credibility must be defended continuously, and institutional adaptation must remain responsive to changes in the sources and transmission of external risk.

The next fifty years are likely to test the peg through a different combination of external and structural pressures. Caribbean economies face heightened climate risks, fiscal constraints, infrastructure gaps, limited financing options, and persistent structural vulnerabilities; at the same time, Latin America and the Caribbean enter 2026 amid geopolitical tensions, shifting trade policies, and persistently high global interest rates (OECD/IDB, 2026; Ayres & Juvenal, 2026). For Belize, these regional pressures interact with continued dependence on tourism, a narrow export base, correspondent-banking vulnerabilities, cybersecurity threats, and recurring external debt-service obligations. Digital finance adds another source of risk. Although the use of the U.S. dollar in external trade and finance is consistent with the currency anchor, virtual assets, stablecoins, and cross-border digital payment channels could shift domestic transactions and savings outside the Belize-dollar system or beyond regulated intermediaries. Such migration could weaken foreign-exchange controls, reduce visibility into foreign-currency flows, and increase the domestic use of U.S.-dollar-denominated assets for saving and settlement. None of these developments, by itself, invalidates the peg. Together, however, they heighten the importance of effective regulation, resilient infrastructure, timely information, and coordinated risk management.

Long-term stability will rest on three mutually reinforcing foundations: disciplined public finances, adequate external buffers, and a more productive, resilient, and diversified economy. Fiscal discipline requires sustainable deficits, manageable debt-service profiles, and credible medium-term frameworks that prevent public financing needs from placing excessive demands on reserves. External resilience requires not only sufficient Central Bank reserves but also sound commercial-bank foreign-asset positions, reliable access to correspondent banking, transparent and regulated foreign-exchange channels, and payment systems capable of operating securely during shocks. Productive resilience requires higher productivity, climate adaptation, deeper domestic supply linkages, and a broader export base. This, in turn, depends on increasing the quantity and quality of investment in resilient infrastructure, sustainable tourism, transport, the blue economy, agriculture, renewable energy, and institutional capacity (OECD & IDB, 2026). It also requires more competitive domestic markets: reducing regulatory barriers, strengthening the enforcement of competition rules, and making it easier for new firms and entrepreneurs to enter markets and introduce innovative products and services can improve productivity, reduce the cost of goods and business inputs, and stimulate entrepreneurship and investment. These outcomes can, in turn, broaden employment and income-earning opportunities (Alviarez et al., 2025). Tourism will remain important, but the peg will be more durable if Belize produces and exports more, retains a larger share of value domestically, and reduces the import intensity of growth.

This perspective also clarifies that the defence of the peg extends beyond the Central Bank's balance sheet. Commercial-bank foreign assets and official reserves serve distinct yet complementary functions within a single foreign-exchange system. Commercial banks meet much of the routine private demand for imports and other legitimate cross-border payments, while Central Bank reserves support official obligations, system-wide liquidity, and confidence in convertibility. Both buffers ultimately depend on foreign exchange generated in the real economy through exports of goods and services, tourism, investment inflows, remittances, and other external receipts. Reserve management can preserve and deploy foreign currency, but it cannot substitute for the economy's capacity to earn it.

Sustaining the peg is therefore a national policy project rather than the responsibility of the monetary authority alone. Fiscal choices affect debt service and reserve demand; production, investment, and competition policies determine productivity, foreign-exchange earnings, and import needs; financial regulation influences whether payment and savings flows remain visible and well managed; and climate and infrastructure policies shape the economy's capacity to withstand shocks. Regional evidence reinforces the importance of resilient infrastructure and early-warning systems, stronger institutional and statistical capacity, deeper regional integration, and innovative financing instruments, including development-bank finance and well-designed public-private partnerships (OECD

& IDB, 2026). The 2026 regional macroeconomic outlook similarly underlines the value of strong policy frameworks and fiscal buffers in an environment of high debt, tight financing conditions, and recurrent external shocks (Ayres & Juvenal, 2026). The regime's durability will depend on recognising pressure early and coordinating responses across monetary, fiscal, reserve-management, financing, regulatory, competition, infrastructure, and debt-management policies before reserve losses or declining confidence narrow the available choices. Adjustment must also be distributed across policy instruments rather than concentrated in any single measure. Continuity through institutional adaptation is therefore not only the best explanation of the peg's past but also the most credible strategy for its future.

