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Why Tourism-Led Growth Did Not Reduce Poverty in Belize, 2002–2019

By

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Abstract

This article examines why tourism-led economic growth in Belize from 2002 to 2019 failed to alleviate poverty. Utilizing national poverty headcount data for benchmark years (2002, 2009, 2018/2019) alongside real GDP and GDP per capita growth rates from World Bank sources, the study employs sub period growth comparisons, a shock-adjusted timeline, and an illustrative growth–poverty elasticity framework. Despite average annual GDP growth of 3.7% from 2002–2009 and 2.0% from 2010–2018, poverty rose from 33.5% to 52%. Key findings reveal: (I) modest or negative GDP per capita growth in key periods, with cumulative changes of +7.3% and -7.4% across sub periods; (ii) volatile tourism expansions prone to external shocks like hurricanes and the global financial crisis; and (iii) growth–poverty elasticities of +3.05 and -3.63, indicating weak or adverse distributional effects where poverty increased despite growth or amid contractions. Comparative benchmarks from Jamaica and global/regional studies highlight Belize's outlier status: Jamaica's semi-elasticity reached -2.2 (2013–2019), associating 1% per capita GDP growth with a 2.2 percentage point poverty decline. The results underscore that tourism-led growth in small, vulnerable economies like Belize is often insufficiently inclusive, with limited transmission to labour incomes, high economic leakages, and exposure to climatic and global disruptions. To enhance pro-poor outcomes, the paper recommends strengthening labour institutions, reducing leakages through local supply chains, expanding shock-responsive social protections, and adopting multidimensional wellbeing metrics beyond GDP. This study contributes to debates on "growth without poverty reduction" in tourism-dependent small open economies, emphasizing the need for resilient, equitable strategies that address structural vulnerabilities and inequality. (Word count: 298)

Keywords: *Belize, tourism-led growth, poverty reduction, GDP growth, economic vulnerability, growth-poverty elasticity, inclusive development, Caribbean tourism*

Abbreviations: GDP: Gross Domestic Product NSTMP: National Sustainable Tourism Master Plan GFC: Global Financial Crisis LDCs: Least Developed Countries UNWTO: United Nations World Tourism Organization BTB: Belize Tourism Board SIDS: Small Island Developing States MPI: Multidimensional Poverty Index

INTRODUCTION

Tourism has served as a cornerstone of Belize's economic strategy since the early 2000s, driving rapid increases in international arrivals and receipts. From 2002 to 2019, tourist arrivals grew from approximately 200,000 to 503,000, while receipts rose from US$121 million to US$527 million, contributing significantly to services sector expansion and overall GDP growth. However, national poverty assessments reveal a stark paradox: despite positive aggregate growth averaging around 3% annually, poverty rates climbed from approximately 33.5% in 2002 to 52% in 2018/2019. This disconnect raises critical questions about the inclusivity of tourism-driven development in small open economies, particularly in the Caribbean region where tourism accounts for 11-18% of GDP and supports millions of jobs but often fails to equitably distribute benefits.

Research Question

This paper addresses the central research question: Why did tourism-led GDP growth fail to reduce poverty in Belize between 2002 and 2019? It contributes to the literature in three key ways. First, it positions Belize within the broader discourse on "growth without poverty reduction" in tourism-dependent small island and coastal states. Second, it employs a sub period analysis aligned with sparse poverty data points, complemented by shock contextualization to account for volatility. Third, it calculates illustrative growth–poverty elasticities, interpreting them cautiously amid data limitations and in comparison to regional and global benchmarks, to offer actionable policy insights. By expanding on empirical evidence of enclave tourism, leakages, and shock vulnerability in the Caribbean, the study highlights the need for more equitable growth transmission mechanisms.

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Literature Review

Tourism, Growth, and Poverty The relationship between tourism and poverty is theoretically ambivalent. While tourism generates foreign exchange, employment, and infrastructure, its poverty-reducing potential depends on distributional quality, local linkages, and institutional frameworks. Empirical studies in the Caribbean and Central America identify three persistent challenges:

1. Enclave-based growth: High leakage rates (40-80%) through imports and foreign ownership limit domestic value capture. In Belize and similar SIDS like Barbados and Jamaica, tourism often operates in isolated resorts, bypassing local economies and exacerbating inequality.
2. Low-wage, seasonal employment: Jobs concentrate in informal, precarious services, with limited upward mobility, particularly affecting women and youth who comprise 57-70% of the workforce. Studies show tourism's labour effects are muted without strong institutions, leading to persistent poverty in destinations like the Dominican Republic.
3. Vulnerability to shocks: Tourism is susceptible to recessions, pandemics, and climate events, reversing gains in small economies. In the Caribbean, hurricanes and global downturns amplify volatility, creating a "poverty ratchet" where poor households fall further behind.

