



**NFIS** | **BELIZE**  
NATIONAL FINANCIAL  
**INCLUSION** STRATEGY

2019 - 2022

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## Abbreviations and Acronyms

5Cs	Caribbean Community Climate Change Centre
ACH	Automated Clearing House
AML/CFT	Anti-money Laundering / Combating the Financing of Terrorism
APSSS	Automated Payments and Securities Settlement System
ATM	Automated Teller Machines
BBS	Belize Bureau of Standards
BCUL	Belize Credit Union League
BEST	Belize Enterprise for Sustainable Technology
Beltraide	Belize Trade and Investment Development Service
BTIA	Belize Tourism Industry Association
CBB	Central Bank of Belize
CDD	Customer Due Diligence
CITO	Central Information Technology Office
CSD	Central Securities Depository
CUA	Credit Unions Act
CUL	Credit Union League
DBFI	Domestic Banks and Financial Institutions Act
DFC	Development Finance Corporation
EDC	Economic Development Council
FATF	Financial Action Task Force on Money Laundering
FIU	Financial Intelligence Unit
FITF	Financial Inclusion Task Force
FSP	Financial Service Provider
GSDS	Growth and Sustainable Development Strategy
ICB	Insurance Corporation of Belize
ICT	Information and Communications Technology
ID	Identification Document
LAC	Latin America and the Caribbean
LFS	Labor Force Survey
M&E	Monitoring and Evaluation
MED	Ministry of Economic Development
MNO	Mobile Network Operator
MOE	Ministry of Education, Youth, Sports and Culture
MOF	Ministry of Finance
MSME	Micro, Small and Medium Enterprises
NBBL	National Bank of Belize Limited
NBFI	Non-Bank Financial Institution
NFIC	National Financial Inclusion Council
NFIS	National Financial Inclusion Strategy
NFISDC	National Financial Inclusion Strategy Drafting Committee
NPL	Non-Performing Loan

NPSA	National Payment System Act
OSIPP	Office of the Supervisor of Insurance and Private Pensions
POS	Point-of-Sale
PSP	Payment Services Providers
RSP	Remittance Services Providers
RTGS	Real Time Gross Settlement
SIB	Statistical Institute of Belize
SSB	Social Security Board
SME	Small and Medium Enterprises
WB	World Bank

# 1. FOREWORD

Belize’s National Financial Inclusion Strategy (NFIS) provides a roadmap for our country to accelerate financial inclusion efforts through a series of specific, delineated, and sequenced actions for a wide range of stakeholders. Over the years, our national policymakers have demonstrated commitment to both financial stability and financial inclusion, recognizing what the potential of attaining both would mean for achieving our national development goals. Our national policymakers have demonstrated commitment to maintaining a resilient financial system and, most recently, to ensuring financial access to all individuals and businesses. Further, financial inclusion will complement the Central Bank’s objectives of stability and integrity.



With the launch of this NFIS, Belize joins more than 60 countries that have or are developing national financial inclusion strategies. Enhancing financial inclusion and stability have proven, in various countries across the world, to lead to the development of a stable, resilient, and competitive financial sector and contribute to broad-based wealth creation, economic growth, and improved standards of living of people across socioeconomic and demographic indicators. We have assessed the barriers to financial inclusion in Belize, especially when considering socioeconomic and demographic factors, income levels, age, and education, which are important drivers behind differences in access. This assessment revealed that Belize is in line with some of the financial inclusion indicators reported for the Latin American and Caribbean region; there is much room for improvement.

Given our unique challenges, the actions in our strategy offer prescribed opportunities to mitigate and improve the conditions that Belize faces. A team of stakeholders and policymakers identified and developed these actions in close concert with a wider stakeholder group. The resulting NFIS consolidates existing relevant strategies and new interventions into a single document, which includes an implementation plan for the Government and its agencies, the private sector, International Organizations, civil society, and other stakeholders.

As stated in this NFIS, our collective vision is “to achieve universal access and usage of a broad range of quality and affordable financial services that meet the needs of both individuals and enterprises.” This means that regardless of social or economic status, gender, or level of education, we want to ensure that every citizen, especially low-income populations and micro, small and medium enterprises, have access to financial services. In so doing, we will equip Belizeans with the knowledge and means to improve their economic circumstances through sound decisions and well-tailored financial products.

The Ministry of Finance and the Central Bank of Belize would like to thank all our financial inclusion partners and various stakeholders for their invaluable support and anticipate that our continued efforts will improve the livelihoods of our people through an inclusive financial system.

A handwritten signature in black ink, appearing to read 'A. Joy Grant', written in a cursive style.

**Ambassador, A. Joy Grant**

Governor of the Central Bank of Belize

## **2. AKNOWLEDGMENTS**

The National Financial Inclusion Strategy (NFIS) is an outcome of an extensive collaborative and consultative process. The National Financial Inclusion Strategy Drafting Committee prepared the NFIS after significant reflection and through consultation with relevant stakeholders from both the public and private sectors. The Ministry of Finance and the Central Bank, therefore, acknowledges the contributions of its staff and all stakeholders, whose input, involvement, and participation have contributed in developing the national strategy. In particular, we would like to recognize the valuable contributions of the NFIS Drafting Committee members in putting together the NFIS and the World Bank in supporting the Government in its efforts to develop the strategy.

Special appreciation is also extended to the Economic Development Council of the Prime Minister's Office, the Ministry of Education, and the Ministry of Economic Development for their active involvement in the development of this strategy.

The Central Bank also acknowledges the instrumental support and comments received from other public and private sector stakeholders, including national development partners, financial service providers, telecommunications service providers, the business sector, and academic and civil society institutions during the development of this strategy. The Central Bank's earnest expectation is that with the launch of this NFIS and with continued synchronized actions, Belize will gain increased levels of financial inclusion, which will improve financial security for individuals, enterprises, communities, and in turn, the nation.

### 3. INTRODUCTION

Financial inclusion is a building block of economic development, as financial services are essential for individuals and businesses to manage financial lives, whether by organizing day-to-day expenses, investing in long-term goals, or being able to cope with inconsistent income or unexpected emergencies. Studies indicate that there is a positive relationship between the use of credit and the growth of enterprises<sup>1</sup>, especially for small businesses, and demonstrate a positive link between financial inclusion and productive investment. At the macroeconomic level, financial inclusion can also be a driver of poverty alleviation by reducing vulnerability to economic shocks. A growing body of evidence suggests that, in concert with effective regulation and supervision, financial development spurs economic growth, reduces income inequality, and can help lift households out of poverty<sup>2</sup>.

This National Financial Inclusion Strategy (NFIS) is a renewed commitment to achieving financial inclusion in Belize, building on previous efforts and ongoing initiatives from across the public and private sector and civil society towards common goals of economic growth and stability. Economic resilience is one of four core priorities underpinning the Government of Belize’s growth strategy, as charted in the “Horizon 2030: National Development Framework for Belize 2010-2030.” Horizon 2030 places an emphasis on strengthening the institutional framework and capacity to regulate effectively the financial system to promote savings and productive sector investments.

The Ministry of Economic Development, through the current Growth and Sustainable Development Strategy (GSDS) for Belize: 2016-2019, establishes a goal of attaining prosperity for all people in Belize. To do so, it refers to prioritized work areas to encourage growth. The NFIS is aligned with the GSDS Critical Success Factor (CSF) 1: Optimal National Income and Investment. The GSDS outlines several actions to achieve this CSF that are relevant and aligned to the NFIS framework in the following areas: (i) development finance; (ii) secured transactions and collateral registry; (iii) alternative financing instruments (including venture capital and export financing); (iv) rural finance; (v) efficiency and soundness of the financial system; (vi) access to finance and micro-insurance; and (vii) modernization of the financial infrastructure.

This further intersects with national efforts to build and to encourage greater formalization of businesses; to foster domestic innovation, including through e-Government; and to build resiliency against climate change-related impacts. Financial inclusion enables a market where transactions are made through formal and legal channels, therefore potentially reducing informality. Expanding e-Government solutions is interlinked with financial inclusion by providing use cases, potential scale for digital financial services, and opportunities to evaluate innovative distribution channels. Expanding the marketplace for financial products that are tailored to consumer insurance and investment needs can be part of climate change adaptation.

In recognition of the role that financial inclusion can play in financial stability and, ultimately, economic prosperity, and in line with the above strategic priorities, the Central Bank of Belize (“Central Bank”) initiated the development of a National Financial Education and Inclusion Program in 2017. The first action under this program called for the development of a NFIS, led by the Central Bank jointly with

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<sup>1</sup> Dupas and Robinson 2009

<sup>2</sup> Carpenter and Petersen 2002



the Ministry of Finance and in collaboration with public and private financial inclusion stakeholders across Belize.

## **4. PURPOSE OF THE NATIONAL FINANCIAL INCLUSION STRATEGY**

### **4.1 Purpose**

This NFIS provides a framework to identify key barriers, gaps and opportunities in financial inclusion, and provide a corresponding prioritized and concrete action plan to achieve a shared vision of an inclusive financial system in Belize. Despite progress achieved in financial inclusion, barriers still prevent all Belizeans from being able to draw fully on benefits of financial inclusion, by using tools such as payments, credit, savings, or insurance.

This NFIS is intended to provide a coordinated and comprehensive roadmap to accelerate financial inclusion progress in Belize by setting forth a series of specific, delineated, and sequenced actions for a wide range of stakeholders. The intent is that these actions are aligned with existing government and sector strategies, such as those outlined above, but specific to the goal of expanding financial inclusion in Belize.

To achieve this purpose, the National Financial Inclusion Strategy will:

- Analyze and establish, at a high level, the financial inclusion landscape, the financial behaviors of the population, and current gaps in service provision in Belize;
- Identify priority policy areas to help reach financial inclusion goals for specified target populations;
- Establish a coordination and governance mechanism to oversee the implementation of actions set forth in the NFIS;
- Establish a sequenced action plan, with defined objectives, assigned roles, and timelines;
- Provide a structured monitoring and evaluation framework to track both progress of NFIS implementation and ensure effective growth of financial inclusion.

### **4.2 Defining Financial Inclusion**

For the purposes of this NFIS, and to encourage a shared understanding of critical areas of engagement across stakeholders, financial inclusion in Belize is defined as:

#### **Belize's Financial Inclusion Definition**

The uptake and informed usage of a range of quality financial products and services by individuals and MSMEs, provided in a manner that is accessible and safe to the consumer and sustainable to the provider.

This definition considers three critical elements to address financial inclusion, notably:

Figure 1. Elements of Financial Inclusion



I. **Accessibility** refers to consumers' ability to conveniently access financial products and services. Accessibility means that a consumer has sufficient physical proximity to access points – which can include branches, agents, automated teller machines (ATMs), Points-of-Sale (POS), and mobile phones – to enable him or her to easily select and use a range of financial products and services. That consumers have convenient access also references easing barriers such as establishing lower documentation requirements proportionate to AML/CFT risks.

II. **Informed usage** refers to a financially capable consumer actively using a financial product or service. Although not all consumers will frequently use all products, ensuring that a financial product is well-targeted and fits the needs of consumers is important to mitigate risks of account dormancy. Financially capable consumers are those capable of acting in their own best financial interest. This includes having an adequate level of aptitude to understand personal finance (financial literacy), as well as skills and behaviors to manage their resources, understand, select and make the best use of financial services that fit their needs.

III. **Quality** refers not only to the characteristics of the financial products and services such as cost, convenience and usefulness but also to the way customers are treated, empowered and protected. This element covers the following aspects:

- **Diversity and appropriateness of financial products and services:** Providing financial consumers with a range of customer-centric designed products and services that respond to their particular needs at an affordable cost. Not all consumers need all financial products all the time, but most consumers will at some point have a need for payments, savings, credit, insurance, and investment products.
- **Commercial sustainability and viability:** Financial products and services should be mutually beneficial for consumers and providers, and delivered in a convenient, cost-effective way. An enabling environment that allows market entry and development of innovative financial solutions is key to influence diversity and competitiveness in the marketplace, and achieving greater and sustainable levels of financial inclusion.
- **The responsible and safe delivery** of financial products helps to build consumer trust that financial services providers are aligned with their needs and interests, and ensure that they truly benefit from financial inclusion. This also considers that the policy objectives of financial inclusion should be aligned with those of financial stability, market integrity, and consumer protection.

### 4.3 Vision

#### Belize's Financial Inclusion Strategy Vision

Every individual and enterprise in Belize is equipped to make full use of accessible, quality, and affordable financial services.

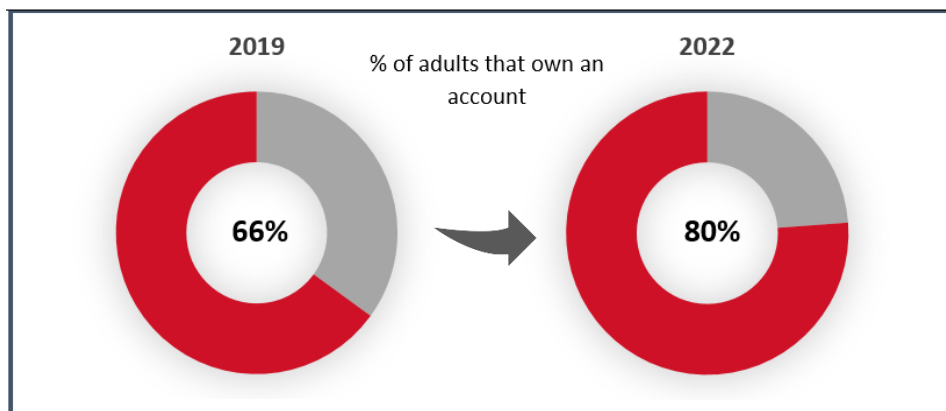
This vision is an intention that individuals of all means, and especially those of lower income, in Belize are able to manage their financial lives and invest towards a better future. This is especially true of Belizeans who have yet to be reached by the provision of traditional and most essential financial services. It is also meant to emphasize the importance of expanding access and usage of financial services amongst businesses, especially for underserved micro, small, and medium enterprises, as these are core drivers of the economic activity in the country.

Realizing this Vision requires coordinated and continuous collaboration and support from a wide-range of relevant stakeholders, including the Government and its agencies, the private sector, International Organizations, and the civil society. A set of strategic objectives and prioritized and sequenced actions set forth in this NFIS, will delineate the path to advancing financial inclusion in Belize.

#### 4.4 Measuring Progress: Belize's Headline Financial Inclusion Target for 2022

On the basis of the available financial inclusion data for Belize, progress towards achievement of the vision for financial inclusion, in the context of this NFIS, will be monitored and measured by increasing the portion of its adults who own deposit or transaction accounts from 66 percent in 2019 (as measured by the national Financial Inclusion Survey)<sup>3</sup> to 80 percent in 2022.

Figure 2. Measuring Progress towards achievement of Belize's Vision for Financial Inclusion



Accounts are regarded as a gateway entry point towards other financial services like credit, savings and insurance, and greater financial inclusion, since a transaction account allows people to store money, and send and receive payments.

<sup>3</sup> In 2019, a financial inclusion module was included in the national Labor Force Survey (LFS) to collect nationally representative financial inclusion metrics from the demand-side perspective. The Labor Force Survey (LFS) is a national household survey that is conducted by the Statistical Institute of Belize (SIB).

