

Mobilising Domestic Capital for City Infrastructure: How Belize Developed a Municipal Bond Market

This case study demonstrates how fiscal devolution, domestic liquidity, and tailored legal frameworks can enable municipal access to capital markets in small economies. Belize City shows that infrastructure financing is achievable where the necessary conditions are present or can be created through political commitment and incremental institutional development.



1. Overview and Purpose

Belize City's experience demonstrates how a mid-sized municipality in a small developing economy can access capital markets to finance infrastructure, even when the national government lacks the fiscal space to invest. Facing chronic underinvestment in roads, drainage, and public spaces, Belize City Council leveraged three structural advantages: autonomous own-source revenues devolved by legislative reform, a domestic capital market with excess liquidity and limited offshore investment options, and strong local leadership.

The solution required bespoke enabling legislation, secured through direct engagement with the Prime Minister, and an innovative investor protection structure combining a statutory tax offset provision with a Central Bank-administered sinking fund. The first bond, issued in 2012, raised USD 10 million over ten years and was fully subscribed. A shorter-term municipal paper regime followed, before a more collaborative legislative process produced the Municipal Securities Act of 2023, which extended borrowing powers to all local councils under a prudential framework with formal regulatory oversight.

The Belize experience shows that municipal capital market financing is achievable even in small economies where the preconditions, fiscal devolution, domestic liquidity, and credible legal structures, are present or can be created. It also demonstrates that building those conditions requires sustained political commitment and incremental institutional development over many years.

2. Urban Context and Structural Challenge

Belize is a Commonwealth country in Central America with a population of approximately 400,000. Belize City sits at the heart of national economic life, concentrating a substantial share of the country's commerce, tourism, and financial services activity. Yet despite this economic weight, the city endured chronic underinvestment in infrastructure throughout much of the 2000s.

The national government had accumulated significant sovereign debt over the preceding decades, and the burden of servicing that debt severely curtailed its capacity to fund capital expenditure. Infrastructure investment in urban centres was effectively squeezed out of the central budget for years at a time, and local authorities such as Belize City Council were left to manage the accumulated consequences: deteriorating roads, inadequate drainage, and neglected public spaces that belied the city's economic significance.

It was a Global Affairs Canada, Caribbean Local Economic Development Project report that indicated that Belize possessed the foundational conditions for a municipal securities market. The idea was not without regional precedent: Belize's proximity to the United States, where municipal bonds have a long and well-established history as a vehicle for financing local public infrastructure, provided both a conceptual model and a degree of practical familiarity among the financial community.

What made this situation more tractable than it might otherwise have been was a prior round of legislative reform that had already devolved meaningful revenue authority to the larger local authorities. Belize City Council held autonomous control over property tax, trade licence fees, traffic revenues and a range of other own-source revenues, none of which were subject to central government redistribution or required central approval to collect. This gave the Council a credible and independent revenue base, one that could, in principle, support the servicing of debt raised independently of the national government.

At the same time, the domestic financial system was operating under its own set of structural pressures. The Belize dollar has been pegged to the US dollar since 1976, and the capital controls associated with maintaining that peg meant that commercial banks, insurance companies, pension funds, and credit unions were unable to invest freely offshore. The result was a pool of captive domestic institutional capital in search of credible local investment opportunities, at a moment when interest rates were falling and liquidity across the system was in excess.

These conditions converged to make an innovative local financing solution both conceivable and viable due to the potential of a credible and autonomous revenue base from which debt could be serviced without recourse to central government as well as a domestic capital market holding excess liquidity in local currency with few credible outlets for investment.

3. Project Approach and Delivery Model

Translating this convergence of conditions into an actual bond issuance required navigating a significant structural obstacle: no legislation existed at the time to permit Belize City to borrow in this way. Securing enabling legislation meant building political support at the highest level of government, and city officials and their financial advisers went directly to the Prime Minister to make the case.

The pitch succeeded in winning commitment to develop a legislative framework, though the Ministry of Finance remained uncomfortable with the principle of local authority borrowing and insisted on a series of constraints that reflected its caution. Rather than creating broad enabling legislation applicable to all councils, the Ministry agreed only to draft a bespoke instrument permitting Belize City specifically to issue a bond. That legislation would be valid for a single issuance only, and the Ministry retained approval authority over the terms of any bond that came to market.

With the legislative framework in place, the next challenge was persuading investors to participate. Although the Belize City Council had access to strong and independent revenue streams, the broader financial track record of local authorities across Belize was not strong, and a revenue pledge alone was unlikely to provide sufficient comfort to institutional investors. The structure that emerged addressed this concern through two interlocking mechanisms, each designed to give investors a credible and legally grounded form of protection.

The first was a tax offset provision embedded directly in the bespoke Belize City Council legislation. In the event of a default on bond repayments, institutional investors holding bonds would be entitled to write off the outstanding value against their tax and fee obligations to the Council. This was a meaningful backstop as many of the most significant institutional investors, including insurance companies, pension funds, and credit unions, were headquartered in Belize City and paid substantial sums to the Council each year. The provision effectively transformed the bond into a legislatively secured investment, giving holders a concrete and enforceable remedy that went beyond the revenue pledge.

The second mechanism was a ring-fenced sinking fund held under the custodianship of the Central Bank of Belize, into which both central government transfers and revenues from a newly created cruise ship head tax were assigned. Should the Council encounter difficulty meeting repayments, investors would be repaid from this fund. The Central Bank's well-established reputation for institutional conservatism and operational independence lent the arrangement additional credibility, and its involvement signalled to the market that the structure had been designed with genuine rigour.

