"Celebrating Growth, Sustaining Recovery"

BUDGET PRESENTATION FOR

FISCAL YEAR 2011/2012

Hon. Dean Barrow

Prime Minister and Minister of Finance

Belmopan

Friday, 11 March, 2011

SUMMARY OF RECURRENT AND CAPITAL BUDGETS

	REVISED ACTUAL 2009/2010	APPROVED ESTIMATES 2010/2011	REVISED ESTIMATES 2010/2011	PROPOSED ESTIMATES 2011/2012
TOTAL REVENUES AND GRANTS	735,737,970	811,589,453	752,587,267	843,630,033
RECURRENT REVENUE	697,301,064	784,268,353	735,622,761	784,049,120
TAX REVENUE	604,080,963	703,493,483	650,488,305	687,266,405
Income and profits	213,455,085	247,548,804	240,763,528	258,741,762
Taxes on property	5,281,751	7,003,365	5,274,748	5,458,384
Taxes on international trade & transactions	165,411,489	175,836,935	163,485,604	196,325,370
Taxes on goods and services	220,552,626	273,105,330	240,964,425	226,739,889
NON-TAX REVENUE	92,620,101	80,774,870	85,134,456	96,782,715
Property income	12,175,519	6,830,273	11,615,494	12,228,037
Licenses	18,415,825	11,760,116	12,191,996	13,618,716
Royalties	24,878,800	30,575,614	27,887,467	28,842,828
Other	36,150,057	31,488,866	33,250,490	42,092,134
CAPITAL REVENUES:	4,773,558	4,800,000	4,140,979	5,285,913
Sale of crown lands	4,741,375	4,200,000	4,059,454	5,285,913
Sale/Return of equity	32,183	600,000	81,525	-
GRANTS	33,663,348	22,521,100	12,823,527	54,295,000
TOTAL EXPENDITURES	768,490,655	876,325,468	821,788,889	889,987,180
RECURRENT EXPENDITURE	668,861,922	721,590,717	700,360,187	729,553,294
Personal Emoluments	273,673,100	291,226,891	279,921,214	300,368,173
Debt Service Interest & Other Charges	97,184,316	118,778,113	116,256,565	112,080,653
Pensions	48,146,983	50,415,975	48,949,100	48,915,975
Goods & Services	156,766,830	165,058,426	160,440,312	167,929,907
Subsidies & Current Transfers	93,090,691	96,111,312	94,763,976	100,258,586
CAPITAL EXPENDITURES	99,628,733	154,734,751	121,428,702	160,433,866
Capital II Expenditures	53,747,311	65,229,811	59,737,326	48,193,840
Capital III Expenditures	40,657,322	83,045,854	45,232,280	107,280,960
Capital Transfer & Net Lending	5,224,100	6,459,086	16,459,086	4,959,066
RECURRENT SURPLUS/[DEFICIT]	28,439,142	62,677,636	35,262,574	54,495,826
PRIMARY SURPLUS/[DEFICIT]	64,431,633	54,042,098	49,063,963	65,723,506
OVERALL SURPLUS/[DEFICIT]	*(32,752,685)*	*(64,736,015)*	*(69,201,622)*	*(46,357,147)*
AMORTIZATION	(69,704,400)	(62,985,868)	(60,864,353)	(63,000,000)
FINANCING REQUIREMENT	(102,457,085)	(127,721,883)	(130,065,975)	(109,357,147)
Foreign Loan Disbursements (Projects)	31,489,841	65,524,754	32,479,323	62,563,552
Foreign Loan Disbursements (General)	40,000,000	35,000,000	20,000,000	35,000,000
Domestic Deposits/Borrowing	30,967,244	27,197,129	77,586,652	11,793,595
GDP (in billions of Bz $)	*2.721*	*3.071*	*2.841*	*2.951*
Overall Surplus/Deficit (+/-) AS A % OF GDP	-1.20%	-2.11%	-2.44%	-1.57%
Primary Surplus/Deficit (+/-) AS A % OF GDP	2.37%	1.76%	1.73%	2.23%

OUTLINE OF BUDGET SPEECH FOR FISCAL YEAR 2011/2012

"Celebrating Growth, Sustaining Recovery"

Table of Contents

INTRODUCTION

Mr. Speaker,

I rise to move the first reading of the General Appropriation Bill for Fiscal Year 2011/2012.