## 5. CURRENT STATE OF AFFAIRS

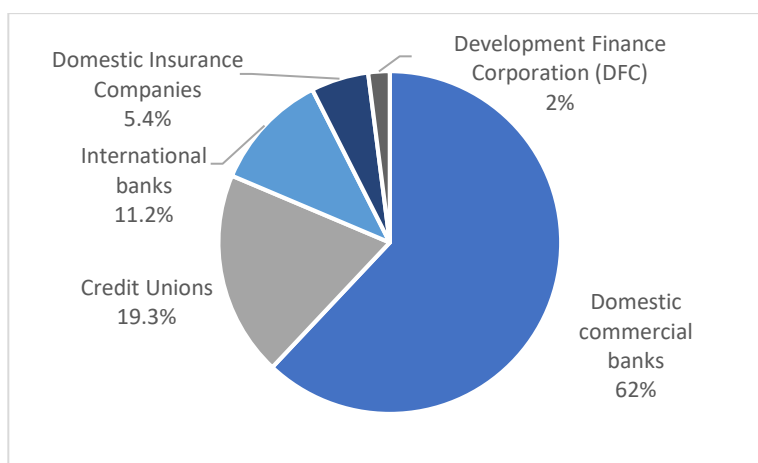
This section reviews the current state of financial inclusion in Belize, in order to identify the main gaps and barriers which the actions set out in this NFIS aim to tackle. The analysis is organized thematically around the key enablers and catalytic pillars for financial inclusion in Belize. Potential gaps and barriers are underlined in each of the sections, as well as opportunities, providing diagnostic support to the NFIS action plan.

The financial inclusion overview in this section is based on the analysis of available data, stakeholder inputs, and financial sector assessments conducted by the World Bank. On the demand-side, the analysis relies on new data collected through the 2019 Financial Inclusion Survey<sup>4</sup>, and on the 2014 World Bank Global Findex database. On the supply side, the analysis relies on data collected by the Central Bank from financial institutions, as well as inputs provided by Belizean authorities and stakeholders.

### 5.1. Financial Sector Context

Financial services in Belize are provided by a mix of formal, private (domestic and international), public, semi-formal, and informal entities. In 2018, the structure of Belize's financial system consisted of: five domestic commercial banks (including one public commercial bank), nine credit unions, nine insurance companies, three non-commercial public financial institutions<sup>5</sup>, sixty-six pawnbrokers and moneylenders, and five remittance service providers<sup>6</sup>.

Figure 3. Assets as percent of financial system, 2018



Source: Central Bank

<sup>4</sup> The 2019 Financial Inclusion Survey is a nationally representative survey conducted in April 2019 to 2,174 adults across Belize. The 2019 Financial Inclusion Survey was implemented as a module in the Labor Force Survey - a national household survey that is conducted twice a year, in April and September, by the Statistical Institute of Belize (SIB).

<sup>5</sup> Non-commercial public financial institutions include: The Development Finance Corporation (DFC), the Savings Bank, and the Social Security Board.

<sup>6</sup> There are also four international banks. For the purpose of this strategy, this diagnostic does not analyze international banks, since they provide traditional banking services in foreign currencies exclusively to non-residents.

Financial institutions are regulated and supervised by two main institutions: the Central Bank and the Office of the Supervisor of Insurance and Private Pensions (OSIPP). The Central Bank regulates and supervises commercial banks, credit unions, moneylenders, remittances services providers (RSP), and other payment services providers (PSPs)<sup>7</sup>. The OSIPP regulates and supervises insurance companies and private pensions.

As a non-deposit-taking institution, the Development Finance Corporation (DFC) has been regulated and supervised by the Central Bank under a different regime established by the 2009 DFC Act. Established in 1963, the DFC is a first- and second-tier development bank, offering primarily SME loans, mortgages, and student loans. The institution supports strategic sectors for the Belizean economy, including tourism, education and agriculture. The institution experienced a severe liquidity crisis from 2000 to 2004 due to the aggressive expansion of the lending portfolio, combined with credit underwriting practices which were inadequate at the time. The 2009 DFC Act was revised to support the restructuring and reorganization of DFC by allowing it to restructure and write-off non-performing loans (NPLs). In addition to high NPLs, DFC struggled with additional reserve levels due to a new loan loss provisioning policy introduced in 2014, which has dragged down its profitability. Since then, the DFC has taken steps to improve risk management<sup>8</sup>. According to DFC's five-year strategic plan, "*Strategy 2021: Building Resilience Against Climate Change & Economic Volatility*" DFC will aim at mainstreaming gender and climate resiliency in all operations, provide co-financing and risk-sharing in projects with government participation through project financing and guarantees, and explore new products, including export finance, venture capital and other forms of equity financing.

After observing a significant process of financial deepening, the size of the financial system in Belize remains sizeable, but it has been consistently decreasing over recent years. As of December 2018, total assets of the financial system – including domestic and international banks, credit unions, the Development Finance Corporation (DFC), and insurance companies – were estimated at 140.3 percent of Belize's GDP, down from 150.9 percent at year-end 2017 and 166.8 percent at year-end 2014. Domestic commercial banks, the largest players in the financial system, with BLZ 3.3 billion in assets represent 62 percent of the financial system's assets<sup>9</sup>.

Despite the relatively large number of players in the market, the banking sector shows significant levels of concentration among the three largest banks – Belize Bank, Atlantic Bank, and Scotiabank – which have similar sizes and market shares, and represent 83.9 percent of assets, 84.9 percent of gross loans, and 83.1 percent of deposits of the domestic commercial banking system<sup>10</sup>. Amongst other factors, this level of market concentration in the banking sector, is potentially indicative of lack of competition. A less competitive banking sector is usually correlated with lower levels of financial deepening, higher costs of financing, and poorer services to users.

While the excess liquidity in the system has contributed to the recent decline in lending rates, the spread (difference between loan and deposit rates) continues to be high, albeit decreasing. Revenues from fees

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<sup>7</sup> The recent incorporation of numerous and small institutions under the purview of the Central Bank, including moneylenders, under the 2016 amendments to the Moneylenders Act, and PSPs (currently, fifty three out of sixty-six moneylenders are under the Central Bank's purview), poses a strong human resource demand and challenges to Central Bank's supervisory capacity to continue supporting innovations in the financial inclusion space and the effective compliance with its oversight duties.

<sup>8</sup> These actions include (i) separation of credit delivery and administration functions; (ii) stricter provisioning and loan provisioning, closer to banking practices; (iii) introduction of a new IT infrastructure system; and (iv) the appointment of a Chief Risk Officer responsible for credit and external risks.

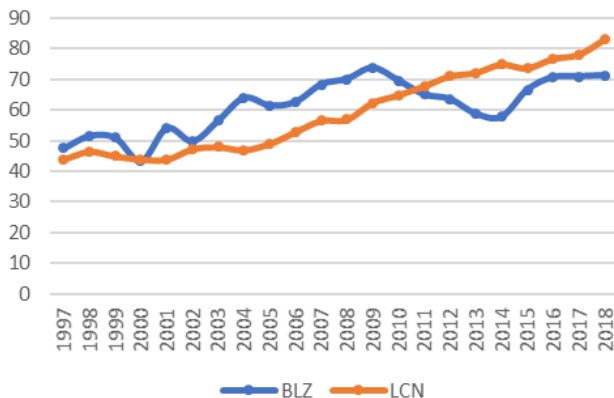
<sup>9</sup> Data from Central Bank as of December 2018.

<sup>10</sup> Ibid.

and commissions seem to be compensating this decreasing trend. The interest rate spreads in Belize was 7.1 percent in 2018, continually declining from nearly 8 percent in 2014, and in line with the LAC region whose average interest rate spread was 7 percent in the same period<sup>11</sup>. Yet, this spread remains substantial and could be indicative of high costs of financing. According to a recent IMF research paper<sup>12</sup>, the most likely variable behind these large spreads and high cost of financing in Belize are risk premiums. Weighted average deposit rates have been around 1.2 percent during the second half of 2018, and have shown a declining trend in recent years, while weighted average lending rate have been around 9 percent during the same period. Access to financing is also limited due to shallow capital markets, underdeveloped financial infrastructure, low literacy levels, and lack of diversification of financial products.

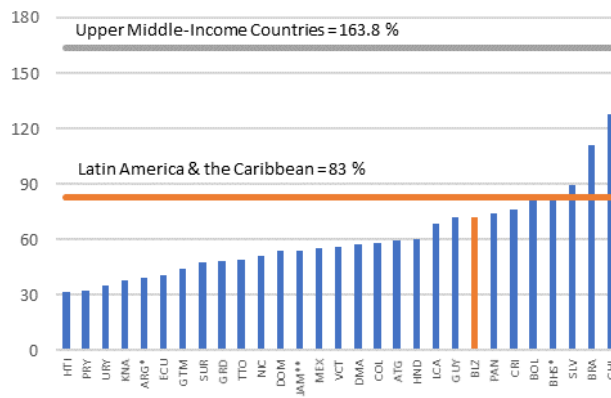
In the first decade of the 2000s, credit penetration in Belize increased steadily surpassing levels observed in the LAC region<sup>13</sup> (see Figures 4 and 5). However, in the onset of the 2008 global financial crisis, credit supply contracted significantly, reaching its lowest level in 2014 (57.9 percent of GDP). Since then, the financial system has shown positive signs of recovery. In 2018, domestic credit provided by the financial sector was equivalent to 71.4 percent of the GDP (66.6 and 70.7 percent in 2015 and 2016, respectively), which is comparable to the pre-crisis credit penetration rate in 2009 (73.7 percent).

**Figure 4. Evolution of domestic credit provided by the financial sector (as % of GDP)**



Source: World Development Indicators / IMF.

**Figure 5. Domestic credit provided by the financial sector in 2018 (as % of GDP)**



\*Data only available for 2017, \*\*Jamaica (2016).

The financial system has been tested by external shocks, and some vulnerabilities remain. The 2008 global financial crisis exposed weaknesses in the framework for loan classification, collateral valuation, and provisioning. As the crisis unfolded, non-performing loans (NPLs) peaked at 21.4 percent of total portfolio in March 2011. Between 2015 and 2016, the Central Bank lost two of five correspondent banking relationships (CBRs) and some domestic commercial banks were left with no CBRs at all. The impact of the loss of CBRs has been contained, but the position of banks remains fragile as some of them rely on the same correspondent banks. The Central Bank, in accordance with its commitment to promote financial stability, has been strengthening its supervisory process and taking actions to improve financial soundness

<sup>11</sup> The interest rate spread is the interest rate charged by banks on loans to private sector customers minus the interest rate paid by commercial or similar banks for demand, time, or savings deposits. The terms and conditions attached to these rates may differ by country. The percentage for Latin America and the Caribbean excludes high income countries. Source: World Development Indicators, 2018.

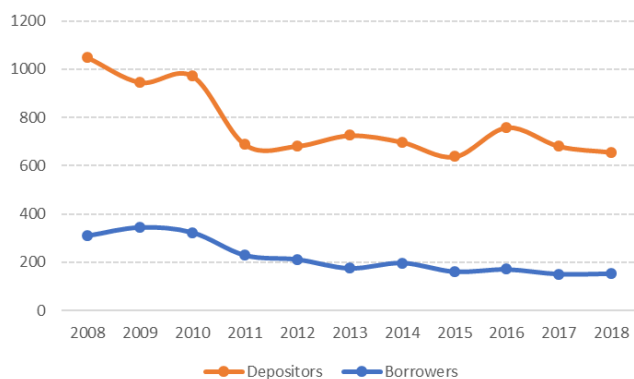
<sup>12</sup> Vasilyev, Dmitry. 2019. Reinventing Growth in Belize. Available at: <https://www.imf.org/en/Publications/WP/Issues/2019/02/04/Reinventing-Growth-in-Belize-46496>.

<sup>13</sup> Excluding high income countries.

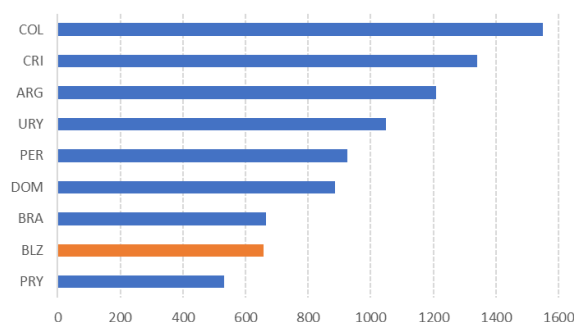
and integrity, and to reduce risks to CBRs. Across domestic banks, NPLs to total loans have been consistently declining, reaching 6.2 percent by end-2018 (down from 6.44 and 10.45 percent at year-end 2017 and 2016 respectively)<sup>14</sup>. Similarly, NPLs to total loans from credit unions declined reaching 8.92 percent of total loans by December 2018 (from 9.45 and 10.45 percent at year-end 2017 and 2016, respectively). Nonetheless, there is room for improvements, including strengthening provisioning regulations, the bank resolution framework and the AML/CFT framework.

Finally, progress in expanding the provision of financial services in Belize has stagnated. As of 2018, the number of depositors at commercial banks per 1,000 adults was 656.5, continuing a downward trend from 681.4 and from 737.8 at year-end 2017 and 2016 respectively, and significantly lower than the 946 observed in 2009 (see Figures 6 and 7). This level places Belize in the bottom of the distribution of countries in the LAC region, which has seen an increase in the number of depositors per 1,000 adults in the last year. Similarly, the number of borrowers at commercial banks per 1,000 adults remains low at 153.5 in 2018 slightly increasing from 151.4 in the previous year, but also following a downward trend from 343.4 at year-end 2009 at its highest.

**Figure 6. Evolution of depositors and borrowers at commercial banks per 1,000 adults in Belize**



**Figure 7. Depositors at commercial banks per 1,000 adults in Belize in 2018**



Source: IMF's Financial Access Survey (2018). LAC countries with available data are shown.

## 5.2. Financial Infrastructure

### 5.2.1. Credit Infrastructure

Belize does not yet have a credit bureau or credit registry in place. Financial institutions have noted that the lack of potential borrowers' data makes loan-underwriting assessments challenging. Non-performing loans (NPL) are higher than the regional average at 6.2 percent for domestic commercial banks and 8.9 percent for credit unions in December 2018<sup>15</sup>. Financial providers also highlighted the lack of reliability of existing information as a constraint to developing new products, especially those tailored to the needs of the underserved segments. Currently the only source of partial credit history is Credit Master, a private collection agency that as an additional service to their core business (collection services) offers negative information on borrowers they have been asked to collect from in the past by the business community. However, the information is very limited in scope (only includes negative information and timeframe is unclear) but also in coverage. Not all banks use Credit Master for collection purposes, nor use their services for all overdue loans in their portfolio. This results on a non-comprehensive picture of borrowers. Moreover,

<sup>14</sup> The decrease in NPLs in 2017 was supported by a final legacy loan write-off. The highest NPL ratio in the system was reported by the National Bank of Belize.

<sup>15</sup> A decrease in NPLs in 2017 was supported by a loan write-off.

the system is not trusted by all providers. There isn't any mechanism in place to regulate or supervise its operations, and its use is not mandatory.

In 2016, a project for the establishment of a credit reporting system through the enactment of a Credit Reporting Bill was prepared. However, the project was put on hold due to a lack of consensus. In 2019, the project was revisited, and the Credit Reporting Law is set to be issued during the first quarter of 2020. The law provides the legal framework to regulate and supervise credit bureaus, and includes provisions giving the Central Bank the supervisory functions and statutory powers to license credit bureaus and supervise their operations, as well as ensuring consumer protection.