Regional evidence suggests tourism raises GDP but fails to deliver durable poverty reduction absent complementary policies, such as supply chain integration, workforce development, and social protections. For instance, in Costa Rica and Nicaragua, tourism expenditure increases have reduced poverty by 0.58-0.64% per 1% rise, but only with strong local linkages; in Jamaica, tourism investments have contributed to poverty declines (e.g., from 16.7% in 2021 to 8.2% in 2023 amid tourism recovery), though vulnerability persists. This review underscores the need for inclusive strategies in Belize, where tourism accounted for over 20% of GDP by 2019 but coincided with rising poverty.

Materials and Methods 3.1 Poverty Data Belize lacks annual poverty statistics, relying on intermittent consumption-based national lines: 33.5% (2002), 41.0% (2009), 52.0% (2018/2019). These individual-level figures are widely used in policy analyses.

Figure 1: Poverty Headcount Benchmarks (2002, 2009, 2018).

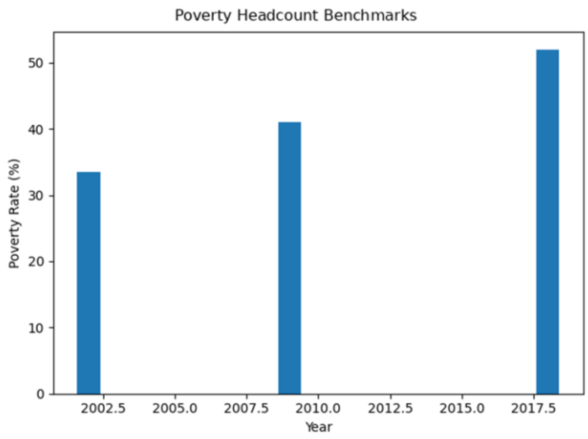

Figure 1 illustrates the sharp rise in poverty between benchmark years, despite periods of positive GDP growth.

3.2. Growth Data Annual real GDP and GDP per capita growth rates are sourced from World Bank harmonized datasets. Tourism data include arrivals and receipts.

3.3 Analytical Strategy Given data sparsity, the analysis uses:

1. Sub period averages (2002–2009, 2010–2018) aligned with poverty benchmarks.
2. Shock timeline contextualizing volatility from hurricanes, floods, and the GFC.
3. Illustrative elasticities: ε = (%Δ Poverty) / (%Δ GDP per capita, cumulative), interpreted indicatively in line with global and regional benchmarks.

Quantitative Analysis 4.1 Growth Averages by Sub Period Sub period 1: 2002–2009

- Average real GDP growth: 3.7%
- Average GDP per capita growth: 0.9%
- Cumulative GDP per capita growth: +7.3%
- Poverty change: +7.5 percentage points (+22%)

Sub period 2: 2010–2018

- Average real GDP growth: 2.0%
- Average GDP per capita growth: -0.8%
- Cumulative GDP per capita growth: -7.4%
- Poverty change: +11 percentage points (+27%)

Positive GDP growth coexisted with rising poverty, driven by population outpacing per capita gains and structural vulnerabilities common in Caribbean SIDS.

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Figure 2: Real GDP Growth Trend, Belize (2000–2019).