Last year's Budget presentation was a sober affair, concerned with setting out a recovery roadmap, attended by some sacrifices, that would guarantee us a return to growth and a measure of prosperity after the contraction of 2009. The short point to make now, is that we have been successful. We are buoyed by a 2.4% GDP growth for the year that's ending, and a forecast of 3% for 2011/2012. In the circumstances, Mr Speaker, you will forgive me if the tone of this beginning reflects a degree of satisfaction. But pretty much all we undertook to do last year, has been done. Our social protection initiatives, our pro-poor policies, got off to a good start; we continued with infrastructure improvement and its concomitant job-creation; access to credit for small and medium enterprises was expanded via the DFC; and I believe we are beginning to see now a slight containment of the murderous Belize City gang violence.

Of course, Mr Speaker, the trajectory of affairs for small, vulnerable states, never allows exhilaration to obtain except in uneasy coexistence with anxiety. Thus it is that global storm clouds are once again gathering in the form of international crude oil prices in excess of 100 US dollars per barrel. Even as we hope for a return to geopolitical and supply stability in the Middle East, this government will do its best to locally cushion the effects of the price spikes. But in any case we press on with the flowering and articulation and implementation of our vision: increased infrastructure activity; continuing strides in education and health; advances in agriculture leading to self-sufficiency and food security; private sector growth fuelled by cheaper credit and no new taxes; improvement in law and order; and, above all, our mantra, our gospel, our talisman: ever greater investment in, compassion for, and protection of, the poor.

FRAMEWORK FOR THE BUDGET

Mr. Speaker, in October last year the much vaunted recovery of the Belizean economy was just beginning to hit full stride when Hurricane Richard dealt its blow to the central part of our country. And now, the world price of fuel has begun to escalate as a consequence of the speculation triggered by the uncertainties in the Middle East. Mr. Speaker, this is part of the context in which the Budget for the upcoming Fiscal Year must be placed.

The continuing effect of the world economic crisis on Belize's small open economy cannot be overstated. Inasmuch as activity is rebounding at the macro level, output in some economic sub-sectors such as construction, manufacturing and fishing, is still well below the pre-recession levels. And farmed shrimp production has not shown any great signs of recovery. Government is therefore still challenged with providing ever more resources to fight the heightened criminality and social disruption that mushroomed as one consequence of the crisis.

In October, Richard made landfall in central Belize as a category one hurricane and caused severe damage and dislocation to agriculture, housing stock, electricity and road infrastructure in the Belize, Stann Creek and Cayo Districts. It is a matter of proud record that Government immediately made resources available for the clean-up, rehabilitation and rebuilding following the hurricane. It is also a matter of record that once again a natural disaster brought Belizean resilience to the fore, produced another small triumph of perseverance. As just one example, I cite the story of citrus. Despite significant hurricane crop losses, the industry picked itself back up; and is on track for one of the best years, production wise and price wise, in recent memory.

Withal, then, the tale of our recovery is a most encouraging one. But now comes this Damocles sword of rising world oil prices, threatening to turn advantage into adversity. Mr. Speaker, I will discuss later the measures that this Government is taking to mitigate local pump prices. Right away, though, let me put forward the positive side of this oil price conundrum. Because of this government's negotiation of the windfall tax in 2008, our country now gets an additional 50% of the net take of Belize's crude when exported at a price in excess of 90 US dollars per barrel. Mr Speaker there are unending complaints about our petroleum industry from those that would straitjacket it. But the receipts therefrom are now a mainstay of government revenue and help greatly with salaries, pensions, operating expenses and the delivery of goods and services to the people. So we must indeed be careful to ring fence what is still a nascent enterprise. Appropriate environmental, cultural and social safeguards are obligatory. But government will also not be deterred from pressing on with the new exploration that can unlock the plentiful reserves that the data suggests is very much present as part of our Belizean bounty.

RECENT ECONOMIC DEVELOPMENTS

INTERNATIONAL ECONOMIC DEVELOPMENTS

Following a contraction of 0.6% in 2009, world output rebounded with an estimated 5.0% increase that was supported by relaxed monetary policies; large fiscal injections; a recovery in commodity prices in response to increased demand particularly from developing countries; the return of private capital flows to middle income countries; and a marked rise in manufacturing and global trade. The large emerging countries expanded by a robust 7.1% while the advanced economies reported more modest growth of 3.0%. The outlook for 2011 is for world output to fall moderately to approximately 4.4%.