Since 2014, the Ministry of Economic Development has also been working on a bill for enhancing the secured transactions framework and introducing a collateral registry, which currently does not exist in Belize. Developing a moveable collateral registry would be an important step to increase the offer of SME financing.

### 5.2.2. Payments Systems

The retail payment system has been strengthened recently with the creation of the Automated Payments and Securities Settlement System (APSSS). This system is owned and operated by the Central Bank and connects all banks in a local network to make electronic payments quick, safe and secure. The system's components include: (i) the Automated Clearing House (ACH), for electronic clearing and settlement of retail payments; (ii) the Real Time Gross Settlement (RTGS), to enable large-value payments; and (iii) the Central Securities Depository (CSD), to enable liquidity management custody and registry of ownership of government securities.

The 2017 National Payment System Act (NPSA) allows credit unions to access APSSS if they meet the access criteria. Several credit unions showed interest in having direct access but did not fulfill the requirements. No credit union has been granted direct access as of yet. The only current mechanism for credit unions to connect indirectly to a payment network (ATM and POS network only) is through Network One, created in partnership with Heritage Bank. However, the Credit Union League is working with the Central Bank to establish a shared operator that will connect directly to APSSS to offer indirect access to member credit unions.

Effective July 1<sup>st</sup>, 2019, the Central Bank introduced fees for transactions processed through the APSSS. These fees which were initially covered and subsidized by the Central Bank are intended to offset the costs associated with maintaining and upgrading the system and have been designed to encourage the usage of the more efficient payment instruments and represent minimal fees to financial institutions<sup>16</sup>. Nonetheless, according to anecdotal evidence, financial institutions have passed these costs to consumers, sometimes in a non-proportional manner.

ATM and POS networks are either controlled by international players or proprietary infrastructure of individual banks. Using international card networks may increase services' costs (compared to using domestic card networks). While international card networks are interoperable, local networks are not connected, which increases the costs of transactions among different domestic providers.

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<sup>16</sup> To illustrate, Electronic Funds Transfer over \$50,000 or time critical transactions of any value has a fee of \$3.50 per transaction, while for transactions under \$50,000 the fee is only \$.25 per transaction. Also, as a way to stimulate electronic payments, fees for cheques processing are tiered to encourage user to send large value payments through the real-time gross settlement system (RTGS). Processing fees for cheques up to \$50,000 are at \$1.00 per cheque, and at \$50.00 and at \$100.00 for cheques between \$50,000 to \$100,000 and above \$100,000 respectively.



## BOX 1: Potential Gaps and Opportunities – Financial Infrastructure

### GAPS and BARRIERS

- ✗ Non-interoperable ATM and POS networks
- ✗ Lack of reliable information on potential borrowers

### OPPORTUNITIES

- ✓ Creating a credit bureau or registry with positive and negative information
- ✓ Creating a moveable collateral registry
- ✓ Establishing a National Switch

### 5.3. Financial Inclusion Policy Approach and Data Infrastructure

The Central Bank's 2018 to 2022 strategy highlights financial inclusion as a priority. It includes three objectives directly related to the advancement of financial inclusion: (i) improving Belizeans' financial literacy and inclusion; (ii) providing a modern financial system; and (iii) enhancing financial stability. The supervision department of the Central Bank is currently responsible for the analysis and design of financial sector policies. Limited resources have been a challenge to setting up a separate function for this purpose.

In 2017, the Central Bank started collecting supply-side financial inclusion data through an annual Survey of Financial Access, which captures number of branches, ATMs, credit and debit cards, loan and deposit accounts, borrowers and depositors. However, there is room for improving and expanding data collection, namely disaggregating the data by target populations, as well as enhancing its dissemination to the public. Other data limitations include: (i) the lack of data by commercial banks about their MSME portfolio; (ii) collection of data by districts; and (iii) limited gender-disaggregated data for financial inclusion. Regarding the MSME portfolio, commercial banks and credit unions categorize their portfolio based on loan size, as opposed to using a national definition for MSMEs that is based on size of firms (by revenues and/or number of employees), which makes it difficult to get a full understanding of the potential gaps and opportunities in MSME financing. As part of the efforts under this NFIS, the Central Bank is working on disaggregating the data collected on financial inclusion.

In 2019, in the context of this NFIS, the Central Bank worked with the Statistical Institute of Belize to collect demand-side data on financial inclusion through a nationally representative survey. The survey was conducted in April 2019 to 2,174 adults (18 years or older) as a module in the Labor Force Survey<sup>17</sup>. This 2019 Financial Inclusion Survey provides recent information on financial inclusion indicators, allowing to identify opportunities to overcome barriers that may be preventing people from accessing to and using financial services.

## BOX 2: Potential Gaps and Opportunities – Financial Inclusion Policy Approach and Data Infrastructure

### GAPS and BARRIERS

- ✘ Supervisory capacity constraints (staffing)
- ✘ Oversight framework not yet fully covering non-bank financial institutions
- ✘ Secondary regulations to operationalize the National Payments Systems Act (NPSA) not yet fully implemented
- ✘ Need to disaggregate supply-side data

### OPPORTUNITIES

- ✓ Employing technology-based supervisory tools and techniques
- ✓ Expand oversight framework to non-bank financial institutions
- ✓ Issue secondary regulations to operationalize the NPSA
- ✓ Leverage SIB's and the Central Bank's current instruments to continue collecting periodic financial inclusion indicators

## 5.4. Financial Access Distribution Channels

Available access points in Belize for in-person transactions include branches, ATMs, POS and Payment Service Providers (PSP) agents<sup>18</sup>. In 2018, the financial access network in Belize was supported by 46 bank branches, 12 branches of credit unions, 119 ATMs, and 6,944 POS<sup>19</sup>. Branches are often utilized to open accounts or acquiring specific payment instruments due to the number of requirements required by law for this purpose. While the number of branches has not expanded recently, financial institutions have dedicated their efforts to increasing the number of ATMs and POS<sup>20</sup> (see Table 1). Agent banking is nascent and not yet regulated. Only one financial institution has signed an agency agreement with a network of merchants, but this initiative is at early stages of development.

<sup>17</sup> The Labor Force Survey (LFS) is a national household survey that is conducted by the Statistical Institute of Belize (SIB).

<sup>18</sup> PSP agents have been recently regulated in 2017, but they are not yet in place.

<sup>19</sup> All figures as of December 2018.

<sup>20</sup> The observed increase in number of POS is mostly due to merchants having more than one POS incentivized by bank's fee schedules for same-bank transactions.

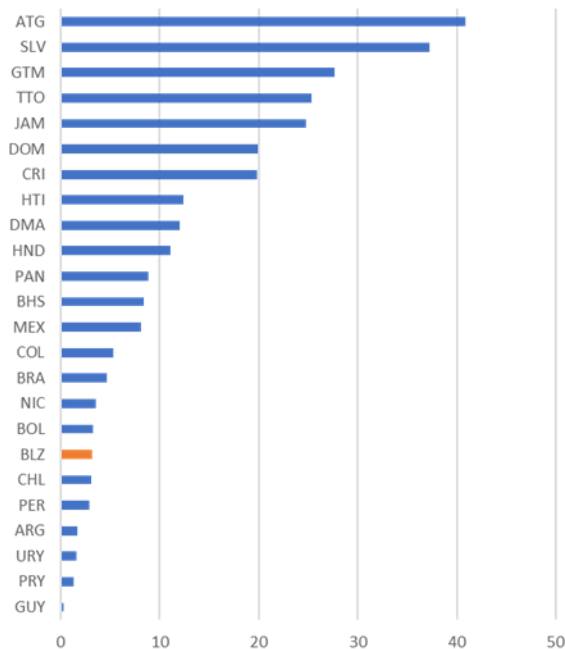
**Table 1: Physical financial service access points in Belize (end of year)**

	2015	2016	2017	2018
Number of branches – commercial banks	50	46	46	46
Number of branches – credit unions	20	20	16	12
Number of automated teller machines	100	102	108	119
Number of points of sale (POS)	4,268	4,540	6,017	6,944

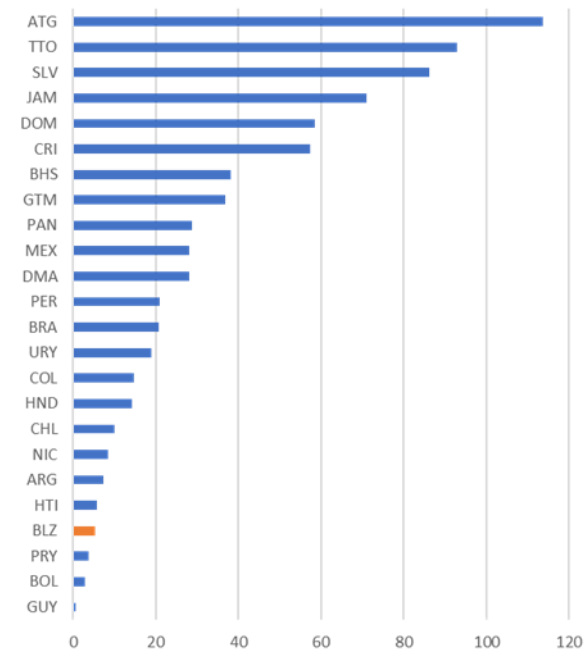
Source: Central Bank.

Belize has the lowest population density in the Latin America and the Caribbean region (approximately 37 persons per mi<sup>2</sup>), challenging the geographic outreach of financial services, especially into the south of the country. With 3.2 branches per 1,000 km<sup>2</sup> and 5.2 ATMs per 1,000 km<sup>2</sup>, Belize is among the countries in the LAC region with the poorest geographic outreach indicators (see Figures 8 and 9). Branches and ATMs are in all districts, but the financial infrastructure remains concentrated in urban areas, such as Belize City and Belmopan (see Table 2).

**Figure 8. Branches per 1,000 km2 in Belize in 2018**



**Figure 9. ATMs per 1,000 km2 in Belize in 2018**



Source: IMF's Financial Access Survey (2019). Countries with available data are shown. Number of branches include branches of commercial banks, credit unions, financial cooperatives, and microfinance institutions (MFIs).

**Table 2. Geographic distribution of branches in Belize in 2018**

District	Population density (population per mi <sup>2</sup> )	Number of branches	As % of the total branches	Branches per 100,000 individuals
Belize	57	21	34	17.92
Cayo	37	17	28	18.21
Stann Creek	35	8	13	18.94
Corozal	57	7	11	14.76
Orange Walk	26	5	8	9.81
Toledo	18	3	5	8.18

Source: Central Bank and financial institutions' websites; Belize Country Census Report (2010).

Access points for remote transactions available in Belize include internet and mobile phones for domestic commercial bank clients, which are mostly used for payment initiation and transaction consultation. All domestic commercial banks offer online banking to their clients. Some banks have also established kiosk-based customer service centers in rural areas, which are staffed by one cross-trained employee and leverage specialized staff at branches through teleconference support to offer opening of deposit accounts and facilitate a range of loan and other products and services<sup>21</sup>. While financial institutions reported growth in internet and mobile banking, the take-up is still low. Among accountholders, only 12.9 percent used internet or online banking<sup>22</sup>. Credit unions have yet to develop the infrastructure to offer mobile or internet-based services. Other digital payment platforms and electronic models which could help to expand the delivery of financial services, such as electronic or mobile money platforms, are absent from the market.

The NPSA created the figure of payments service providers (PSPs), one of which are electronic money issuers. Both bank and non-bank institutions are eligible to apply for a PSP license. While some individuals have shown interest in applying for the license, no application has been submitted yet and therefore no PSPs are yet licensed.

The NPSA allows the use of agents by PSPs, including banks and non-banks, but more specific rules are needed to further implement these provisions. Only one financial institution, Atlantic Bank, has signed a pilot agency agreement with a network of merchants considering locations where access to financial institutions is limited and where business hours would be beneficial, to offer a limited range of services on behalf of the institution. This initiative is at early stages of development and other banks have not yet disclosed plans to develop an agent network. Credit Unions have expressed interest in using agents, but plans have not yet been materialized.

Adults in Belize heavily rely on traditional access points to financial services. In particular, 41.9 percent of adults in Belize reported having made a financial transaction at a bank branch in the past year while 26.2 percent used a credit union branch. Similarly, an estimated 43.8 percent of adults in Belize used an ATM in the past year to complete a financial transaction. In contrast, only 8.1 percent of Belizean adults used a mobile banking application and only 8.8 percent used an online banking website. Slightly more women use these remote access channels than men do.

Preference over the use of different access points varies by sociodemographic characteristics. Younger adults (25 or younger) use ATMs relatively more than older adults do, while the latter group uses bank branches relatively more. Significantly, more adults in Belize District use remote access points, relative to the other districts.<sup>23</sup>

Mobile banking represents an important opportunity to expand access. At year-end 2018, approximately 67 percent of Belizeans had a mobile connection, and 30.9 percent had mobile internet<sup>24</sup>. There are two mobile network operators in Belize: DigiCell (56 percent of connections) and Smart (44 percent of connections). These market participants are currently not offering mobile accounts or wallets, though there is recognition these products have a potential in the country. Smart recently partnered with an insurance company to offer health microinsurance through their mobiles, enabling an entirely remote registration. Smart has also been developing a wallet solution, but no domestic commercial bank has yet partnered to take to market due to perceived high fee structure.

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<sup>21</sup> The kiosks don't have a teller but they have an ATM on-site for withdrawals and the implementing bank has an agreement with the Government of Belize Treasury Department to accept their clients' deposits in their branches.

<sup>22</sup> 2019 Financial Inclusion Survey.

<sup>23</sup> Ibid.

<sup>24</sup> GSMA Intelligence, Q4 2018.

### BOX 3: Potential Gaps and Opportunities – Financial Access

#### GAPS and BARRIERS

- ✗ Low population density has led to the access points being concentrated in urban areas.
- ✗ There is no secondary regulation for banking agents specifying approval process and/or oversight procedures.
- ✗ There are no e-money issuers or mobile wallets offered in the market yet, even with the legal framework in place.
- ✗ Reliance on traditional access channels and low usage of remote access channels

#### OPPORTUNITIES

- ✓ Leverage high mobile ownership in Belize to roll-out electronic money and mobile financial services.
- ✓ Expand access to financial services across Belize by using agent networks.

## 5.5. Tailored Financial Products and Services

Financial consumers in Belize have access to a standard suite of financial products and services. Commercial banks and credit unions offer standard personal loans, mortgage, savings, and payments products (Table 4). Currently, commercial banks are not offering pre-paid cards, nor leasing and factoring services. Credit unions offer some specific products, such as burial scheme benefits, rural finance, student loans and payroll deductible loans. However, innovative products targeting specifically unserved and underserved segments that might have specific needs, including women and small farmers do not appear to be widely accessible<sup>25</sup>.

Some pilots and small-scale programs for rural finance, agricultural insurance, mobile microinsurance, and microfinance have been put in place, yet these initiatives have never reached a large scale. Regulations for typical products targeting low-income or underserved segments like microcredit, basic accounts, or microinsurance are missing. Limited internal capacity and information systems from financial institutions prevent the development of these tailored products. Maintaining an open public-private sector dialogue is essential to understand better the obstacles and gaps (financial, legal, regulatory, and technological) that might prevent the development of new products and identify opportunities for enabling the environment for innovation in the financial industry and advancing financial inclusion.

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<sup>25</sup> The only exception is the availability of savings products targeted at youth.