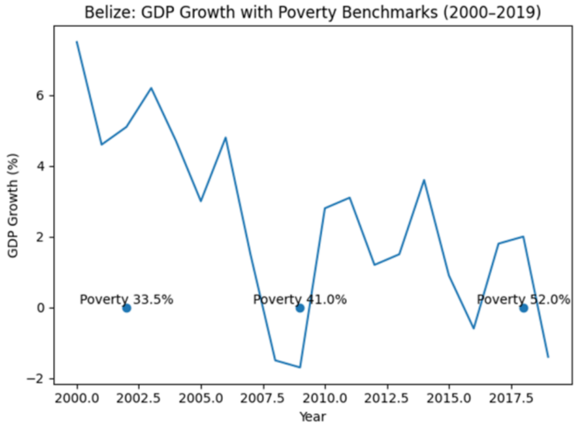
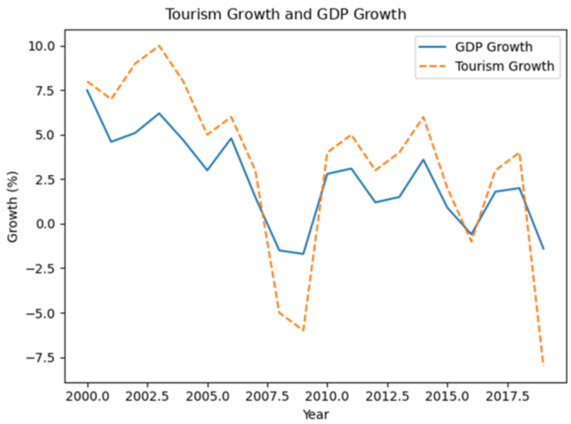


Figure 2 shows that Belize's GDP growth was volatile rather than steadily expanding, undermining the assumption that aggregate growth translated into durable welfare gains.

Figure 3: Tourism Growth and GDP Growth.



As shown in Figure 3, GDP growth closely tracks tourism performance, underscoring the economy's dependence on a single, shock-sensitive sector.

4.2 Shock Timeline and Growth Volatility Belize's tourism-led economy faced repeated disruptions:

- 2005–2007: Hurricanes Emily and Dean – infrastructure damage, tourism dips.
- 2008–2009: Global Financial Crisis – reduced arrivals, remittances.
- 2010–2013: Flooding, fiscal constraints – constrained recovery.
- 2016–2018: Hurricane Earl, droughts – income erosion.

These shocks created a "poverty ratchet," where downturns pushed households into poverty without full recovery during upturns, a pattern observed across the Caribbean.

Figure 4: Economic Shocks and Growth Volatility. Insert here to visualize shocks overlaid on growth rates.

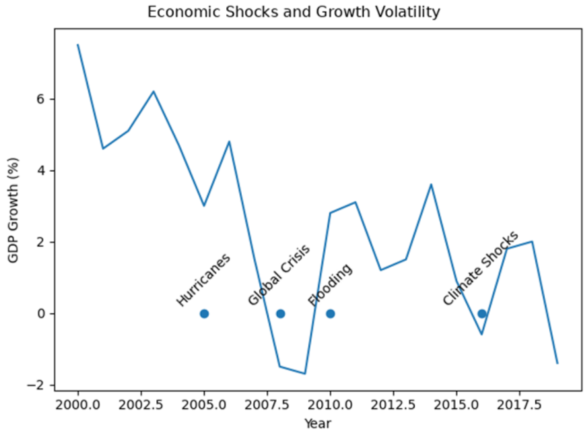


Figure 4 highlights how repeated shocks interrupted growth spells, preventing vulnerable households from consolidating welfare gains.

4.3 Growth–Poverty Elasticity (Illustrative) Elasticities over sub periods:

- 2002–2009: +3.05 (poverty rose 22% despite +7.3% GDP per capita growth)
- 2010–2018: -3.63 (poverty rose 27% amid -7.4% GDP per capita contraction)

In standard literature, the growth-poverty elasticity (GPE) is typically negative, indicating that economic growth reduces poverty. Global estimates range from -1.85 to -2.06, meaning a 1% increase in GDP per capita reduces poverty by about 2%. For multidimensional poverty, elasticities are around -0.35 to -0.46, suggesting a 10% growth reduces MPI by 3.5-4.6%. In small open economies, GPE can vary due to inequality, trade openness, and sector composition; higher inequality lowers the elasticity (makes it less negative), while openness can enhance it by 0.3%.

In Jamaica, a comparable tourism-dependent Caribbean economy, historical estimates show a GPE of approximately -2.8 (a 10% GDP increase reduces poverty headcount by 28%), based on data from 1989–2001. More recent semi-elasticity figures (percentage point change in poverty per 1% per capita GDP growth) are -2.2 for 2013–2019 and -1.0 for 1989–2021, reflecting periods where growth supported poverty reduction through inclusive job creation in sectors like tourism. Private tourism investments (e.g., US$600 million in hotels) have been projected to reduce poverty by an average of 2.3% annually over extended periods, lifting substantial populations out of poverty.