6.0 Conclusion

This paper traced the evolution of Belize's monetary institutions from the fragmented currency environment before 1894 to the modern central-banking framework in 2025. Drawing on legislation, official notices, institutional records, monetary histories, exchange-rate data, and Central Bank statistics, it examined how successive external shocks shaped institutional reform. The evidence supports a clear conclusion: Belize's transition from a currency board to a central bank did not abandon external discipline. Instead, it progressively redesigned the institutions that maintained exchange-rate credibility, reserve adequacy, convertibility, and external payment capacity.

The eight findings reveal a coherent progression from monetary fragmentation to institutional adaptation. The silver crisis created pressure for legal standardisation, and the 1894 reforms established a unified monetary standard and a reserve-backed currency board framework. As locally held metallic backing gave way to external financial assets, the composition of reserves became a channel through which international monetary disturbances affected the domestic economy. The 1949 devaluation exposed the resulting mismatch between reserve assets and currency liabilities. Exchange controls then provided conditional stability under Bretton Woods, while fiduciary backing introduced limited domestic flexibility. After the collapse of Bretton Woods and the weakening of sterling, the 1976 exchange-rate realignment became necessary to restore a credible external anchor.

The evidence further demonstrates that the transition from a currency board to a central bank was gradual rather than revolutionary. The 1976 establishment of the Monetary Authority and the related banking legislation marked a key legal and functional turning point, introducing many powers associated with central banking, including banking supervision, liquidity management, government banking services, reserve requirements, Treasury bill operations, payment system functions, and lender-of-last-resort capabilities. The 1982 establishment of the Central Bank of Belize then consolidated these powers within a permanent national institution after independence, allowing inherited functions to be expanded and integrated into a broader framework of monetary governance.

Post-independence crises tested whether the more flexible central-banking framework could preserve the discipline previously provided by currency-board rules. The 1984–1986 IMF-supported adjustment programme set the pattern: when reserve and balance-of-payments pressures intensified, maintaining the peg required coordinated monetary restraint, fiscal adjustment, external financing, reserve rebuilding, and stronger debt management. Later episodes differed in scale and circumstances, but they confirmed the same principle—greater policy capacity widened the range of available responses without removing the external constraints imposed by the fixed exchange rate.

Subsequent developments reinforce this conclusion. The growth of monetary aggregates, the expansion of private-sector credit, the modernisation of payment systems, the widening scope of prudential supervision, sovereign debt restructurings in 2006-07, 2012-13, and 2016-17, the 2020 debt-payment suspension and bondholder-relief episode, and the 2021 debt-conversion operation all point to a progressively broader framework of monetary governance. Yet throughout these changes, reserve adequacy, fiscal sustainability, and confidence in the BZ$2 = US$1 exchange-rate anchor remained central concerns. The mechanisms of monetary management changed substantially, but the importance of external credibility did not.

The principal contribution of this study is the concept of continuity through institutional adaptation. Belize's monetary evolution was not adequately captured as a simple movement from rules to discretion, from discipline to autonomy, or as an abrupt replacement of a currency board by a central bank. It was a long-run process in which external discipline became embedded in increasingly sophisticated institutions. Credibility, once sustained primarily through reserve-backed automaticity, came to depend on a fixed exchange-rate framework supported by reserve management, financial supervision, fiscal coordination, debt management, and broader state capacity. This interpretation explains the historical continuity. Its policy implication is equally important: preserving the peg will require institutions that can identify emerging pressures early and coordinate monetary, fiscal, reserve-management, financing, regulatory, and debt-management responses before reserve losses or declining confidence restrict available choices. Adaptation to climate, technological, financial, and geopolitical risks must therefore proceed alongside disciplined public finances, adequate external buffers, stronger productive capacity, and continued confidence in regulated domestic monetary and payment systems.

Belize's experience also refines the comparative understanding of monetary development in small open economies. It shows that externally anchored credibility can coexist with expanding domestic policy capacity when institutional development preserves clear constraints on reserve adequacy, convertibility, and external payment capacity. The Central Bank of Belize therefore emerged not as a rejection of the currency-board tradition, but as a consolidation and further adaptation of that tradition to the requirements of independence, financial deepening, fiscal management, debt sustainability, development strategy, and modern economic governance.