**Table 3: Summary of financial services providers and products in Belize**

<i>Services</i>	<i>Formal – Private</i>	<i>Formal – Public</i>	<i>Semi-Formal</i>	<i>Informal</i>
<i>Savings and/or investments</i>	Commercial banks Credit unions	NBBL Savings Bank		Family and friends
<i>Loans</i>	Commercial banks Credit unions Moneylenders	NBBL DFC		Family and friends Pawnshops Unregulated moneylenders
<i>Microfinance</i>		DFC	Microfinance institutions (NGOs)	Family and friends Unregulated moneylenders
<i>Insurance and pension</i>	Insurance companies Credit unions (discontinued)	SSB		
<i>Payments, transfers and remittances</i>	Commercial banks Credit unions Remittance service providers	NBB		Merchants

Source: The World Bank.

### 5.5.1. Account Ownership

In 2019, 65.5 percent of adults (18 years and over) in Belize have an account at a bank or credit union – an indicator typically used to measure financial inclusion. Between 2014 and 2019, this percentage increased approximately by 17 percentage points.<sup>26</sup> The account ownership level in Belize is along the 2017 levels reported for the LAC region (53 percent) and of middle-income countries (65 percent), yet it is below levels observed in upper middle-income countries (73 percent)<sup>27</sup>.

Across Districts, adults from Belize and Corozal Districts report the highest levels of account ownership at 75.4 percent and 73.3 percent respectively while Toledo District stands at the bottom at 52.2 percent (see Figure 10). While 61 percent of adults living in rural areas report owning a formal account, a gap of 8 percentage points still favors the urban adult population<sup>28</sup>. A gender gap also exists – while 62 percent of women own an account, men’s account penetration is 7 percentage points higher. Gains in account penetration amongst younger adults (aged 18-24) standing at 56 percent in 2019 (approximately 17 percentage points more than in 2014) and amongst older adults (ages 25 and above) at 68 percent in 2019 (approximately 16 percentage points more than in 2014)<sup>29</sup>, still do not translate in a gap reduction between younger and older population.

<sup>26</sup> According to Global Findex, roughly 48 percent of adults (age 15 years and over) in Belize had an account at a financial institution in 2014. Figures for 2019 were obtained from the 2019 Financial Inclusion Survey.

<sup>27</sup> Global Findex, 2017.

<sup>28</sup> Major differences between urban and rural adults in account ownership are found to be in Corozal (13 percent), Cayo (9 percent) and Orange Walk (8 percent) Districts.

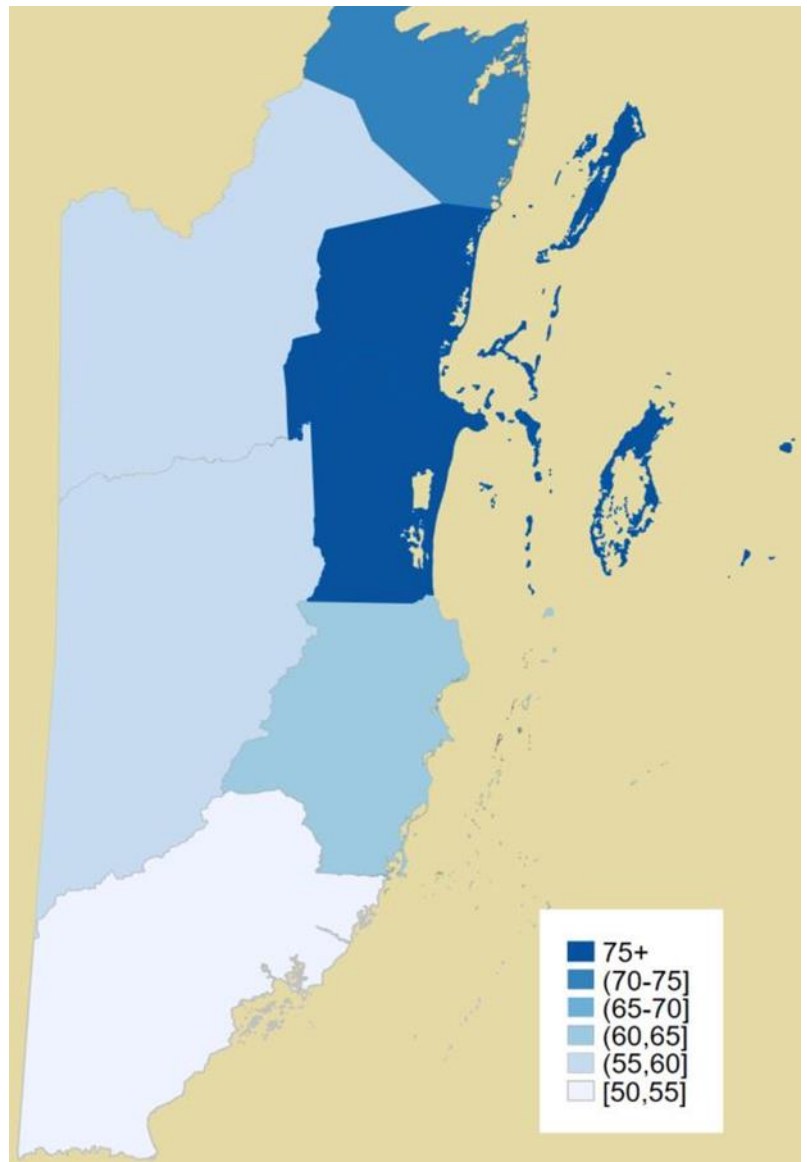
<sup>29</sup> Data from the 2019 Labor Force Survey (Financial Inclusion Module) and Global Findex, 2014. Young adults in Global Findex 2014 are defined as ages 15 to 24, while the 2019 Labor Force Survey defines them as ages 18 to 24.

From 2014 to 2019, the evolution of the gender gap shows it has narrowed, yet it has also reversed. Evidence suggests that in 2014, account ownership was higher among women in Belize, as 52 percent of women reported having an account, compared to 44 percent of men.<sup>30</sup> In 2019, the gender gap stands at 7.1 percentage points, favoring the male population. The gender gap is found to be most significant in Cayo District (19.8 percentage points) and Toledo District (12.1 percentage points), while in the remaining Districts this difference stands below 1 percentage points, except for Belize District at 3.7 percentage points.

Employed Belizean adults are significantly more likely than those without a job to own an account (72.6 employed adults reported owning an account, and only 47.7 unemployed reported owning one). Similarly, account ownership is higher among adults with secondary education (75.6 percent) compared to adults with primary education (61.2 percent).

This implies that women, those living in rural areas, the younger, those not employed, and those with lower education attainment levels are the most financially excluded (see Figure 11).

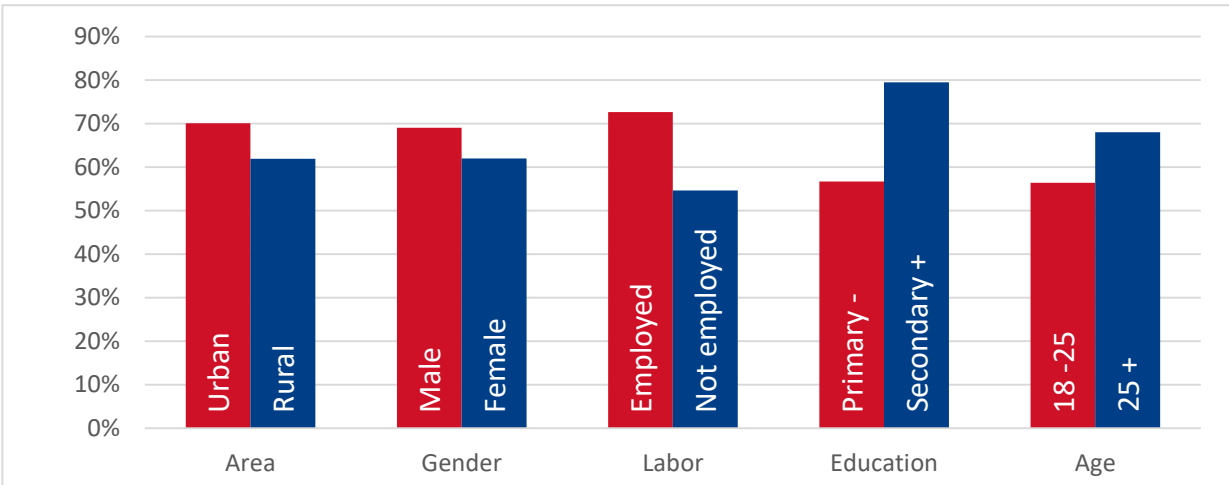
Figure 10. Account ownership across Districts



Source: 2019 Financial Inclusion Survey.

<sup>30</sup> Global Findex, 2014.

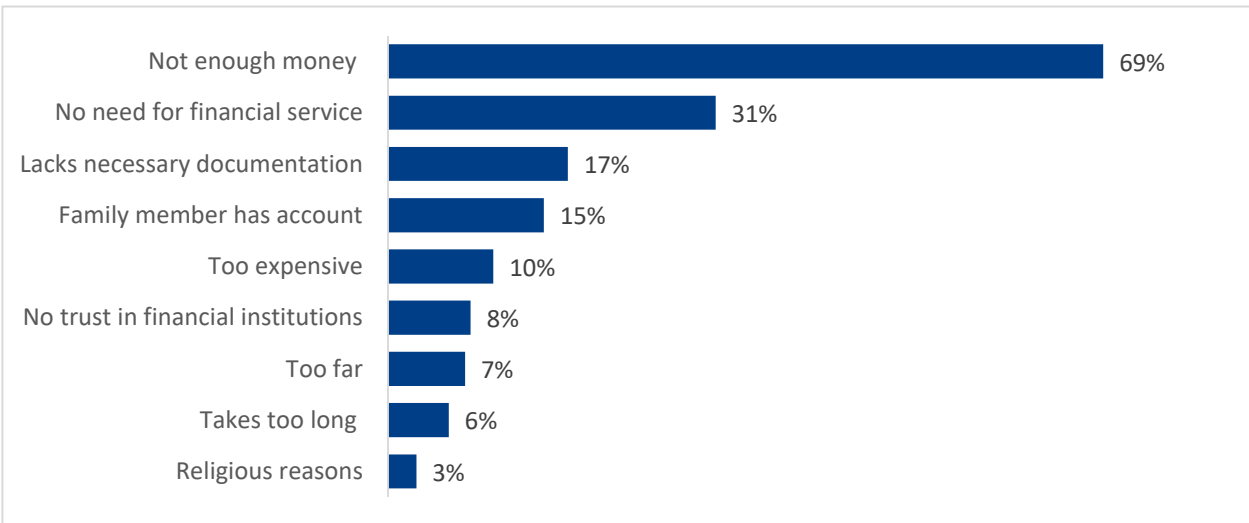
**Figure 11. Account ownership in Belize (% of adults with an account) - by demographic groups**



Source: 2019 Financial Inclusion Survey.

According to the 2019 Financial Inclusion Survey, the most cited reason not to have an account among Belizeans was not having enough money (69 percent of adults without an account), followed by considering they have no need for financial services (31 percent), lacking documentation (17 percent) and someone else in the family having an account (15 percent). The high percentage of financially excluded adults who consider not having enough money or not needing a financial service could suggest that the available financial products in the market are not adequately meeting the financial needs and product characteristics for the population.

**Figure 12. Reasons for not owning an account (% of adults without an account)**



Source: 2019 Financial Inclusion Survey. Note: Respondents could select more than one reason.

Almost one out of every five Belizean adults without an account mentions not having the necessary documentation to open one. In accordance to Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regulations, financial institutions require either a valid social security card or a



passport for account opening – the two prevalent government IDs – and a proof of residence. Some institutions require additional documents. The social security card, issued by the Social Security Board, is free and covers roughly 87.5 percent of the population. The card is required for job application, and for collecting Social Security or National Health Insurance. The card does not expire, and features biometrics (picture), gender, birth date, and nationality, as well as a proprietary magnetic strip with additional information. It does not include the cardholders' address. The passport, on the other hand, costs \$50 BZD. While only one identification is required by regulation, some financial institutions request both forms of identification.

Several stakeholders indicated that the process of verifying someone's identity is cumbersome for both the provider and the consumer. Also, the lack of connection between the different existing identification mechanisms coupled with the lack of access and verification mechanisms through digital means result in higher costs for the providers to comply with AML/CFT requirements and potentially, to the exclusion of individuals from the financial system.

General AML/CFT regulations apply to all financial providers and clients in the financial sector and the related requirements are currently being applied across the board, regardless of the risk profile of the client, with potential negative implications for the most vulnerable population<sup>31</sup>. The law allows for a risk-based approach for AML/CFT requirements, but specific guidelines for its implementation (e.g. CDD requirements) are missing -which is key for proportional regulation that aligns financial inclusion and financial integrity.<sup>32</sup>

Even among accountholders, many are not reaping the benefits from financial inclusion. Account ownership and usage are different – some may own accounts but may not be using them. Usage refers to a consumer using a financial service with appropriate frequency according to their needs. Although not all consumers will frequently use all products, ensuring that a financial product is well-targeted and fits the needs of consumers is important to mitigate risks of account dormancy. In Belize, according to the 2019 Financial Inclusion Survey, 8.3 percent of adults with an account did not use their account at all during the past year. Furthermore, 11.3 percent of accountholders did not make any deposit or withdrawal in the past year. This has sharply decreased from 27.8 percent in 2014 (Global Findex) and is below the average for Latin America and the Caribbean of 17 percent in 2017 (Global Findex).

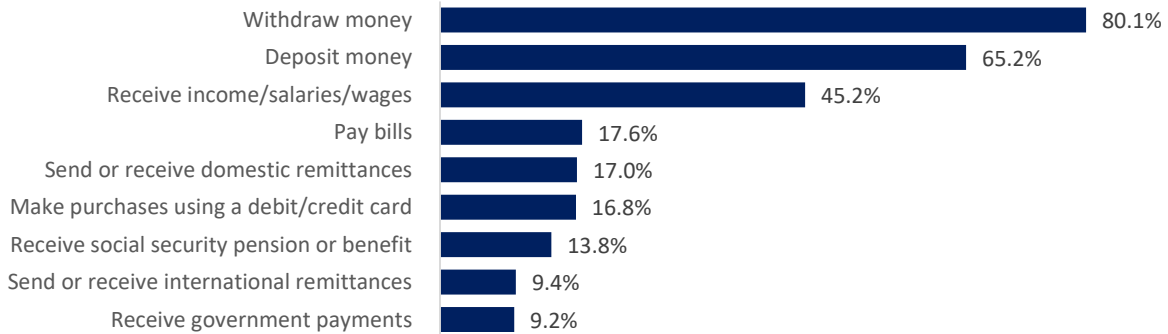
According to the 2019 Financial Inclusion Survey, accountholders mostly used their account in the past year to withdraw money (80.1 percent), deposit money into their own account (65.2 percent), and receive income, salaries, or wages into the account (45.2 percent).

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<sup>31</sup> The Financial Action Task Force (FATF) acknowledges that solving AML/CFT problems for financial inclusion is a component of the enabling framework and that financial exclusion is a Money Laundering and Terrorist Financing risk (ML/FT). Anti-Money Laundering and Terrorism Financial Measures and Financial Inclusion. With a supplement on Customer Due Diligence. <http://www.fatf-gafi.org/media/fatf/content/images/Updated-2017-FATF-2013-Guidance.pdf>

<sup>32</sup> According to the 2017 Global Financial Inclusion and Consumer Protection Survey (FICP), conducted by the World Bank in 124 jurisdictions representing 141 economies, 50 percent of the surveyed jurisdictions have established simplifications or exceptions to CDD requirements for certain types (for example, low-income) of customers or account products (for example, small-value, low-risk transactions). See World Bank Group. 2017. Global Financial Inclusion and Consumer Protection Survey, 2017 Report. Available at: <https://openknowledge.worldbank.org/handle/10986/28998> License: CC BY 3.0 IGO.