While the Latin American and Caribbean region rebounded from the 1.8% decline of 2009 with a 5.9% expansion in 2010, the economic performance was uneven, with stronger growth in big countries such as Brazil and Argentina.

The Caribbean, which is more heavily dependent on advanced economies like the US, continued to experience the negative effects of the sluggish demand and high unemployment in those economies. Improvements in tourism and foreign investment were therefore rather modest and fiscal interventions by local authorities were limited, given the existing high level of indebtedness across the region. As a result, GDP is estimated to have grown by a meager 0.5% in 2010, which was still a notable improvement after the previous year's 2.3% contraction. While the Bahamas, St. Lucia and Trinidad & Tobago turned the corner with increases of 0.5%, 1.1% and 1.2%, respectively, there were continued contractions in Barbados and Jamaica. The outlook for Caribbean economies in 2011 is for modest expansion in real GDP.

ECONOMIC DEVELOPMENTS IN BELIZE - 2010

It is against this backdrop that Belize's GDP growth of 2.4% in real terms during 2010, must be seen as stellar. The Statistical Institute of Belize reports that the growth was underpinned by expansions in services, utilities, sugarcane, non-traditional crops and livestock. There was a sizeable increase in the domestic capacity for electricity generation as the hydroelectric facility at Vaca Dam and the bagasse cogeneration (BELCOGEN) plant were brought fully online. An upswing in tourism due to respective increases in stay-over and cruise ship visitors of 1.4% and 8.4%, boosted activities in "Hotels and Restaurants", "Transport and Communications" and "Wholesale and Retail Trade". Growth in the latter was also facilitated by an increase in cross border trade at the Commercial Free Zone. As well, higher fiscal outlays and activities associated with the conduct of the 2010 Population and Housing Census underpinned a notable expansion in government services.

Domestic prices began to move upward again during 2010, with the Consumer Price Index (CPI) averaging a 0.9% annual increase, compared to the deflation of 1.1% during 2009. The greatest cost push came from the sharp increase in acquisition costs for imported fuel, that in turn drove up prices at the pump and for other petroleum dependent activities. On the good news side, the cost for *"Food, Beverages and Tobacco"* and *"Household Goods and Maintenance"* declined by an average of 3.0% and 1.1%, respectively. That this was a consequence of this government's removal of import duties and the general sales tax (GST) on basic food and household items, cannot be doubted. It is an achievement of which we remain extremely proud.

On the external front, the current account deficit plummeted from 6.3% of GDP in 2009 to under 1.0% of GDP in 2010. This was due to a substantial contraction in the trade deficit, higher earnings from services, and Fair Trade sugar inflows. It all outweighed the increased repatriation of oil profits and even the sharp hike in debt service payments due to the step-up of the interest rate on the super-bond in August. Exports increased by 26.1%, largely in response to a boost in Commercial Free Zone sales, a resurgence of crude oil prices, and higher earnings from citrus juices, banana, papaya and molasses. With the import bill declining by 0.8%, there was a notable 43.8% contraction in the size of the merchandise trade deficit.

While the current account position improved markedly, the surplus on the capital and financial account shrank by 90.0% due to lower foreign direct investment inflows. Also, the extraordinary inflows of 2009 from the IMF SDR allocations and ENDA loan, were not repeated this year. In addition, commercial banks paid down short term liabilities and boosted foreign asset holdings by $22.6mn. Even with the tightening of the financial account surplus, Central Bank's gross international reserves increased by $8.6mn to $436.0mn, the equivalent of approximately 4.8 months of merchandise imports.

Domestic monetary developments included a 0.1% decline in the broad money supply over the year. Credit to the private sector fell by $42 million, and net credit to Central Government also contracted by $8.6 million, reflective mostly of a build-up in government deposits that was facilitated by receipts from the sale of BTL shares and higher tax collections.

In the face of persistently high commercial bank liquidity, the Central Bank lowered the cash reserve requirement from 10.0% to 8.5% of average deposit liabilities. This was in May, and it freed up funds to purchase securities and also reduced the level of commercial bank unremunerated cash reserves. Notwithstanding these actions, however, bank liquidity increased further with excess statutory liquidity rising to $160.1 million. This is some 35.7% above the required level, while excess cash reserves rose to $60.5 million, 36.5% above the legal requirement.