The framework of credibility, convertibility, and policy autonomy clarifies both continuity and change in Belize's monetary history. Credibility and convertibility remained binding objectives throughout the period studied, while policy autonomy expanded progressively under the Monetary Authority and the Central Bank. Each institutional stage increased the authorities' capacity to manage domestic monetary and financial conditions, but that capacity remained conditional on maintaining reserve adequacy, external payment capacity, and confidence in the exchange-rate anchor. The framework therefore explains why institutional development broadened policy choices without removing the external constraints that defined monetary stability.

Like all historical documentary studies, this research is constrained by the nature of the available evidence. Legislation, annual reports, gazette notices, and institutional records offer valuable insight into formal institutional design and official policy intentions, but they cannot fully capture informal practices, political debates, or the lived experience of monetary change. Future research could extend this analysis by examining archival correspondence, cabinet records, parliamentary debates, commercial bank archives, oral histories, and comparative studies of other Caribbean and Central American economies that transitioned from currency-board systems to central banking. Such work would further illuminate how monetary institutions evolve while preserving credibility in small open economies exposed to persistent external constraints.

Belize's monetary history shows that institutional change need not entail regime rupture. From the currency board to the Monetary Authority and ultimately the Central Bank, the mechanisms of monetary governance evolved substantially, yet the commitment to external discipline endured. The significance of Belize's experience lies in this combination of continuity and adaptation: the country preserved a credible external anchor while progressively building the institutional capacity to manage a more complex economy and financial system. Sustaining that achievement will depend on adapting those institutions before emerging risks weaken the foundations of monetary stability.

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Appendix A

Table A1

Sterling's Decline Relative to the 1949 Parity

Year	US$ per £1	Change vs. 1949
1949	2.80	0.0%
1967	2.75	-1.8%
1968	2.39	-14.6%
1971	2.44	-12.9%
1974	2.34	-16.4%
1975	2.22	-20.7%
1976	1.80	-35.7%

Sources. Federal Reserve Bank of St. Louis (n.d.) and author's calculations.

Table A2

Sterling's Decline Relative to its 1894 Level by 1976

Year	US$ per £1	% Change vs. 1894
1894	4.88	0.0%
1949	2.80	-42.6%
1967	2.40	-50.8%
1968	2.39	-51.0%
1971	2.59	-46.9%
1974	2.34	-52.0%
1975	2.02	-58.6%
1976	1.71	-65.0%

Sources. Federal Reserve Bank of St. Louis (n.d.) and author's calculations.

Table A3

Central Bank Responsibilities Inherited, Added, or Expanded

Date	Responsibility added or expanded	Legal reference	Institutional significance
1 January 1982	Central Bank established and inherited the Monetary Authority functions	Central Bank of Belize Act, Cap. 262	Consolidated monetary policy, currency issue, reserve management, exchange control, government banking, and financial supervision after independence.
1982	Economic advice and fiscal agency to Government	Central Bank of Belize Act, Cap. 262	Expanded the Bank from a monetary authority into a macroeconomic adviser and fiscal agent.
1996	Offshore banking supervision introduced	Offshore Banking Act, 1996	Extended supervision to offshore banking activity.
1996; later expanded	AML supervisory framework introduced and later broadened to AML/CFT/CPF supervision for Central Bank-regulated entities	Money Laundering (Prevention) Act, 1996; Money Laundering and Terrorism (Prevention) Act, Cap. 104, Revised Edition 2020, ss. 21–22 and Schedule III; amendments through 2017 and 2023	Confirmed and expanded the Bank's financial-integrity role, including supervision of AML/CFT/CPF compliance by domestic banks, international banks, credit unions, payment-service providers, remittance-service providers, e-wallets, moneylenders, and pawnbrokers.
October 2002	Offshore Banking Act renamed	International Banking Act	Reframed offshore banks as international banks and

Date	Responsibility added or expanded	Legal reference	Institutional significance
	International Banking Act		confirmed the Bank's licensing and supervisory role.
December 2005	Credit unions brought under Central Bank regulatory umbrella	Credit Unions Act; Governor of the Central Bank designated as Registrar of Credit Unions	Expanded supervision beyond banks to major non-bank deposit-taking institutions.
2010	National Payment System reform project began	National Payment System reform project; Central Bank Act payment-system powers	Started the modernisation of Belize's payment infrastructure.
21 October 2016	Automated Payment and Securities Settlement System launched	APSSS implementation under the National Payment System reform project	Expanded the Bank's role as operator and overseer of core payments and securities-settlement infrastructure.
3 February 2017	National Payment System Act enacted	National Payment System Act, 2017	Provided the legal framework for the Bank to establish, regulate, operate, and oversee the National Payment System.
2020	International Banking Act amendments strengthened supervision and oversight	International Banking Act amendments, 2020	Enhanced the framework for intervention, oversight, and resolution of international banks.
2023	International Banking Act and MLTPA amendments addressed FATF-related requirements	International Banking Act amendments, 2023; Money Laundering and Terrorism (Prevention) Act amendments, 2023	Strengthened AML/CFT/CPF alignment, licensing safeguards, and supervisory expectations.