**Figure 13. Uses given to their account in the past year (% of adults with an account)**



*Source: 2019 Financial Inclusion Survey.*

The digitization of government transfers has also supported financial inclusion efforts in Belize by encouraging beneficiaries to open transaction accounts. In particular, according to an impact evaluation of the “Building Opportunities for Our Social Transformation (BOOST) conditional cash transfer program” operated by the Ministry of Human Development, in 2016, approximately 97 percent of beneficiaries used credit unions to receive their benefit and 77 percent of them first joined a credit union for the BOOST program<sup>33</sup>. According to the 2019 Financial Inclusion Survey, 9.2 percent of accountholders were receiving government payments into their accounts in the past year.

Significant opportunity remains for expanding financial inclusion by shifting transfers and payments from cash into accounts. According to the 2019 Financial Inclusion Survey only 17.6 percent of accountholders used their account to pay bills in the past year. Similarly, only 16.8 percent made purchases using their debit or credit card.

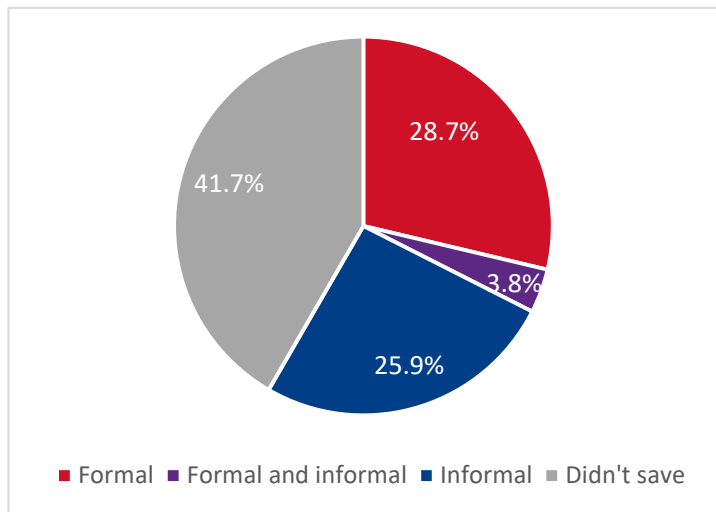
### 5.5.2. Savings

The level of savings in Belize is slightly above levels observed in the LAC region. According to the 2019 Financial Inclusion Survey, 58.3 percent of adults in Belize reported having saved or set aside any money using any mode of saving in the past 12 months. This level of saving is virtually the same as in 2014 as estimated by the Global Findex at 59.5 percent. Additionally, the evidence suggests that Belizeans have saved through means outside the formal financial system. Only 32.5 percent of adults reported having saved or set aside any money at a formal financial institution<sup>34</sup> (see Figure 14). Even among accountholders, only 47.6 percent of them saved any money through formal channels in the past year.

<sup>33</sup> The program recommended and subsequently insisted that beneficiaries access the funds through the credit unions. Within the evaluation sample, out of 208 beneficiaries awarded funds from the BOOST program 202 obtained the cash transfers through a Credit Union. The program can accommodate a limited number of beneficiaries (8,200 individuals or approximately 3,200 households). UNICEF. (2016) “Impact Evaluation of Belize’s Conditional Cash Transfer Program (BOOST)”. [https://www.unicef.org/evaldatabase/files/BOOST\\_Evaluation\\_report\\_final\\_Belize\\_2016-001.pdf](https://www.unicef.org/evaldatabase/files/BOOST_Evaluation_report_final_Belize_2016-001.pdf)

<sup>34</sup> This includes those who save exclusively through formal channels (28.7 percent) and those saving through both formal and informal channels (3.8 percent).

Figure 14. Formal and informal savings in the past year



Source: 2019 Financial Inclusion Survey. Note: Formal savings including saving at a bank or credit union. Informal saving includes saving with an informal savings group, with a person outside of the family, with a family member or setting money aside at home.

Women are slightly more likely than men to save at a formal financial institution. However, this difference only exists in urban areas, and is most prominent among younger adults. In general, adults in urban areas were more likely to save at a formal financial institution in the past year than those in rural areas. Younger adults (age 24 and below) were significantly less likely than older adults to be saving at formal financial institutions, and yet they were just as likely to save through informal channels.

In Belize, regulations<sup>35</sup> require banks to comply with minimum interest rates to be paid on ordinary saving and deposit accounts. This requirement, along with the associated costs of an account, could potentially be hampering the design of specific accounts for low-

income customers. The weighted average interest rates for savings accounts in December 2018 was 2.72 percent and for time deposits it was 1.95 percent. The inflation rate for Belize in 2018 was 0.3 percent, making the real weighted average interest rates of savings and time deposit accounts positive.

### 5.5.3. Payment Instruments

In 2019, less than half of Belizean adults (44.8 percent) made or received digital payments in the past year<sup>36</sup>. Yet, this has been rapidly increasing as this percentage has almost doubled from the estimated 24 percent in 2014 according to the Global Findex. It is also in line with the LAC region where on average 45.8 percent of adults in 2017 made or received a digital payment in the past year.

Usually, digital payments are made primarily through card-based instruments – credit and debit cards. In the case of Belize, only 18.1 percent of adults paid bills or made purchases with a debit or credit card, up from 11.1 percent in 2014 according to the Global Findex. This percentage is higher in urban areas, among older adults, among women and people with higher education. The percentage of adults that used credit or debit cards in the past year is lowest in Toledo and Orange Walk, and highest in Belize and Corozal.

The usage of digital financial services (DFS) and electronic payments has increased over recent years as noted above. According to financial institutions, this is thanks to electronic transactions having grown robustly over recent years, as well as the issuance of credit and debit cards. Moreover, virtually all government transfers and pension benefits are currently being transferred directly in the beneficiary's account.

Usage of e-money payment services remains an untapped opportunity in Belize. The 2017 NPSA provided the legal framework for the licensing of e-money payment service providers, and for the issuance

<sup>35</sup> DBFI Act, Practice Direction 1: Requirements for treatment of interest on savings deposits (2013), and Central Bank of Belize Notice on Minimum Interest Rates on Savings Deposits (2010)

<sup>36</sup> Digital payments includes: sending or receiving remittances from/into an account; receiving incomes, salaries or wages in an account; receiving government payments in an account; receiving social security pensions or benefits in an account; paying bills using an account or a debit/credit card; and shopping using a debit/credit card.

of e-money. Banks and credit unions are, in general, exempt from the licensing requirements to issue e-money. The legal framework allows for non-banks to apply for e-money issuer licenses. However, secondary regulations to implement the 2017 NPSA and specific measures to safeguard e-money customer funds are missing. Currently there are no e-money platforms in the country and no e-money licenses have been issued yet. A few financial institutions have expressed interest in developing a mobile money service, though this was not included in their short-term strategies.

#### 5.5.4. Individual Credit

Consumer and personal credit are offered by commercial banks, credit unions, regulated moneylenders, and informal lenders. In commercial banks and credit unions, average annual lending rates range from 6.8 percent to 12.3 percent. For residential mortgage loans, average lending rates range from 5.5 percent to a standard 12 percent offered by almost all credit unions. Moneylenders – institutions that extend credit that is subject to interest or finance charges and that are transitioning from semi-formal to formal supervision – reported significantly higher rates, with reports of annual rates exceeding 50 percent. Anecdotal evidence suggests that over-indebtedness could become a serious issue, especially among the most vulnerable population.

The level of individual borrowing in Belize is in line with levels observed in 2017 in the LAC region, thanks to a sharp decrease in recent years. According to the 2019 Financial Inclusion Survey, 37.5 percent of adults in Belize reported having borrowed any money from any source in the previous year. This has decreased from the estimated 52.2 percent of adults in 2014 (Global Findex).

Yet, only 17.3 percent of adults borrowed from a formal financial institution such as a bank or credit union. This also decreased from 2014, when 19 percent of adults borrowed from formal financial institutions<sup>37</sup>. Belizeans rely significantly on informal sources of borrowing. Roughly, 13.6 percent of adults in Belize reported having borrowed, from family or friends and 1.7 percent from informal savings groups or clubs such as syndicates. Also, 6.5 percent of adults reported having borrowed from a moneylender or pawnshop in the past year. There is even an estimated 2.2 percent of adults who borrowed from banks and credit unions, and yet also borrowed from moneylenders and pawnshops in the same year.

Sociodemographic characteristics of borrowers vary across groups. In general, more men borrowed money in the past year than women according to the 2019 Financial Inclusion Survey. Adults in rural and urban areas used the various sources of borrowing roughly the same, except for moneylenders and pawnshops which were used more by adults in urban areas. Younger adults (aged 18 to 24) used informal sources such as family and friends more than older adults (25 and older) who used moneylenders, banks, and credit unions more than younger adults. At higher education levels, adults relied more on formal borrowing sources whereas adults with lower education attainment relied more on family and friends. Regional variations are also important in borrowing patterns. Borrowing from formal sources such as banks and credit unions is highest in Belize and Corozal, and lowest in Toledo.

Commercial banks appear to provide a greater amount of smaller personal loans than credit unions. As of December 2017, the average size for a bank personal loan in Belize was BZD 7,834. Roughly, 70 percent of loans valued less than BZD 5,000 and represented 17.1 percent of total bank personal loans. In contrast, the average size of a personal loan offered by credit unions was BZD 13,964, with roughly 53.7 percent of loans valued less than BZD 5,000 and representing 3.7 percent of total credit union personal loans. Moreover, 92.5 percent of personal loans from commercial banks valued less than BZD 20,000, representing 45 percent of the consumer loan portfolio. For credit unions, the percentage of personal loans that valued less than BZD 20,000 reached 84.2 percent, representing only 17.5 percent of the consumer loan portfolio.<sup>38</sup> Finally, personal loans account for 21.3 percent of loans and advances from domestic banks

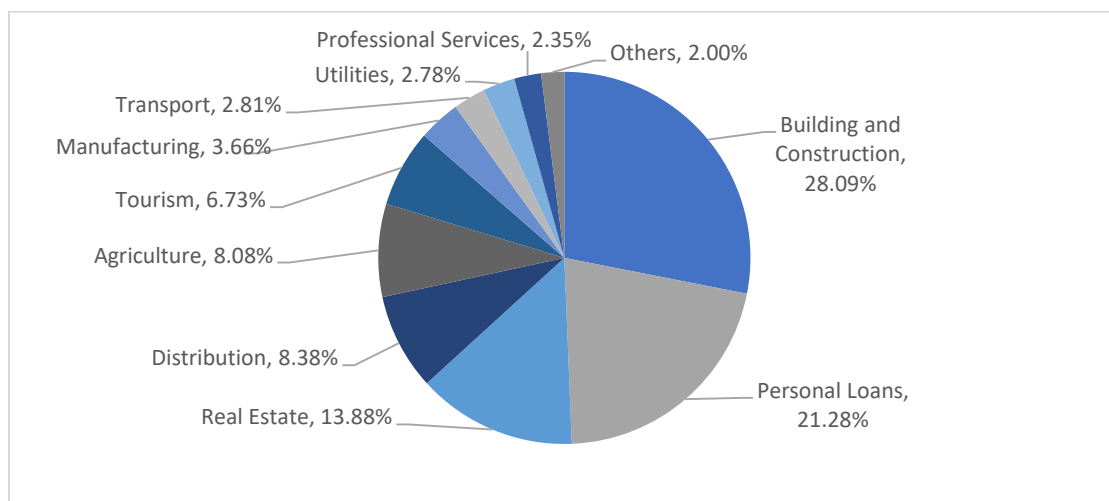
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<sup>37</sup> 2014 Global Findex.

<sup>38</sup> Information available as of end-2017.

(see Figure 15). As of December 2018, real estate loans (to both individuals and developers) accounted for 13.9 percent of the lending portfolio of domestic commercial banks.

**Figure 15. Domestic Banks sectoral distribution of loans and advances (December 2018)**



*Source: Central Bank*

#### 5.5.5. Agricultural and MSME credit

According to the World Bank’s Doing Business 2019, Belize ranks at the 172th place out of 190 countries on the ease of getting credit for business purposes. While some regulations regarding strength of legal rights are present, the lack of a credit bureau or registry explains Belize’s low performance in this ranking.

Per the 2014 Global Findex Survey, roughly 5.8 percent of adults reported borrowing for starting, operating, or expanding a farm or business. Anecdotal evidence suggests that many micro, small and medium entrepreneurs use personal accounts and loans for their business purposes.

Public sector financial institutions have been key in providing the few financing options available for Micro, Small and Medium Enterprise (MSME) credit and on targeting agricultural credit. The DFC has rolled out agricultural loan programs in the past, and the NBB has recently started offering loans to small businesses at better terms and conditions than those offered by the market.

There is currently no data collected on credits to MSMEs. The size of the loan is an imperfect approximation to loans directed at MSMEs. Credit unions seem to provide smaller loans than commercial banks, implying they might be reaching smaller enterprises. In 2017, the average size of credit unions’ commercial loan was BZD 29,183, compared to BZD 111,191 for commercial banks. Roughly, 84 percent of credit unions’ commercial portfolio and two thirds of banks’ commercial portfolio represented loan accounts valued less than BZD 20,000. Furthermore, 46.8 percent of banks’ commercial loans were valued at 5,000 BZD or less, but these only represented 0.7 percent of total portfolio value.

The Belize Trade and Investment Development Service (Beltraide), as part of their policies to support MSME development, have included programs to support these in developing business skills, networks and financial knowledge, and working along with financial institutions to expand the MSME financing

landscape knowledge<sup>39</sup>. Beltraide also houses a database in their website with loan financing options for start-ups and MSMEs available in the market through commercial and development banks, and credit unions within Belize, as well as grant funding sources.

Regarding agricultural credit, as shown in Figure 15, only 8 percent of domestic commercial bank's total lending portfolio was destined to this sector. Anecdotal evidence points to an overall lack of understanding of the market. Given the unique product design requirements of the agricultural sector, some credit unions have been innovating to better address them. For example, a farmer's credit union offers loans without collateral requirement, while a couple of other credit unions have been developing innovative products for farmers. For some agricultural sectors (e.g. sugar cane, citrus, and banana plantations), some financial institutions conduct invoice factoring. According to anecdotal evidence, interest rates for agricultural loans can reach around 20 percent. DFC lends to farmers at market rate with the Green Climate Fund providing subsidies to cover the climate risk.

Microcredit or microlending is not consistently defined nor regulated, leading to greater risk portfolios and potential discouragement for financial institutions to develop and increase the provision of these products through the adoption of a risk-based approach.

#### 5.5.6. Pensions and Insurance

Through a network of 100 agents and eight corporate agents (banks and credit unions), insurance companies offer an adequate range of products, including life, credit life, property<sup>40</sup>, and motor insurance products<sup>41</sup>. Constituted by nine companies (three life insurance companies, four general insurance companies, and two composites), total assets of the insurance sector were estimated at 5.3 percent of the total for the financial system in 2018.

Domestic insurance companies offer an adequate range of products but efforts to develop agricultural insurance and microinsurance are nascent. With the support of international agencies, the OSIPP and some insurance companies explored the development of agricultural insurance and microinsurance products. Recently, two microinsurance products including housing and hospitalization products have been approved.