During the year, weighted average deposit and lending rates fell by 51 basis points and 20 basis points, respectively. It was against such a backdrop that the Central Bank moved to further reduce the cost of funds for commercial banks and provide more latitude for the lowering of lending rates. Central Bank did this by decreasing the minimum interest rate on savings deposits from 4.5% to 3.5% in November. I must say here that I am very keenly aware of the complexity of the monetary policy/interest rate mix. And I welcome the small drop in lending rates and the further encouragement that the lowering of the deposit floor rate brings. But it is not enough. And no one can help noticing the increase in commercial bank spreads. Quite clearly, the correlation between deposit rates and lending rates is going in the wrong direction. Now legislative intervention or a Central Bank rate-setting diktat, may still be too blunt a policy instrument for the moment. But time is running out, and this really should be the last year in which we see lending rates in the basement internationally but in the stratosphere locally.

With some deceleration expected in the world economy, the most recent estimate is that growth in Belize's GDP should be around 3.0% in 2011. The expectation is that it will be underpinned by the increase in electricity generation, growth in tourist activities and higher output of citrus and banana.

BUDGET PERFORMANCE IN FISCAL YEAR 2010/2011

PROJECTED OUTTURN

Although confronted by unfavorable external economic conditions coupled with the impact of Hurricane Richard during the current fiscal year, we project that the fiscal out-turn will only be slightly lower than the approved budget. We project that at the end of the current fiscal year, we will have achieved a Primary Surplus of 1.73% of GDP and an overall

deficit of 2.44% of GDP. Both. indicators are within one half of a percentage point of the budgeted estimates.

Summary of Approved Budget & Projected Outturn for FY 2010/2011 - (Bz$million)	Approved Estimates	Projected Outturn
Total Revenue and Grants	811.6	752.6
Total Expenditure	**876.3**	**821.8**
Primary Balance	54.0	49.1
As % of GDP	**1.76%**	**1.73%**
Overall Deficit	(64.7)	(69.2)
As % of GDP	**-2.11%**	**-2.44%**
Amortization	(63.0)	(60.9)
Financing Requirement	**(127.7)**	**(130.1)**
GDP in current market prices	3,071	2,841

This overall deficit of $69.2 million and the amortization requirement of a further $60.9 million, are projected to be financed by$52.5 million in external loan disbursements and $77.6 million drawn from the domestic banking system.

Revenue Performance

Total revenue is projected at $739.8 million or some $49.3 million below the budgeted figure. The shortfall is largely in taxes on Goods and Services, estimated to come in at some $32.1 million below budget. This is notwithstanding the increase in rates of the General Sales Tax (from 10.0% to 12.5 %) which took effect at the beginning of the fiscal year. The gap is due in part to the widening of the zero-rated basket of consumer goods, but also to a decline in taxable imports.

On the other hand, Taxes on Income and Profits were essentially on target, reflecting a strong performance from the local petroleum sector. Income taxes from this sector alone amounted to $45.3 million dollars, with a further $16.4 million estimated from related Royalties, Production Sharing, and Working Interest inflows.

Taxes on International Trade and Transactions are projected at $163.5 million or 7.0% below budget, primarily due to a $7.7 million fall in import duties. Capital Revenue is expected to come in at $4.1 million (compared to a budgeted figure of $4.8 million), arising mostly from purchases of crown land under lease-hold arrangements.

Mr. Speaker, we understand that, in these difficult economic times, there is a limit to increasing tax rates before we run the risk of encountering decreasing marginal returns; and more importantly, before such taxes become a disincentive to investment and growth.

Summary of Revenue & Grants for FY 2010/2011		
		(Bz$ million)
	Approved Estimates	Projected Outturn
Total Revenue and Grants	811.6	752.6
Total Revenue	**789.1**	**739.8**
Current Revenue	784.3	735.6
Tax Revenue	**703.5**	**650.5**
Taxes on Income & Profits	247.5	240.8
Taxes on Property	**7.0**	**5.3**
Taxes on Goods & Services	273.1	241.0
International Trade & Transactions	**175.8**	**163.5**
Non-Tax Revenue	80.8	85.1
Capital Revenue	**4.8**	**4.1**
Grants	22.5	12.8

Therefore, our attention must focus on improved administration and stepped-up collection and not on any new taxes.