The first bonds were issued by Belize City in 2012, carrying maturities of two (2), five (5) and ten (10) years and with interest rate of three-point five (3.5%) to (8.0%) eight percent on the longest term. This first Series raised USD 10 million. It was fully subscribed, predominantly by institutional investors, and the proceeds were directed towards road infrastructure.

Although this issuance was a success, the Ministry of Finance declined to build on it through broadly applicable legislation. Thus, when the capital city, Belmopan, issued its own municipal securities in 2017, it was under a singularly crafted amendment to its City Council Act. In regard to the Belize City Council Issue, the Ministry of Finance allowed the original bespoke Act to lapse and introduced in its place a municipal paper regime, a more tightly controlled framework under which the Belize City Council could issue shorter-term notes of up to one year. Automatic rollover provisions created what were in effect synthetic three-year instruments, but the underlying tenor remained short.

Since the first issuance under this regime in 2019, USD 37 million had been raised in aggregate through these municipal papers, with USD 17.5 million outstanding at this point. Although municipal papers carried lower interest rates than commercial loans, their short-term nature made them poorly suited to infrastructure financing, where the capital outlays are large and the returns accrue over many years.

It was this mismatch that brought the Belize City Council back to the Ministry of Finance with a clear demand for longer-term borrowing instruments. The legislative response was more collaborative than previous rounds had been, with the City Council, the Ministry of Finance, and the Ministry of Local Government working in concert to develop a framework that could command broad support.

The result was the Municipal Securities Act of 2023, a landmark piece of legislation that extended the possibility of raising finance through municipal securities, including full municipal bonds, to all local councils across Belize. The Act established a set of prudential parameters designed to ensure that borrowing remained within sustainable limits. Total interest expense is capped at twenty percent of the average recurrent revenue over the preceding three years, and total outstanding debt cannot exceed four times a council's recurrent revenue stream. Any decision to issue must be approved by a two-thirds majority of the relevant local council, ensuring that borrowing carries a meaningful democratic mandate.

The Act also brought municipal issuances within a formal regulatory framework for the first time, designating the Financial Services Commission as the competent regulator. Councils are now required to produce a prospectus demonstrating material disclosure to investors and to adopt International Financial Reporting Standards, bringing municipal issuances closer in line with the transparency expectations of the wider capital market.

The practical impact of the new framework has begun to show. San Pedro Town Council, which benefits from a substantial tourism revenue base, became the first municipality to issue securities under the new Act. Belize City, whose original bond issuance in 2012 set the entire process in motion, is currently preparing a USD 23.5 million bond for issuance this year.

National Debt Crisis	Bond Preparation	First Municipal Bond	Demand for Municipal Bond	Municipal Paper	Municipal Securities Act	Expansion
Sovereign debt restructuring constrains infrastructure investment	PM & Mayor buy-in Secured, legislation drafting, innovative mechanism developed	Belize City, USD 10M @ 8% 10-year term Fully subscribed; roads financed	Belmopan City Council also issued a small USD 2.75 million Municipal Bond Series in 2017	Shorter-term notes with rollovers; USD 37 million total issued	All councils can issue; FSC regulator established	San Pedro issue bonds; Belize City USD 23.5M in preparation

Figure 1: From sovereign debt crisis to a national Municipal Securities Act —Belize’s journey to expanding municipal borrowing demonstrates that sub-national capital markets can develop incrementally, provided fiscal autonomy, legislative innovation, and institutional trust are built in sequence.

4. Key Lessons and Transferable Insights

What Worked Well

- The devolution of autonomous revenue to all local municipalities, including Belize City was the foundational enabler as without genuine fiscal independence, there would have been no credible security structure to build upon.
- The tax offset mechanism was an innovative way to address the trust deficit between local government and institutional investors. By grounding security in existing legal obligations rather than speculative cash flows, it created investor confidence without requiring a formal credit rating.
- The involvement of the Central Bank of Belize as sinking fund custodian was a reputational anchor. In markets where institutional trust in local government is low, associating a bond with a credible independent body can be decisive.
- Political leadership at both city and national level was essential. The Mayor’s vision and the Prime Minister’s support opened legislative space that would otherwise have been closed.

Challenges and Constraints

- Short electoral cycles present a persistent structural challenge. Local council terms run to three years, making sustained capacity building difficult to embed and incoming administrations face a steep learning curve.
- The shift from cash-based accounting to International Financial Reporting Standards, as required under the 2023 Act, represents a significant institutional demand for many municipalities.
- Although the domestic investor base provides the important supply of local currency, it remains concentrated among a relatively small number of institutional players, principally insurance companies, pension funds, and credit unions. This concentration, combined with limited price sensitivity among those investors, may be keeping coupon rates higher than a more competitive market would produce. Retail investor participation is negligible, though this is recognised as a reform issue for the future.

5. Key Takeaways

- Municipal borrowing, including municipal bonds, are most effective when they are grounded in a credible long-term capital investment programme.
- Framing the bond to communities to understand that the debt is theirs, raised in their name and repaid from their taxes and fees, and that the infrastructure it finances will deliver lasting benefits to them directly helps to build the local political legitimacy that sustains multi-year investment commitments.
- Autonomous, devolved own-source revenue is the foundational condition for any credible municipal securities market.
- Where local government track records are weak, innovative legal mechanisms can substitute for the formal credit ratings.
- The involvement of respected and independent institutions as custodians or oversight bodies can materially reduce perceived risk in markets where local government credibility is limited.
- A deep and liquid local capital market is a necessary condition. The Belize City experience was made possible by a pool of captive domestic institutional capital with few alternative outlets. Where that pool does not exist, or where capital controls do not create similar conditions, the financing model will need to be adapted accordingly.

This Case Study was prepared by Ervin Mark Perez and Astrid R.N. Haas, by way of contribution to the work of the CSCC Urban Finance Action Group, 16 March 2026.



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