The Social Security Board (SSB) manages Belize's Social Security Fund and the National Health Insurance (NHI)<sup>42</sup>. With BZD 522 million in assets in 2016, SSB had more than 106,000 contributors for the country's pension scheme. Under the purview of the Ministry of Finance, the SSB is responsible for different social benefits to the population (pension, sickness, maternity, funeral, disability, survivor, death and invalidity benefits), which are mostly disbursed to beneficiaries through direct deposit directly to beneficiaries' bank or credit union accounts<sup>43</sup>. Roughly, 322,000 individuals (87.5 percent of the population) were registered with SSB and had a valid social security card, which is one of the identity cards accepted by financial institutions.

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<sup>39</sup> Beltraide's Belize MSME Policy and Strategy Report provide a national MSME definition; yet, no financial providers seem to be adopting it. Report available at

<https://www.belizeinvest.org.bz/uploads/6/4/9/6/64967361/belize-msme-final.pdf>

<sup>40</sup> Some property insurance products include protection against hurricane damages.

<sup>41</sup> Compulsory insurance includes motor third party liability, professional indemnity insurance for insurance brokers and agents.

<sup>42</sup> The assets of the SSB are not included in the financial system's totals because the authorities do not consider the entity as part of the financial system for regulation purposes.

<sup>43</sup> Starting in October 2018. The SSB has asked financial institutions to waive fees on account opening, with only one bank not agreeing with the request.

## BOX 4: Potential Gaps and Opportunities – Tailored Financial Products and Services

### GAPS and BARRIERS

- ✘ Lack of special accounts targeting the financially excluded in Belize.
- ✘ Limited availability of high-quality agricultural and climatic data to support insurance development.
- ✘ Cumbersome and lengthy KYC process to open accounts.
- ✘ Limited transactionality and offering of debit cards.
- ✘ Absence of common definitions and appropriate regulations on microcredit

### OPPORTUNITIES

- ✓ Introducing basic accounts (simplified features for customer due diligence, limited transactionality with zero or low fees for clients).
- ✓ Introducing tiered accounts with different levels of transactionality and corresponding levels of KYC requirements based on risk proportionality
- ✓ Shifting cash-based transfers and payments, including government payments and wages into accounts
- ✓ Providing technical assistance to farmers and MSMEs to develop bankable projects
- ✓ Assessing the viability and potential impact of specific regulations on microfinance, microcredit, and/or microsavings
- ✓ Fostering dialogue with financial providers to understand obstacles that might prevent the development of new products and identify opportunities for enabling the environment for innovation in the financial industry
- ✓ Introducing a national identification, assessing the potential for digital identity and real-time, integrated ID verification systems

## 5.6. Financial Consumer Protection

Financial consumer protection policies help to ensure the safe access to financial services and support financial stability and financial inclusion objectives. In particular, financial consumer protection contributes to improved efficiency, transparency, competition, and access to financial markets by reducing information asymmetries and empowering consumers to exercise their rights and protect themselves from abusive practices or frauds. Policies that seek to increase transparency require not only financial service providers

to disclose the conditions, fees and charges associated to financial products and services, but also that this information is communicated in an accessible and easily understandable way to consumers.

In this context, the 2019 Financial Inclusion Survey showed that there is a significant gap on the level of transparency. Among the 35 percent of adults with a loan or account from a bank or credit union who were charged a fee in the past year, 51 percent of them considered the fee to be unexpected<sup>44</sup>. This percentage reaches 65.2 percent in Orange Walk, 59.1 percent in Belize and 58.2 percent in Stann Creek.

This means that over half of the Belizean financial consumers who incurred on a fee were unaware of the existence, amount, or triggering event of this fee. While this does not necessarily mean that financial service providers are not currently offering this information in some way, it does show that financial consumers are not properly receiving and understanding this information.

There is no specific institutional, legal, regulatory and supervisory framework for financial consumer protection (FCP) in Belize. Different laws, including the Domestic Banks and Financial Institutions Act (DBFI Act), the Credit Unions Act (CUA), and National Payment System (NPS) Act include references to specific topics related to FCP, such as misleading advertising, misuse of confidential information, disclosure of terms and conditions, settlement of disputes<sup>45</sup>. However, there is no comprehensive and consistent approach, except for the National Payment Systems Act, which follows an activity-based approach. Currently, the Central Bank's supervisory process covers very limited aspects of FCP and there are no specialized supervisors in this area.

There is room for improving transparency levels of financial products. The Central Bank issued a regulation<sup>46</sup> - applicable only to commercial banks –for the standardization in the calculation and disclosure of effective interest rates of savings accounts and consumer loans. The regulation also requires banks that impose prepayment penalties on a borrower, to disclose the terms of the prepayment penalty, including the amount of or the formula for calculating in the loan agreement. Nonetheless, financial institutions disclose limited and, in most cases, incomplete information that is seldom presented in the same format or using uniform terminology on their fees and commissions, making comparisons across providers difficult. The regulation does not require the minimum content that consumer agreements should include (except for the payment service providers, as established under the NPSA), and there is no prohibition from using terms and conditions considered as unfair. Financial service providers are not required to provide key fact statements.

Financial institutions' practices on notification of changes in rates, fees, and commissions present weaknesses. Currently, only payment service providers are required by the Central Bank to provide notice to the consumer of the impositions and amount of fees<sup>47</sup>. There is no act or regulation requiring financial services providers to notify consumers, in advance of changes in terms is in place. Although some financial institutions tend to inform consumers of the changes in their commissions and charges, there is no minimum standard in the nature and extent of the change, nor minimum standard anticipation term for notifying customers. Furthermore, data on fees and charges for deposits and transaction accounts is not being collected nor published by the authorities.

On mortgage financing, consumer's mobility across financial institutions might be limited by high pre-cancellation penalties (in average six-monthly installments). In addition, several market players indicated

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<sup>44</sup> This is equivalent to 18.4 percent of all financial clients (with an account or loan) having been charged a fee in the past year that they were unaware of.

<sup>45</sup> The Domestic Banks and Financial Institutions (DBFI) Act provides the Central Bank with the possibility of complementing it through regulations and guidelines, as well as the power to supervise and enforce them.

<sup>46</sup> DBFI Act, Practice Direction No. 5, Disclosure of Interest and Other Changes on Consumer Loans.

<sup>47</sup> The NPS Act, on Section 51 (subsection 4) requires payment system providers to notify customers in writing or by any other means as may be required by the Central Bank, at least 21 days prior to any change in the terms and conditions to a customer's account.



that current sales practices might be hindering adequate explanations of the financial features of the products, as well as consumers' adequate understanding of risks associated to variable interest rate.

Financial institutions' internal complaint handling mechanisms are weak and there is no effective out of court dispute resolution mechanism. Most financial institutions have some type of internal procedure for dealing with their clients' complaints, but they are not well disclosed and designed (e.g. lack of time limit for responding to a complaint, no disclosure of the mechanism available to complain), which might discourage or impede the presentation of complaints by financial consumers. There is no regulation establishing a requirement for financial institutions to have such procedures, the minimum standards they would have to comply and the disclosure of them. Over the last three years, the Central Bank has received only 22 complaints from financial consumers, for which it has implemented an internal procedure for its analysis. The few other complaints received by other public sector agencies (BBS and Ombudsman) have been referred to Central Bank.

On the insurance sector, the Office of Supervisor of Insurance and Private Pensions (OSIPP) handles complaints presented against insurance companies, insurance intermediaries, and pension administrators. However, market conduct is not yet included in the Insurance Act.

### BOX 5: Potential Gaps and Opportunities – Financial Consumer Protection

#### GAPS and BARRIERS

- ✗ Lack of legal or regulatory framework for financial consumer protection
- ✗ Low transparency and disclosure measures by FSPs on fees and charges that ensures the comprehension by consumers and enables comparison across providers.
- ✗ Internal complaints handling mechanisms are not consistently available across FSPs
- ✗ Lack of alternative dispute resolution mechanisms

#### OPPORTUNITIES

- ✓ Developing a comprehensive legal and regulatory framework for financial consumer protection
- ✓ Issuing financial consumer protection guidelines and regulations in key areas, including disclosure/transparency and responsible lending
- ✓ Establishing a framework for financial services dispute resolution

## 5.7. Financial Education and Capability

Financial education is a key element in promoting financial inclusion because of the impact education has on a person's financial literacy and, in turn, on his or her financial capability and financial well-being.

Financial literacy represents the level of aptitude in understanding personal finance. It often refers to awareness and knowledge of key financial concepts required to manage personal finances. Financial

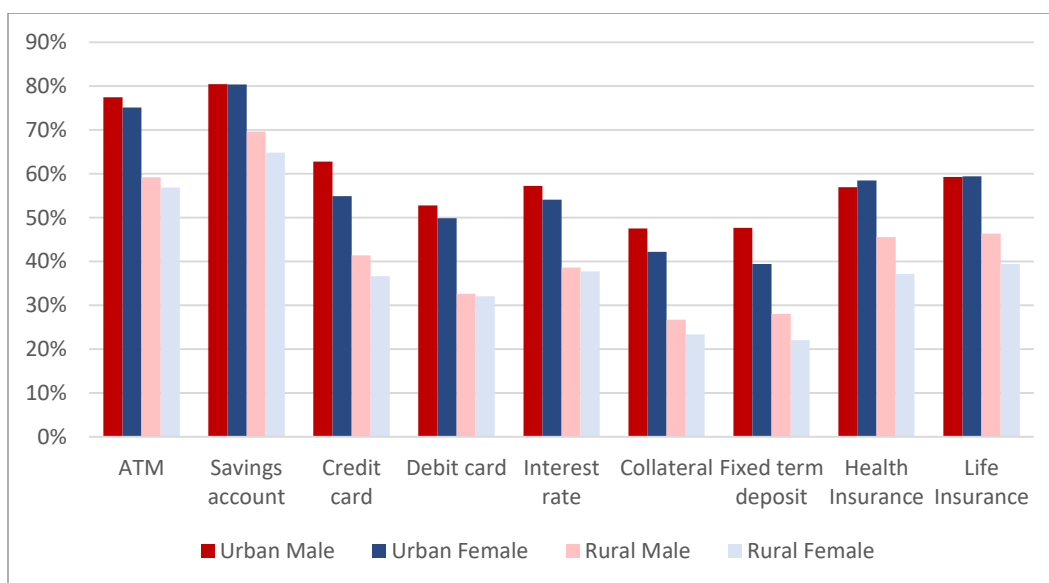
literacy, as defined by the OECD<sup>48</sup>, is a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. Financial literacy leads to financial capability, which is the capacity to act in one’s best financial interest allowing consumers to manage their resources and understand, select and use financial services that fit their needs.

The 2019 Financial Inclusion Survey measured awareness of financial concepts by asking respondents to self-assess how well they knew and understood the following nine financial services, products and terms: ATM, savings account, credit card, debit card, interest rates, collateral, fixed term deposit, health insurance, life insurance. For each concept, individuals would indicate if they had no knowledge, poor knowledge, or good knowledge.

On average, Belizean adults self-assessed that they had good knowledge for 4.4 out of the 9 concepts. Women scored slightly lower than men with an average of 4.3 and 4.6 correspondingly. Adults living in urban areas declared having knowledge of significantly more financial concepts than those in rural areas, with an average of 5.3 concepts with good knowledge versus 3.7 correspondingly.

While 22.3 percent of Belizean adults reported having good knowledge of all nine financial concepts, 20.1 percent of adults did not report having good knowledge on any of the financial concepts in the survey. The concepts which more adults reported having good knowledge of were savings account (73.2 percent) and ATM (66.2 percent), followed by life insurance (50.3 percent), health insurance (48.7 percent), and credit cards (47.9 percent), and interest rates (46 percent). The concepts, which the least number of adults identified as having good knowledge on, were debit card (40.8 percent), collateral (33.9 percent), and fixed term deposit (33.3 percent). Significant inequalities between women and men in knowledge of these nine financial concepts are not found, rather, these are observed between the urban-rural populations (see Figure 16).

**Figure 16. Financial awareness of financial concepts by gender and area**  
(% of adults who self-reported having ‘good knowledge’ of the financial concept)



Source: 2019 Financial Inclusion Survey.

<sup>48</sup> OECD INFE (2011) Measuring Financial Literacy: Core Questionnaire in Measuring Financial Literacy: Questionnaire and Guidance Notes for conducting an Internationally Comparable Survey of Financial literacy. Paris: OECD.

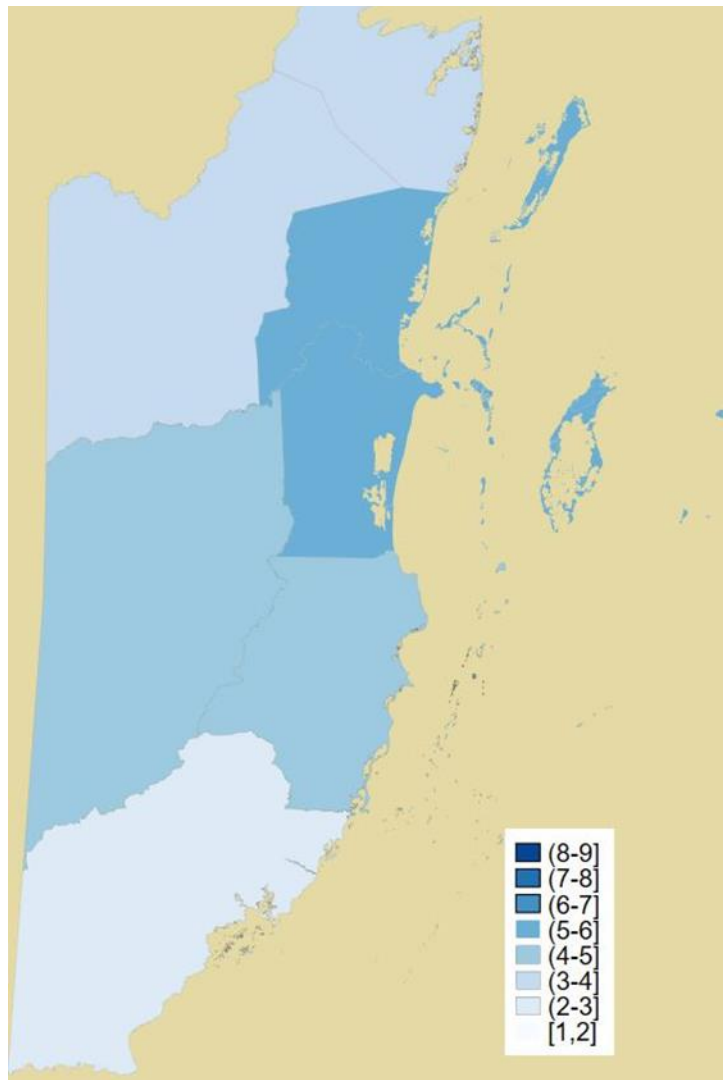
Financial awareness and education are tightly linked. This is evident from the high correlation displayed between the number of financial concepts individuals self-assessed as having good knowledge of, and their level of education. On average, adults with no education said they had good knowledge of only 1.7 financial concepts, with primary education 3.6 concepts, with secondary education 6.2 concepts and with tertiary education 7.6 concepts.

There are also regional variations on financial awareness as shown in Figure 17. In particular, adults in Belize District self-reported having good knowledge of more financial concepts (on average 5.7 concepts), followed by Cayo District (4.5 concepts), Stann Creek (4.2 concepts), Corozal (3.9 concepts), Orange Walk (3.3 concepts) and the lowest being Toledo (2.4 concepts).