In this regard, we have this year established a new Compliance Unit within the Department of GST. We also continue with the implementation of the Modernization Project at the Customs and Excise Department. Initial reports are that the Compliance Unit has met with some degree of success in improving the record keeping and reporting by GST Agents. The Customs Modernization Project is presently at the piloting stage of a new automated data system. We expect significant efficiency gains from both these initiatives.

Mr. Speaker: as anticipated, access to grant resources over the year narrowed considerably. The figure for grant inflows is projected at $12.8 million or about 56.9% of budget. While the pace of execution locally is still too slow, the bureaucratic delays on the part of some donor agencies also account for this shortfall. But, I am pleased to report that many of the kinks at the donor level have now been ironed out; and, with the full staffing of project execution units within several government ministries, we anticipate a substantial improvement in grant disbursements in the upcoming fiscal year. Also, we anticipate gaining access to an entirely new source of bi-lateral support in the coming year. I will say more on this in a short while.

Expenditure Performance

Total expenditure for fiscal year 2010/2011 is projected to be $821.8 million, or some 6.2% below budget, as recurrent expenditure came in some $21.2 million under budget, while capital expenditure was some $33.3 million under budget. The fall in the recurrent expenditure can be attributed mainly to a lower Wages and Salaries outturn compared to the budgeted figure. This reflects "savings" from a number of unfilled positions and also delays until later in the fiscal year in recruitment of new Police and BDF intakes. This apparent underperformance in the salaries budget-line masks, however, a continued upward drift in wages and salaries due to the annual increments. It is a trend we have to watch.

Expenditure on Goods & Services was down slightly from budget at $160.4 million compared to a budgeted figure of $168.3 million. But within this figure there continued to be upward pressures on expenditure on utilities and on supplies, particularly medical and fuel supplies.

Total capital expenditure is projected at $121.4 million or some 21.5% below budget, including an un-programmed outlay of $10.0 million in loan support to Belize Sugar Industries Ltd. Development expenditure on Capital II is estimated at 59.7 million, while expenditure on Capital III Projects will be in the region of $45 million or about $38 million below budget.

Mr. Speaker, I repeat that the implementation of our capital program continues to be challenged by capacity constraints, and more latterly by diversion of our already hard pressed managerial resources toward the Hurricane relief and rehabilitation effort. But I also repeat that we are addressing these constraints. We have thus invested more in the appropriate staffing of project executing units and in the outsourcing of engineering supervision of the larger infrastructure projects. We expect that, accordingly, we should see a more rapid implementation in the year ahead.

Central Government's Debt

At the end of December 2010, the Central Government's External Debt stood at BZ$1,885.9 million or a slight increase of some $3.4 million over the beginning of the year. Key disbursements came from the Republic of China (BZ$20 million); the Inter-American

Development Bank (BZ$10.1 million), and the Caribbean Development Bank (BZ$26.5 million). But repayments to these institutions were of an almost similar level.

Also at the end of December 2010, the Central Government's Domestic Debt amounted to $367.8 million, an increase of 14.9% for the calendar year. The increase was due to the issuance of new government securities amounting to $140 million. But some 65% of the proceeds was used to effect a reduction in the Government's overdraft account at the Central Bank of Belize.

Interest paid on Central Government's Debt is projected at $118.3 million or almost exactly the budgeted provision. Of this amount, some $66.0 million, or more than one half, was paid as interest on the so-called "Superbond". The rate on the bond stepped up from 4.25% to 6.00% last August. Mr. Speaker, to compound this most horrific of PUP legacies, we have to brace for a further increase in 2012, at which time the rate will rise to 8.50%. This will require an annual interest outlay of close to $95 million per annum thereafter. The situation then becomes even more unbearable in 2019, when the grace period on the repayment ends. At that time we will be required to pay an additional $110 million in amortization in the first year alone.

BUDGET PROPOSALS FOR FISCAL YEAR 2011/2012

UNDERLYING PRIORITIES FOR THE BUDGET

Mr. Speaker, underlying all our Budget exercises is the stark reality of our vulnerability to global vagaries. Our options are, to that extent, always limited. But the trick is never to surrender to constrictions. Rather we must create new space, find daylight, and wall round the high ground on which our key priorities of social protection and poverty alleviation are encamped.