Date	Responsibility added or expanded	Legal reference	Institutional significance
	and shell-bank prohibition		

Note. Table A3 summarises the expansion of Central Bank responsibilities beyond monetary administration to supervision, payments oversight, fiscal agency, and financial integrity functions.

Table A4

Chronology of Major Monetary and Institutional Events, 1894–1982

Date	Event
15 October 1894	Currency board framework established under the Currency Note Ordinance
October 1894	Currency Note Ordinance
October 1914	Gold reserves transferred
September 1931	Britain leaves gold; sterling depreciates against the U.S. dollar
1937	Currency reforms removed gold backing from the note issue, replaced the Note Guarantee Fund with the Note Security Fund, re-established the Currency Note Income Account, and left coinage governed separately under the Coinage Ordinance No. 2 of 1937.
May 1940	Exchange controls
May 1948	Import restrictions
19 March 1949	Exchange-control powers transferred to the Financial Secretary
18 September 1949	Sterling devalued; British Honduras dollar subsequently devalued and aligned at 5 shillings sterling
15 August 1971	Bretton Woods collapse
1972	Exchange rate legislation
1975	End of sterling authority
11 May 1976	Exchange rate realigned to BZ$2 = US$1, replacing the sterling link with a U.S. dollar anchor

Date	Event
9 September 1976	Monetary Authority established
1 January 1982	Central Bank of Belize established
3 December 1984	IMF Stand-By Arrangement approved (SDR 7.125 million)
1 June 1986	IMF Stand-By Arrangement expires

Appendix B

Table B1

Fiduciary Issue and Treasury-Bill Holdings, 1958–1981

Year	Fiduciary issue status	Fiduciary amount	Total Treasury-bill holdings	Interpretive use
1958	Authorised but not used	B$350,000	Not applicable	Initial legal opening for domestic-asset backing.
1967	Local securities issued	B$500,000	Not applicable	First practical use of fiduciary backing.
1970	Additional local securities issued	B$1,000,000 cumulative	Not applicable	Modest expansion of domestic-asset backing.
1977	Fiduciary issue carried forward	B$1,000,000	B$15.000 million	Treasury bills become visible in the fiscal–monetary balance sheet.
1978	Fiduciary issue carried forward	B$1,000,000	B$16.685 million	Continued use of government securities during the Monetary Authority period.
1979	Fiduciary issue carried forward	B$1,000,000	B$16.885 million	Persistence of the public-finance securities channel.
1980	Fiduciary issue carried forward	B$1,000,000	B$18.385 million	Expansion of Treasury-bill holdings before central banking.

Year	Fiduciary issue status	Fiduciary amount	Total Treasury-bill holdings	Interpretive use
1981	Fiduciary issue carried forward	B$1,000,000	B$19.000 million	Fiscal–monetary securities channel on the eve of central banking.

Note. Fiduciary issue amounts are drawn from Wyeth (1979). Treasury-bill holdings are reported separately to illustrate the growing fiscal-monetary link during the Monetary Authority period.

Appendix C

Table C1

Evolution of Monetary Regimes in Belize

	Currency Board (1894 – 1976)		Monetary Authority (1976–1981)	Central Bank (1982–)
	Gold standard/Gold Exchange Standard (1894-1949)	**Sterling-Based System (1949–1976)**		
Exchange-rate anchor	US dollar (B$1 = US$1)	Sterling-linked parity after 1949 devaluation	US dollar parity fixed at BZ$2 = US$1	US dollar peg maintained at BZ$2 = US$1
Reserve requirement	Approximately 100% (often >100%)	Approximately 100% with exchange controls and fiduciary additions	Approved external assets ≥50% of notes and coins in circulation and deposit liabilities	External assets must be at least 40% of notes and coins in circulation and deposit liabilities
Reserve composition	Mixed external assets, initially coin and approved securities	Predominantly sterling assets, with exchange controls and limited fiduciary backing	Approved external assets plus foreign claims, foreign government securities and securities of international financial institutions, including SDRs	Diversified and actively managed
Convertibility	Full, automatic	Maintained but increasingly	Maintained under statutory powers of	Maintained within policy framework