Initiatives to improve Belizeans' financial literacy have been unfolding in the country since 2006<sup>49</sup>. Building on these initiatives, financial literacy is already part of Belize's national curriculum for primary school and teachers are being trained to deliver the curriculum and use an integrated approach.<sup>50</sup> The Ministry of Education, Youth, Sports, and Culture (MOE) is currently reforming the curriculum for secondary school and expects to extend financial literacy to high school. Some universities in Belize also offer financial literacy courses as part of specific degree programs such as Entrepreneurship. There is an established position within the MOE in charge of providing training to trainers (teachers and other interested parties).

Price Waterhouse Coopers (PWC) has partnered with the MOE since 2007 to provide financial literacy training to students and teachers.

**Figure 17. Financial awareness across districts in 2019**  
(Average number of financial concepts for which adults considered having 'good knowledge')



Source: 2019 Financial Inclusion Survey

<sup>49</sup> Early initiatives include collaboration between Peaceworks, PricewaterhouseCoopers (PwC) and Dr. Carol Babb, in support of the MOE's efforts that eventually led to "Project Belize", a program that seeks to contribute to overcome social and economic challenges by integrating financial literacy and entrepreneurship into the public-school curriculum.

<sup>50</sup> According to preliminary findings from a recent evaluation of the financial literacy initiatives in the country conducted by the MOE amongst primary and secondary teachers and students from the Districts of Belize, Orange Walk, Cayo, and Stann Creek, 72.5 percent of primary school teachers and only 52.9 percent of secondary school teachers reported feeling competent enough to teach financial literacy topics to their students.

The scope of financial education programs in Belize is mostly focusing on youth, on topics of career planning and long-term saving. Beltraide organizes seminars and workshops to entrepreneurs, focused on accounting, preparation of financial statements, cash flow analysis, and sources of financing. The Ministry of Human Development, in partnership with the Belize Credit Union League (CUL) also administers financial literacy sessions on financial terms, banking instruments, budgeting, saving and financial planning to the working-age population including employed, unemployed and entrepreneurs. The Women’s Department also supports women’s groups and small entrepreneurs through training and grant programs.

Furthermore, a series of conferences, meetings, and symposiums related to improving financial literacy and inclusion, including the first Annual Financial Literacy Symposium<sup>51</sup>, which took place this year, have been central to connecting a wide range of stakeholders to the importance of being financially literate and proposed actions to advance in this area.

Initiatives have yet to cover other aspects of financial literacy, introducing financial concepts and decision-making aspects of financial services and products. Overall, most commercial banks and the Central Bank have not been active on financial literacy. Moreover, there is room for the expansion of financial literacy programs to adults.

**BOX 6: Potential Gaps and Opportunities – Financial Education and Capability**

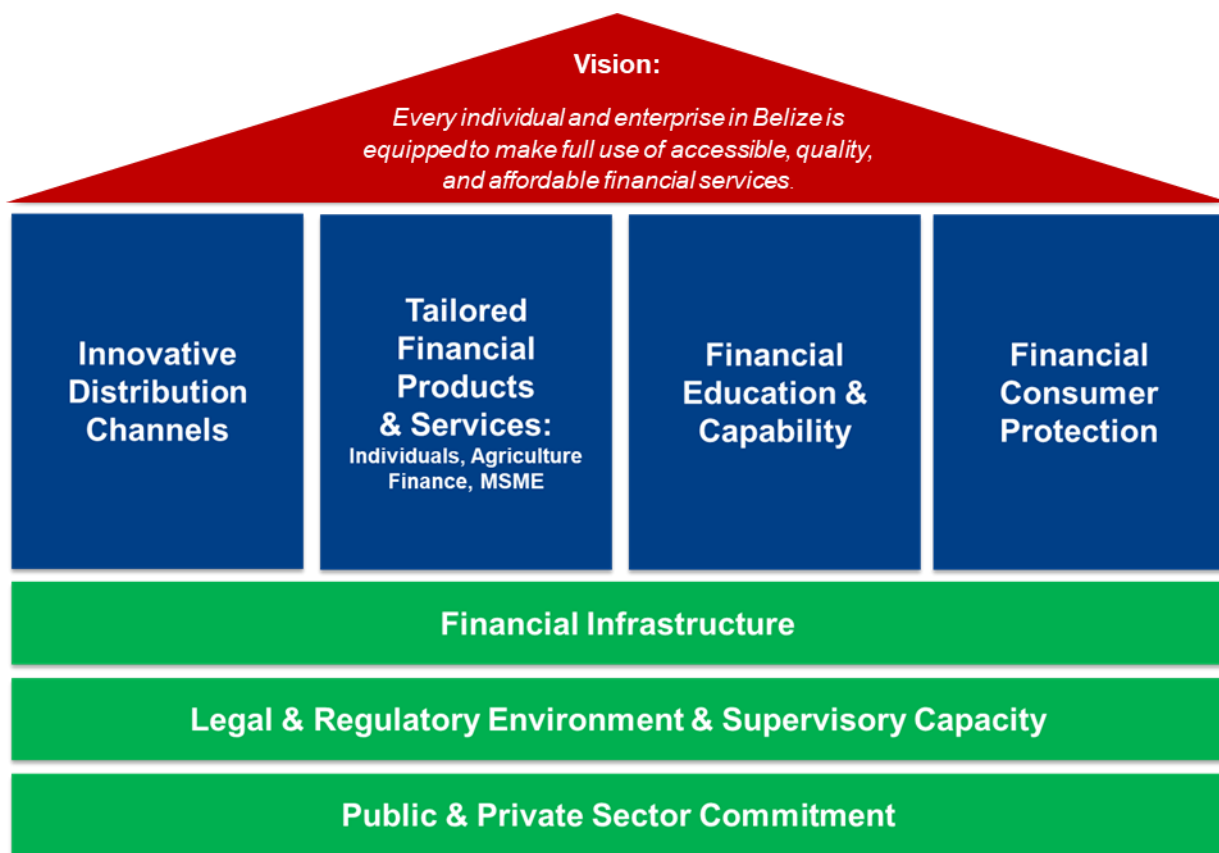
<b>GAPS and BARRIERS</b>	<b>OPPORTUNITIES</b>
<ul style="list-style-type: none"> <li>✗ Low and scattered efforts by FSPs to promote financial literacy</li> <li>✗ Limited financial literacy programs targeting adults and MSMEs</li> <li>✗ Lack of monitoring and evaluation of programs to identify and scale up successful interventions</li> </ul>	<ul style="list-style-type: none"> <li>✓ Creating a public-private partnership to promote financial education in Belize.</li> <li>✓ Reviewing and updating the content of existing financial education programs in coordination with financial institutions</li> <li>✓ Developing financial education materials that can be used by students, the public in general and existing financial consumers</li> <li>✓ Strengthening data collection</li> </ul>

<sup>51</sup> The purpose of the symposium, which was organized by the MOE with participation of the Central Bank, was to teach young students, teachers and adults how to manage money and make sound financial decisions around saving, budgeting, borrowing, and investing.

## 6. OBJECTIVES

### 6.1 Policy Framework for Financial Inclusion

This strategy is based on a framework for financial inclusion that is structured with enabling foundations and key drivers for financial inclusion. These enablers and drivers have been identified as core to responding to the identified gaps in Belize’s financial inclusion environment that act as barriers to the inclusion of all segments of society in the financial system. The NFIS defines policy areas, which will guide and coordinate the necessary actions in achieving the established vision. Specific goals will be assigned to each of these policy areas:



Enabling foundations to expand financial access and inclusion in Belize include:

- **Public & Private Sector Commitment:** encouraging sustained public and private sector involvement and collaboration in building a robust financial system.
- **Legal and Regulatory Environment and Supervisory Capacity:** Appropriate laws and regulations are in place to facilitate access, innovation, competition as well as stability, with corresponding capacity of authorities to monitor and enforce these.
- **Financial Infrastructure:** In addition to infrastructure needed to ensure effective and rapid transaction services, payments, and Information and Communications Technology (ICT) infrastructure, enabling support for electronic registries and credit reporting systems.

Uptake and usage in Belize can be enhanced by the following Cross-Cutting Drivers:

- **Innovative Distribution Channels:** Expanding the geographic coverage of easily available financial access points in Belize can be made possible through the employment of technology and interoperable access channels.
- **Tailored Financial Products & Services** for individuals, agriculture finance, and MSMEs: Promoting a variety of product offerings to meet the diverse needs of target populations.
- **Financial Education and Capability:** Equipping consumers with awareness, understanding, and skills to make improved financial decisions.
- **Financial Consumer Protection:** Ensuring the fair treatment of customers, including through safeguards on market conduct in areas such as transparency and disclosure.

As noted above, these policy priorities are in line with Government of Belize economic growth strategies, especially Horizon 2030's goal of strengthening the institutional framework and capacity to regulate effectively the financial system to promote savings and productive sector investments.

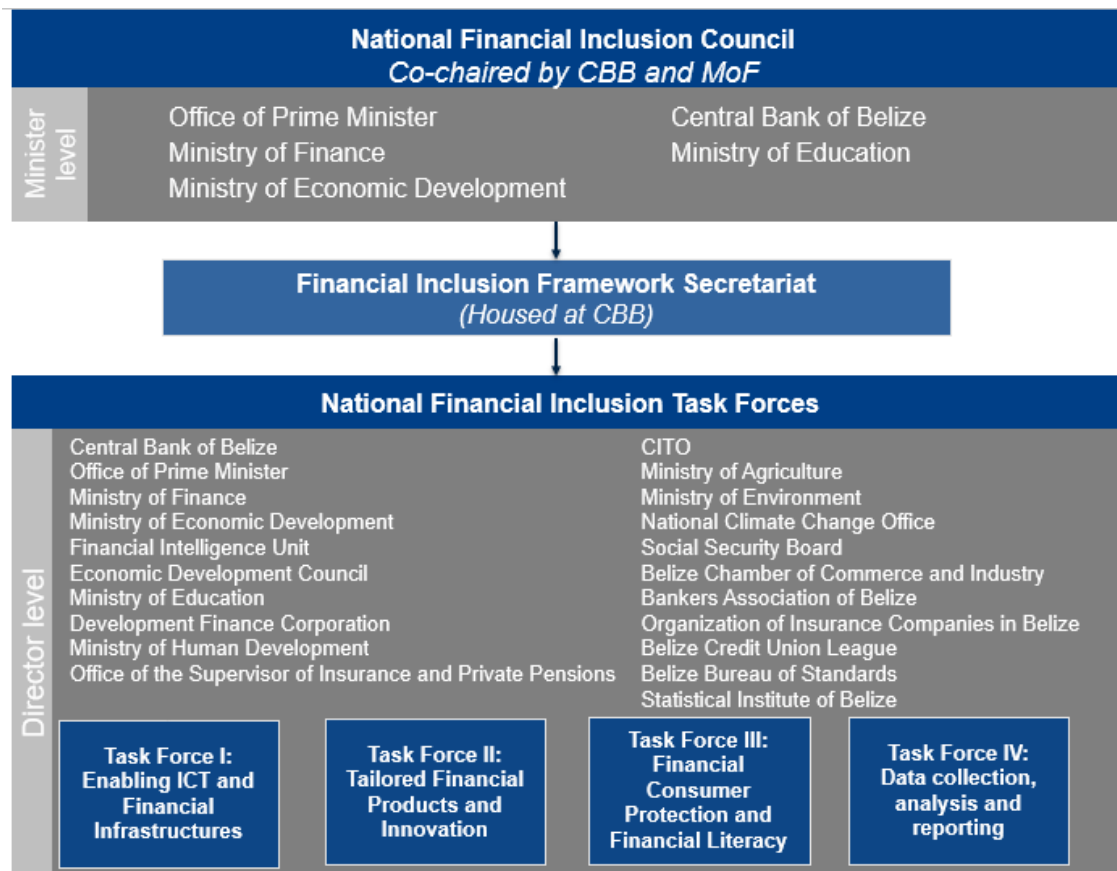
## 6.2 Priority Populations

The NFIS will prioritize actions that can expand access and usage of financial services to underserved individuals including women; lower-income populations; rural populations, especially those engaged in agriculture; and micro, small, and medium enterprises. Agriculture and small businesses are core drivers of economic activity, employment, and livelihoods in Belize. Despite this, specialized financial products to address the unique needs of these are not readily available.

In addition, to enable a future where citizens who are equipped to manage their financial lives, the NFIS will identify actions to aide in deepening financial education and capability in youth, in addition to individuals and MSMEs.

## 7. IMPLEMENTATION: COORDINATION AND GOVERNANCE MECHANISMS

To effectively coordinate financial inclusion efforts in Belize, the following governance arrangements will oversee the implementation of the actions laid forth in the NFIS.



### 7.1 National Financial Inclusion Council

The National Financial Inclusion Council (NFIC) has been established as the policy guidance organization within this NFIS governance structure to ensure effective leadership and coordination of relevant public and private stakeholders' effort toward advancing financial inclusion. The NFIC will be responsible for providing high-level policy guidance and implementation oversight for the NFIS and for ensuring that financial inclusion remains a focal priority across stakeholder institutions, especially during the duration of the four-year lifespan of the NFIS. The NFIC will be co-chaired by minister-level representatives of the Central Bank and the Ministry of Finance and has membership from the Ministry of Education. It will also represent the Office of the Prime Minister and Ministry of Economic Development. The Council will meet at least two times during the first year of implementation of the NFIS and on an annual basis for the subsequent years, to provide policy guidance on the prioritization, sequencing, and coordination of key NFIS actions, as well as to secure budget resource and funding for larger-scale initiatives.

This is in addition to monitoring results reported to the Council by the NFIS Secretariat and providing strategic direction in response to progress. Potentially, the NFIC would liaise with international organizations to engage international cooperation towards NFIS goals.

*Specific responsibilities include:*

- Set overall policy and provide strategic direction to the National Financial Inclusion Steering Committee (FISC) and the NFIS Secretariat on financial inclusion;
- Regularly monitor and assess results reported to the Council by the NFIS Secretariat and provide strategic direction in response to NFIS implementation progress;
- Clarify policy related issues and consider the approval of proposals made by NFIS Secretariat;
- Advise on the implementation and follow-up of the National Financial Inclusion Strategy at a higher political level with the aim of gaining adequate support and assistance for the effect of same;
- Review any other issues related to the implementation of Financial Inclusion Initiatives as needed and advise the Government on the best way forward.
- Liaise and consult with international organizations to engage international cooperation towards NFIS goals.

## **7.2 Financial Inclusion Task Forces**

Thematic Financial Inclusion Task Forces (FITFs) to coordinate and consult on the prioritized actions identified in the NFIS are to be formed. Institution members of the FITFs will be responsible for the implementation of the NFIS. The strategic planning and work plan for each Task Force will be guided by the NFIS Action Plan. Membership of the Task Forces will be determined by the thematic coverage area and actions to be implemented. In function of the NFIS actions identified, wider membership beyond the stakeholders of each FITF may be recruited, considering senior level champions and technical experts from other public and private institutions.

The Task Forces will be composed of director-level representatives of different public and private sector institutions that include the Central Bank of Belize; the Office of the Prime Minister, Ministry of Finance, Ministry of Economic Development; the Economic Development Council (EDC); the Ministry of Education; the Ministry of Human Development; the Development Finance Corporation; the Office of the Supervisor of Insurance and Private Pensions (OSSIP); the Belize Bureau of Standards; the Belize Chamber of Commerce and Industry; UNDP; the Bankers Association of Belize; the Organization of Insurance Companies in Belize; and the Belize Credit Union League. The Task Forces will meet, as needed, during the first year of implementation and at least quarterly for the subsequent years. The FITFs are empowered to assign tasks to its members for implementation.