Poverty Reduction and Social Protection – Accordingly we will continue to make impregnable the ramparts guarding the poor and the marginalized. The government repeats, with no apology and indeed with much pride, that our pro-poor programmes are the centrepiece of our social campaign, our mandate of egalitarianism. We are therefore replenishing our funding for the food support programme that we started on Southside Belize City. But we are going further now. We are expanding it to the Northside of the old capital; and rolling it out to the Cayo District where it will serve, principally, the disadvantaged residents of the twin towns. Altogether then, we will provide 2.5 million dollars over the coming year to help with food cost of living. The Conditional Cash Transfer initiative is of countrywide application, and there is 4 million for that. We are also starting a brand new intervention this year, under which we will give child care subsidies to working families nationwide.

Citizen Security – We will provide more resources for community action and participation in citizen security. RESTORE Belize is being fully funded, and it will continue to coordinate activities of government agencies as well as work with the private sector in providing opportunities for young adults and youth at risk. The first safe zone will soon be fully operational and will be an area in which we begin an enforcement of quality of life laws. Government will also provide more support to the street patrols and crime prevention activities of our security services, while holding the Police Department to the need for internal reform. Some traction has already been gained in the fight against violent, gang-related crime. But I expect our efforts to be greatly aided by a new programme that starts this coming Monday. Fifteen of the most high-energy gang members and affiliates from one of the most challenging areas of the City, have been taken on by the Ministry of Works. They will be dispatched to jobs in the rural areas of three different Districts. We believe this will result in an immediate lessening of tensions and a de- escalation of old capital shooting incidents. The fact is this has come about because of an approach made to me by perhaps the most feared of the so-called gang leaders. I greatly welcome this signal of a willingness to change; and we hope to build on the initiative by finding more district work soon for another fifteen young men from a completely different turf.

Education –We will continue the implementation of reforms for education financing to ensure more access and equity in the education system, particularly at the secondary school level. Greater emphasis will be placed on teacher education and certification. In addition, a major new focus will be placed on child-care and early childhood education. It is in that context that the child care subsidy is of special importance. It will of course benefit the children directly. But it will also provide time and opportunities for mothers to take up employment and become engaged in income-generation activities, knowing that quality care is meantime being provided for their children.

Health – We will protect the level of funding for the NHI and will also provide for increases in enrollment of persons in the Southern Districts. We will provide the counterpart resources to complete investments in heath facilities, particularly in the regional hospitals and feeder polyclinics. At the same time, we will continue to support the provision of kidney dialysis treatment at the KHMH and the La Loma Luz Hospital in conjunction with the international medical services organization, WORTH.

Physical Infrastructure- We believe in infrastructure development not only for its own sake but as a means of creating employment. Thus, we will continue to expand and upgrade the primary and secondary road network throughout Belize. At the same time, we are allocating as much resources as we can muster for the all-important maintenance of streets and drains in our cities and main towns. Significant sums will therefore be allocated for the upgrading of the Toledo District highway to the Guatemalan Border; continuation of work on the Kendal Bridge; and upgrading of rural and feeder roads in the sugar belt. Residents of the District Towns will be pleased to see that we have allocated two and a half million dollars for street rehabilitation in their municipalities. And Northside Belize City will benefit from another million dollars added to the first million we have already given since the start of the year. This is for work mainly in the Caribbean Shores and Freetown Constituencies.

Home Improvement and Low Income construction- Again, in our all-out effort to help the poor and the middle class, we are providing a total of 4.4 million dollars for a low income housing project. The bulk of the money will be spent on home improvement and home repairs, but we do expect some limited amount of new construction. Of course, the funds will be disbursed as completely free grants to recipients.

SUMMARY OF THE DRAFT ESTIMATES FOR FISCAL YEAR 2011/2012

The draft estimates have been prepared on the assumption that nominal GDP will grow, in real terms, by about 3% over the fiscal year. This reflects projected increases in electricity generation, retail trade, tourism services, transportation, and agricultural production, as well as strong public sector investment activities.

We are also assuming a moderate overall increase in food prices.

Mr. Speaker, for the proposed Budget for Fiscal Year 2010-2011, we have set a preliminary target for the Primary Surplus of 2.23% of GDP, and a target for the Overall Deficit of 1.57% of GDP.