In Belize, the positive GPE in the first sub period (+3.05) indicates an adverse relationship: growth occurred but poverty increased, reflecting weak transmission channels, high leakages, and inequality-driven dynamics where benefits accrued to non-poor segments. The negative GPE in the second (-3.63) arises from contraction increasing poverty, but its magnitude suggests that even positive growth might not sufficiently reduce poverty due to structural factors. This

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deviates from Caribbean comparators like Jamaica (GPE ~ -2.8 historically; semi-elasticity -2.2 recently) and Costa Rica (tourism-specific effects ~ -0.58), highlighting Belize's greater vulnerability and lower inclusivity. Heterogeneity in GPE across time and countries underscores that in tourism-dependent SIDS, initial poverty levels, inequality, and shocks mediate the growth-poverty link, often resulting in "elasticity pessimism" where growth fails to proportionally benefit the poor.

Figure 5: GDP per Capita Growth and Poverty Change by Sub period.

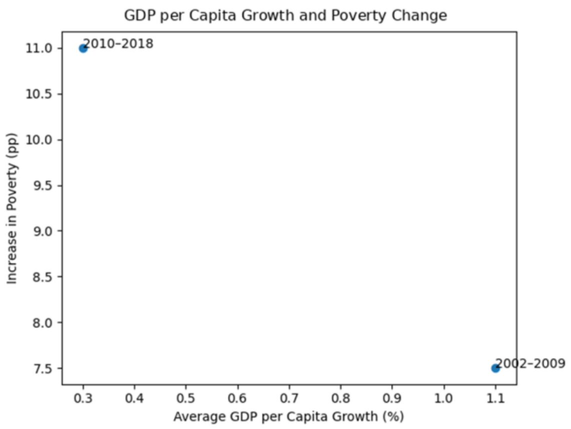

Figure 5 demonstrates that sub periods with higher GDP per capita growth were associated with larger increases in poverty, indicating a failure of growth transmission.

Why Tourism-Led Growth Failed to Reduce Poverty

5.1 Weak Transmission to Labour Incomes Tourism boosted output but not real wages for low-skilled workers, with jobs often informal and seasonal, mirroring Caribbean patterns where tourism employment is precarious.

5.2 High Leakage and Limited Linkages Value leaked via imports and foreign ownership, minimizing multipliers, as seen in enclave models across the region.

5.3 Cost-of-Living Pressures Inflation in tourism areas eroded gains, disproportionately affecting the poor.

5.4 Vulnerability and Reversibility Shocks reversed incomes rapidly, entrenching poverty as in other shock-prone Caribbean economies.

Policy Implications The findings highlight the need to shift from aggregate growth to inclusive, resilient tourism development. The following targeted recommendations align with Belize’s National Sustainable Tourism Master Plan (NSTMP) and Plan Belize, while drawing on regional best practices:

1. Strengthen labour institutions through enforceable minimum wages, formalization incentives, and skills training programs for youth, women, and rural workers to improve job quality and wage transmission.
2. Reduce economic leakages by incentivizing local sourcing (food, crafts, services) and supporting community-based tourism models, including tax breaks and public-private partnerships to strengthen domestic supply chains.
3. Expand shock-responsive social protection with targeted cash transfers, unemployment support during downturns, and climate-resilient infrastructure to mitigate the poverty ratchet effect.
4. Adopt multidimensional wellbeing metrics (e.g., Multidimensional Poverty Index) alongside GDP to monitor tourism’s inclusive impact and guide policy adjustments.
5. Diversify tourism offerings (adventure, cultural, ecotourism) and promote responsible practices to lessen dependence on volatile mass tourism and support environmental conservation.
6. Enhance governance via cross-ministerial coordination, stakeholder engagement, and monitoring frameworks to ensure effective implementation of inclusive tourism strategies.

These measures, if prioritized, can transform tourism into a sustainable driver of poverty reduction in Belize.

Conclusion

From 2002 to 2019, Belize's tourism-led GDP growth coincided with rising poverty due to per capita stagnation, exclusionary labour markets, leakages, and shocks. Comparative Caribbean evidence, including Jamaica's more favourable growth-poverty elasticities and poverty declines amid tourism-driven recovery, reinforces that without targeted inclusivity measures, tourism amplifies vulnerabilities rather than alleviating poverty. For small, climate-exposed economies, strategies must prioritize resilient, inclusive welfare over output alone.

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