Initially, four FITFs will be established, each related to a key thematic area including: (i) Enabling ICT and Financial Infrastructures; (ii) Tailored Financial Products and Innovation; (iii) Financial Consumer Protection and Financial Literacy; and (iv) Data Collection, Analysis and Reporting. Other thematic Task Forces can be formed as needed. FITFs will provide support and directly report to the Secretariat that will consolidate all reports into a single annual progress report to be submitted to the National Financial Inclusion Council.

*Specific responsibilities include:*

- Implement the NFIS through clear and proper cascading of actions, in coordination amongst and within each respective implementation institution;



- Advise and consult the NFIC, through the Secretariat, on areas that need improvement and revision on existing policies, practices and systems, identify opportunities and or critical obstacles to advance financial inclusion as well as potential budgetary needs based on the NFIS thematic areas and actions set forth;
- Prepare, discuss and submit annual progress reports to the Secretariat, and maintain records;
- Engage with international organizations as needed.

### 7.3 Financial Inclusion Secretariat

The NFIS Secretariat will provide continuous support to the National Financial Inclusion Council (NFIC) and the Financial Inclusion Task Forces to coordinate, monitor, and evaluate the implementation of the NFIS action plan. This Secretariat will be housed in the Central Bank. The Secretariat will be primarily responsible for day-to-day coordination across stakeholders and monitoring of implementation results.

*Specific responsibilities include:*

- Track the developments in implementation of activities and progress in financial sector development against NFIS key thematic areas and actions set forth;
- Regularly collect information from stakeholders for the purpose of preparing formal reports to the NFIC;
- Effectively coordinate participation of multiple relevant stakeholders;
- Convene other thematic task forces as needed;
- Receive, compile and present NFIS implementation progress from the FISC;
- Prepare annual reports on NFIS implementation progress and performances of different stakeholders to be presented to the NFIC for review and strategic direction;
- Prepare and publish annual progress reports to update the general public on NFIS progress;

## 8. MONITORING AND EVALUATION

The NFIS Monitoring and Evaluation Framework (M&E) has been designed to provide a sound basis for measuring the progress and effectiveness of financial inclusion efforts, and identifying bottlenecks and challenges in completing the NFIS prioritized actions, and ultimately achieving the NFIS goals and targets. The M&E framework is designed to track progress against the objectives, activities, and outputs outlined in the action plan to enable informed decisions on whether resources are being utilized effectively.

The M&E system will comprise four elements:

- **Data infrastructure**, which provides relevant and reliable financial inclusion data to comprehensively assess financial inclusion growth over time.
- **National Financial Inclusion Results Framework** that establishes key targets aligned with the policy objectives of the framework for tracking;
- **Action tracking system** and reporting mechanisms to track the implementation of the actions

included in the NFIS.

- **Support evaluations or policy research for financial inclusion** to ensure the efficiency, effectiveness, and impact of financial inclusion actions and reforms.

## 8.1 National Financial Inclusion Results Framework

The NFIS results framework allows implementing institutions and other stakeholders to monitor the progress towards the goals and vision set forth by this NFIS. The NFIS results framework includes indicators on all the NFIS policy driver areas based on data sources that are currently available or are planned to start collection in the short-term. The indicators are organized around these policy areas. Targets have been set for all indicators for which a baseline figure is available. For those with no baseline data, the targets will be set as soon as the baseline data is collected.

Policy driver area	#	Indicator	Baseline (year)	Target (2022)	Source	Reporting Frequency	Reporting disaggregation	
Tailored financial products and services	Accounts	1	% of adults with a deposit or transaction account at financial institution	<b>65.5</b> (2019)	<b>80</b>	Findex/SIB Survey	Triennial / Annual	By gender, age, rural, district,
	Savings	2	% of adults saving via a regulated financial institution <sup>52</sup>	<b>32.5</b> (2019)	<b>40</b>	Findex/SIB Survey	Triennial/Annual	By gender, age, rural, district
	Credit	3	Volume of loans to MSMEs as percentage of total loans (banks and credit unions)	-	<b>tbd</b>	CBB	Quarterly	By rural, district, agricultural sector
		4	% of adults who borrowed from financial institution in past year	<b>17.3</b> (2019)	<i>No target; monitor only</i>	Findex/SIB Survey	Triennial / Annual	By gender, age, rural, district
		5	Getting credit index (out of 100 points)	<b>20</b> (2018)	<b>40</b>	Doing Business WB	Annual	
	Payments	6	Cashless retail transactions per 1,000 adults	-	<b>tbd</b>	CBB	Quarterly	By type of instrument
		7	% of adults who made or received digital payments in the past year	<b>44.8</b> (2019)	<b>65</b>	Findex/SIB Survey	Triennial / Annual	By gender, age, rural, district
Innovative distribution channels	8	Total access points <sup>53</sup> per 100,000 adults	<b>75.9</b> (2018)	<b>80</b>	CBB	Quarterly	By rural and district	
	9	Total access points per 1,000 km <sup>2</sup>	<b>7.7</b> (2018)	<b>9</b>	CBB	Quarterly	By rural and district	

<sup>52</sup> Includes saving at a bank or credit union.

<sup>53</sup> Access points considered include bank and credit union branches and ATMs. Statistics on agents will be included once agent framework is in place and statistics become available.

Policy driver area	#	Indicator	Baseline (year)	Target (2022)	Source	Reporting Frequency	Reporting disaggregation
	10	% of financial institution customers that use online or mobile banking	17.2 (2019)	25	CBB	Quarterly	By gender, age, rural, district
Financial Education and Capability	11	% of school-aged children who receive financial education as part of the curriculum	73.4	100	Ministry of Education	Annual	By rural and district.
	12	% of adults who are aware of financial system concepts <sup>54</sup>	46.7 (2019)	65	SIB Survey	Annual	By gender, age, rural, district
Financial Consumer Protection	13	% of clients who were charged a fee that was unexpected	18.4% (2019)	10	SIB Survey	Annual	By gender, age, rural, district

## 8.2 Tracking Implementation of the NFIS Actions

A critical part of the M&E system is to ensure that the actions outlined in the NFIS action plan are being implemented by the responsible entity within the timeline specified. Each implementing institution will be responsible to report implementation status of their actions (not yet initiated, initiated, completed), bottlenecks or challenges impeding its implementation, and relevant output indicators on a biannual basis to the NFIS Secretariat. The Secretariat will compile and prepare an annual report with this information to present to the National Financial Inclusion Council and will also share mid-year progress (or encountered bottlenecks) as needed. These reports will create a feedback loop to ensure challenges are addressed at the highest level to continue implementation and will also support policy decisions including re-prioritization throughout the implementation of the NFIS.

## 8.3 Financial Inclusion Data Infrastructure

High-quality data are required for a robust M&E system. Belize has only recently started collecting demand-side data and has yet to collect disaggregated supply-side data by the priority groups (gender, age, rural, MSME, agricultural, etc.). Continuing to incorporate the financial inclusion survey module in the Labor Force Survey will be instrumental in monitoring the implementation of the NFIS. It is critical that efforts to increase the scope and quality of Belize's financial inclusion data infrastructure be undertaken and prioritized. For this reason, improving the available data for financial inclusion is part of the NFIS action plan. It is necessary for the M&E framework to maintain a certain degree of flexibility to incorporate these data sources, indicators and targets as they become available. The Secretariat will be responsible of maintaining an updated list of all available financial inclusion indicators.

<sup>54</sup> The survey probes respondents for self-reported awareness and understanding of 9 key financial sector concepts. An adult is considered aware of financial system key concepts if they self-report having 'good knowledge' of at least 5 concepts.

## 9. ACTION PLAN

The following action plan is designed in response to the obstacles and opportunities analyzed in Section 5, “The Current State of Affairs”. In order to strategically mobilize on the policy objectives and priorities set forth in section 6, “Objectives,” each action corresponds to a policy priority and objective and identifies lead and supporting implementing stakeholders.

Expanding financial inclusion inevitably requires the concerted action of a multidisciplinary set of actors, leadership from both private and public stakeholders is needed to deliver these actions. With guidance from and in consultation with corresponding task forces, primary stakeholders are tasked with leading implementation of critical actions that can help Belize achieve the vision set forth in this NFIS, with support from secondary stakeholders. Implementing entities responsible for each of the corresponding activities outlined in the action plan must identify and provide all the necessary human and financial resources to carry them out, and if necessary, manage their inclusion in the corresponding budget. The timeline indicated for each action provides guidance for sequencing of these priority actions across the lifetime of the NFIS. To assist in monitoring overall progress under each action area, relevant national impact indicators associated with each action are identified.

Policy Objective Area	Actions	Implementing Stakeholders		Priority	Time Frame	Relevant Indicator(s)
		Primary	Secondary			
<b>Public &amp; Private Sector Commitment</b>						
Improve cross-agency, cross-sector coordination for financial inclusion	Convene and ensure public-private participation in task forces meetings	Secretariat	EDC	High	2019-2022	
	Produce NFIS annual reports with contribution from task forces' members and organize annual stakeholder convening event on NFIS implementation progress	Secretariat	EDC, MED, Task Forces Members	Medium	2019-2022	1-13
Improve data infrastructure for financial inclusion	Ongoing collection of demand-side financial inclusion data through Financial Inclusion	Secretariat	SIB	High	2019-2020	1,2,4,7,10 12,13

	Module in Labor Force Survey					
	Collect disaggregated supply-side financial inclusion data by priority groups (gender, age, rural, MSME, etc.)	Financial Service Providers	CBB, Secretariat	High	2019-2020	1,2,3,7,10
	Collect data on agriculture finance	Ministry of Agriculture	Secretariat	Medium	2019-2020	
	Expand data collection on financial capability	Ministry of Education	Secretariat	Medium	2019-2020	11,12,13

### Legal & Regulatory Environment & Supervisory Capacity

Enabling policy to support financial services technology acceleration	Develop and Enact a Digital Signature Legislation	MoF, CITO	Attorney General, EDC	Medium	2019-2021	1,2,4,6,7
Increase capacity for oversight framework	Expand implementation of oversight framework for non-bank financial institutions	OSIPP, CBB	NBFIs, Insurance Companies	High	2019-2020	
Facilitate Access to Payment Systems	Develop secondary regulation on operationalization of the National Payment Systems Act (including licensing requirements and oversight framework for financial service providers, non-bank financial institutions and payments system providers)	CBB	FSPs, BCUL	High	2019-2020	6,7,8,9

Financial Infrastructure						
Reduce cost of electronic transactions	Financial services providers to align retail transaction fees with the lower cost structure associated with digital transactions	FSPs	CBB	High	2019-2020	6,7,10
	Implement National Switch as a private-public partnership	FSPs	CBB	Medium	2020-2022	6,7
	Credit unions to invest and increase capacity to connect directly to the National Payments System	BCUL	CBB	High	2019-2020	6,7
Increase access to consumer credit information	Establish a Credit Registry	CBB	FSPs, Business Community, Utilities Companies	Medium	2020-2021	3,4,5
	Develop and implement a Secure Transaction Law and establish a Moveable Collateral Registry	MED	EDC, Bankers Association, BCUL, CBB	Medium	2019-2022	3,4,5
Innovative Distribution Channels						
Expand financial service provision via mobile technology	Financial service providers to develop and expand reach and functionality of mobile banking applications	FSPs	CBB, Telcos	Medium	2019-2021	1,2,4,6,7,8,9,10

Expand financial service provision via agents	Develop and implement an oversight and licensing framework for the development of agents for payment services providers	CBB	FSPs, MNOs, OSIPP	High	2019-2021	7, 8,9
<b>Tailored Financial Products &amp; Services</b>						
Reduce barriers of documentation and customer due diligence	Consistent implementation of CDD requirements within banking and credit unions sectors	Bankers Association, BCUL	FSPs, FIU, CBB	High	2019-2020	1, 5, 6
	Develop tiered KYC/ AML/ CFT guidelines to facilitate the development of low-risk products	CBB, Bankers Association	FIU	High	2019-2020	1, 4,5
Expand availability of financial products and services for women, youth, MSMEs, and agribusiness	Development of tailored-made financial products for target populations	FSPs, DFC	Telcos, CBB, OSIPP	Medium	2019-2022	1,2,3,4
	Collect data on climate risk for the development of disaster and climate insurance	Ministry of Agriculture, National Climate Change Office	Department of Environment - 5Cs, Office of the Supervisor of Pension and Insurance, DFC	Medium	2019-2022	3
<b>Financial Education &amp; Capability</b>						
Strengthen financial capability of consumers	Scale-up targeted and sector-specific financial capability training to	Beltraide, Ministry of Agriculture	BCUL, Ministry of Human Development	Medium	2020-2022	12,13

	entrepreneurs, MSMEs, agribusiness, rural communities, and women		, DFC, MOE, BTIA, BEST			
	Enhance financial capability training to primary, secondary, tertiary education instructors	Ministry of Education	Banker's Association, BCUL, CBB	Medium	2019-2022	11,12
	Financial Service Providers to develop and implement sector-specific financial education initiatives	FSPs	Bankers Association, BCUL, CBB, DFC, OSIPP	Medium	2019-2022	12,13

### Financial Consumer Protection

Improve transparency and disclosure practices of financial service providers, including through accessible language	Develop and implement guidelines for the standardization of the disclosure of fees and charges	CBB, FSPs, OSIPP	FSPs	High	2019-2020	13
Establish Financial Consumer Protection framework	Develop and implement the financial consumer protection regulatory and oversight framework	CBB, OSIPP, MoF	FSPs	High	2021-2022	13
Increase trust in the financial system	Establish a deposit insurance scheme	CBB	FSPs	High	2019-2020	1,2



## 10. RISK AND MITIGATION MEASURES

During the multi-year tenure of the NFIS, 2019-2022, implementation of the NFIS will inevitably encounter impediments. Anticipating these challenges by analyzing potential risks and developing corresponding measures by which to manage them will help ensure the effectiveness of the NFIS even in the face of uncertainties. The following risks and corresponding mitigation approaches are identified:

<b>Risk</b>	<b>Potential to Impact Strategy</b>	<b>Mitigation Measures</b>
Macroeconomic shocks	Medium	<ul style="list-style-type: none"> <li>• The NFIS is implemented in tandem with a Government growth strategy and macroeconomic stability policies.</li> </ul>
Sustained buy-in from both public and private sector stakeholders	High	<ul style="list-style-type: none"> <li>• Prioritized actions to be undertaken in NFIS are based on sustained consultation with stakeholders.</li> <li>• Continued engagement through systematically organized task forces in addition to a high-level coordination body.</li> <li>• Headline convening events to report on progress and ensure sustained participation.</li> <li>• NFIS governance structure includes both private and public sector.</li> </ul>
Political and leadership considerations	High	<ul style="list-style-type: none"> <li>• Actions are to be led by a spectrum of stakeholders.</li> <li>• The lead implementation institution has embedded the NFIS into its organizational strategy.</li> <li>• Approval of the NFIS by Cabinet.</li> </ul>
Resource constraints	High	<ul style="list-style-type: none"> <li>• Measures proposed are prioritized and actionable.</li> <li>• Dedicated staff and resourcing is proposed for the NFIS Secretariat to ensure consistent oversight.</li> <li>• The NFIC will seek to crowd in donor support for the implementation of the action plan.</li> </ul>