Summary of Draft Estimates 2011/2012 and Outturn for FY 2010/2011 – (BZ$million)

	Projected Outturn 2010/2011	Draft Estimates 2011/2012
Total Revenue and Grants	752.6	843.6
Total Expenditure	**821.8**	**890.0**
Primary Balance	49.1	65.7
As % of GDP	***1.73%***	***2.23%***
Overall Deficit	(69.2)	(46.4)
As % of GDP	***-2.44%***	***-1.57%***
Amortization	(60.9)	(63.0)
Financing Requirement	**(130.1)**	**(109.4)**
GDP in current market prices	2,841	2,951

Total Revenue and Grants are estimated at $843.6 million. This is an increase of $91.0 million over the expected outturn for last fiscal year. Total Expenditure is estimated at $890.0 million. Taken together, the result is an overall deficit, before Amortization, of $46.4 million, equal to the 1.57% of GDP.

The provision for amortization payments has increased slightly to $63.0 million which, when added to the Overall Deficit, results in an Overall Financing Requirement of $109.4 million.

This financing requirement will be met from the following already secured sources of financing:

1. Draw-downs of approximately BZ$62.5 million in project-related external loans committed to fund the Capital III Program;

2. A Drawdown of BZ$15.0 million from the IDB, being the Second Tranche of the Social Sector Support Policy-Based Loan;

3. A Drawdown of BZ$20 million from the Republic of China (ROC).

4. A moderate amount of domestic funding of approximately $12.0 million from GOB account balances currently held on deposit in the Central Bank and commercial banks in Belize.

Mr. Speaker, you will see that we continue to finance our capital program largely through borrowings from bilateral and multilateral sources. These loans are on highly concessionary terms, with lower-than-market interest rates and long repayment periods. It is through a judicious mix of fiscal prudence and borrowing restraint that we plan to gradually improve our debt ratios; further accumulate reserves; and ultimately regain access to the international credit market on much improved terms. The attainment of this objective would provide many valuable options to Belize when the time comes to begin the amortization of the “SuperBond” in 2019.

TAX AMENDMENTS

Mr. Speaker, in recent weeks leading up to this Budget Presentation, I made the pledge that there will be no new taxes on the Belizean Public. This is a pledge that I fully intend to honor.

We have therefore constructed our budget with creativity to avoid the need for any tax increases that would place a burden on local businesses, employees, or the general public.

However, there is one small measure that we propose to impose on the local oil sector. That is to raise the rate of Excise Tax on Locally Produced Petroleum from $1.00 to $2.00 per barrel. Given what the sector is reaping from the recent spikes in international prices, we do not think that this is asking too much. The additional yield is expected to be in the region of $1.2 million dollars, and the proceeds will be applied to the new social protection program in the Cayo District, the home of B.N.E.

Mr. Speaker, when this administration took office some three years ago, one of our first budgetary actions was to remove the Revenue Replacement Duty on imported fuels. We replaced this with a lower, and fixed, rate of import duty. Under this new regime, changes in the acquisition costs were expected to pass through fully to the consumer with no price distortion arising from variability in government taxes.

However, with the recent huge jump in the world prices for fuel, there has been an unintended gain to Government through the GST. Because this is an ad valorem (or percentage) tax, the GST yield increases as a consequence of the spike in acquisitions costs.

Mr. Speaker, we will put an end to this.

Effective today, we will sign into law a Statutory Instrument that will zero-rate the GST on gasoline, illuminating kerosene and diesel. In its place, we will increase the Import Duty on gasoline and diesel by a fixed, specific-rate amount. This amount will not be what the GST take is currently, at over 100 US dollars a barrel; but what the GST take was when world oil prices were in the US$85 per barrel range.

In effect Mr. Speaker, the Government will no longer gain (however slightly) from any rise in international oil prices. To repeat, we are in fact rolling back the effective tax a little by import duty substitution at a rate equivalent to the GST position that existed in the middle of last year, as opposed to the higher GST position that obtains now.

But we go further, Mr. Speaker. For we will not apply the make-up import duty to illuminating kerosene. This is mainly used by the poor and is currently import duty free. So we will now remove the GST from kerosene and replace it with nothing. Therefore, from here on out, illuminating kerosene will be free of both Import Duty and GST!