	Currency Board (1894 – 1976)		**Monetary Authority (1976–1981)**	**Central Bank (1982–)**
	Gold standard/Gold Exchange Standard (1894-1949)	**Sterling-Based System (1949–1976)**		
		mediated by exchange controls	issue, redemption, and reserve management	
Monetary policy flexibility	None	Very limited; mainly administrative controls	Limited but expanded: reserve requirements, liquidity ratios, credit controls, foreign-claims regulation	Significant policy discretion
Money supply determination	External (balance of payments)	External reserve constraint moderated by controls	Jointly determined by reserves and policy decisions	Policy-driven (with external constraint)
Government financing	Not permitted	Very limited	Permitted through temporary advances of 15% of estimated current revenues for current FY and holdings of government securities not exceeding 7 times paid-up capital plus General Reserve Account	Expanded role with temporary advances not exceeding 12% of current revenues of preceding year and holdings of Treasury securities not exceeding 30 times paid-up capital plus General Reserve Account
Adjustment mechanism	Automatic	Automatic with crises and administrative intervention	Managed through reserve rules, credit instruments, and exchange controls	Policy-based
Exchange control	Minimal (open convertibility)	Introduced during and after WWII; used to manage dollar shortages and trade imbalances	Continued and complemented by statutory powers over foreign exchange and external assets	Institutionalised as a key policy tool for managing external balance and capital flows
System vulnerability	Currency–reserve mismatch	Sterling instability, speculation, reserve valuation shocks	Trade-off between policy flexibility, fiscal financing, and reserve adequacy under the peg	Policy credibility and external shocks

Note. Table C1 provides a Comparative summary of Belize's monetary regimes by anchor, reserve framework, policy flexibility, government financing, and institutional characteristics.

Table C2

Major Institutional Milestones in the Transition from Currency Board to Central Banking, 1976-1981

Year	Milestone
1976	Monetary Authority of Belize was established.
1976	Banking Ordinance enacted.
1 Feb 1977	Banking Ordinance was brought into force.
1977	Licensing regime implemented for all banks and financial institutions.
1977	Mandatory 5% reserve requirement introduced.
1977	Mandatory 20% liquid-asset requirement introduced.
1977	Authority began formal prudential supervision of commercial banks.
Oct 1977	Domestic settlement of interbank balances through accounts at the Authority was introduced.
1977	Treasury Bills introduced as liquidity-management instruments.
1977	Four commercial banks are licensed under the new framework.
1977	Belize, through the Monetary Authority, became a participant in the CARICOM Multilateral Clearing Facility, linking the country to a regional multilateral payments and settlement system.
1978	Monthly Treasury bill auctions were introduced.
Oct 1978	Bankers' Clearing House was formally established.
Oct-Dec 1978	First clearing-house operations processed over BZ$67 million in cheques.
1979	Authority attended international banking supervisory meetings through Bank of England network.
Dec 1979	First direct quantitative credit restriction imposed (5% reduction in loans).
Mar 1980	Commercial banks successfully reduced loans by 6.5%, exceeding Authority target.
1980	Discount rate actively varied throughout the year as a monetary-policy instrument.
Jul 1980	First new Monetary Authority banknotes issued.

Year	Milestone
1980	Four commercial banks maintained reserve and liquidity requirements continuously.
1980	Cheque clearings reached BZ$311.9 million.
1980	Banking network stood at 14 offices nationwide.
1980	IMF technical assistance provided through secondment of Dr. S.R.K. Rao.
1981	Banking network expanded to 16 banking offices nationwide.
1981	Banks no longer required borrowing from the Authority after September, reflecting stronger liquidity conditions.
1981	Cheque clearings increased to BZ$340.2 million.
1981	Exchange Control Section upgraded to departmental status.
1981	Staff complement increased from 25 to 29.
1981	Managing Director attended Second International Conference of Banking Supervisors in Washington, D.C.
Sep 1981	Belize achieved Independence.
1981	Belize applied for IMF and World Bank membership.
Dec 1981	Monetary Authority holdings of Treasury Bills reached BZ$14.1 million.
1981	Direct Government borrowing from the Authority reached approximately 15% of estimated current revenues.