But we go further still. There is a shipment of fuel due today and the pump prices were to increase by about 1.20 BZ per gallon for gasoline and 1.00 Bz for kerosene and diesel. What government will do is, as I indicated, remove the GST. But for this shipment alone we will not impose the substitute import duty. We will therefore make a huge revenue sacrifice. But I caution that this is a one-time-only gesture. When the shipment after this arrives around the last week of March, it <u>will</u> be subject to the new import duty in lieu of GST. And recall that while this new regime will offer some relief by way of duties lower than the GST, we will not any longer be able to avoid some massive increases due to the spiralling international price that we can't control. Of course, we continue to hope that the acquisition costs will come back down and stabilize. But in the meantime, and by way of doing the very best we can, government absorbs for this shipment a loss of about 1 million dollars.

While not a tax measure per se, we are taking the opportunity of amending the Customs & Excise Duty Act to provide for the new rates on certain items as agreed by Belize under the Economic Partnership Agreement (EPA) with the European Union, and under the Partial Scope Trade Agreement with Guatemala. This will make those imported items cheaper to the Belizean consumer.

Another amendment that we are introducing is in response to the changing realities of our time. After serving the Belize market for almost 80 years, the sole local manufacturer of cigarettes has advised that it will now have its cigarette brands manufactured by a global manufacturer through that manufacturer's operations in Trinidad and Tobago.

To facilitate this and also to comply with our obligations under the Treaty of Chaguaramas, we are proposing to lower the rate of Revenue Replacement Duty on cigarettes from CARICOM to a level that is slightly higher than the current rate of Excise Duty on the locally manufactured cigarettes.

Under this amendment, the revenue take for the Government will not be affected negatively, but in fact should see a marginally higher inflow.

ESTIMATES OF REVENUE 2011/2012

The Draft Estimates of Revenue and Grants are comprised of $784.0 million in Recurrent Revenue, $5.3 million in Capital Revenue and $54.3 million in Grants.

Recurrent Revenue is made up of $687.3 million in Tax Revenue and $96.8 million in Non-Tax Revenue.

The rise of $48.4 million in Recurrent Revenue over last year's outturn is attributed to the following:

1. A $16.0 million rise in taxes on Income & Profits attributed to an estimated $5.5 million increase in revenue from the petroleum sector (including an estimated $2.0 million from the Petroleum Supplemental Tax); the expected collection of some $3.5 million in arrears of withholding taxes from the telecommunications sector; and increased collections from continuing improvements in tax auditing and assessments;

2. A $34.8 million rise in Import Duties reflecting both an increase in taxable imports and the shifting of consumption taxes to direct tax on fuel;

3. An increase of $4.6 million from loan repayments to Government; and

4. A new inflow of $1.2 million following an increase in Excise Tax on locally produced crude oil.

Capital Revenue is estimated to increase only modestly by $1.1 million to $5.3 million from the sale of crown land and disposal of unserviceable items.

Summary of Revenue and Grants

(Bz$ million)

	Projected Outturn 2010/2011	Draft Estimates 2011/2012
Total Revenue and Grants	752.6	843.6
Total Revenue	**739.8**	**789.3**
Current Revenue	**735.6**	**784.0**
Tax Revenue	**650.5**	**687.2**
Taxes on Income & Profits	240.8	256.7
of which: Petroleum taxation	*45.3*	*48.9*
Taxes on Property	**5.3**	**5.5**
Taxes on Goods & Services	241.0	226.7
International Trade & Transactions	**163.5**	**198.3**
Non-Tax Revenue	85.1	96.8
Property Income	**11.8**	**12.2**
Licenses	12.2	13.6
Royalties	**27.9**	**28.8**
of which: Petroleum royalties	***15.8***	***16.4***
Other	33.3	42.1
Capital Revenue	**4.1**	**5.3**
Grants	12.8	54.3

Mr. Speaker, for the upcoming fiscal year, we are being greatly helped by new grant resources in the sum of U$$20.0 million under an economic cooperation program we have initiated with the Russian Federation. This is an exciting development, marking the start of an outreach to a country that has not traditionally been within our foreign policy contemplation. I have been invited, and plan to travel in June, to Moscow for discussions on ways to strengthen this fledgling framework for bilateral support.

Funds from this program will be used to support both our Capital II and Capital III Budgets, as well as to cover a portion of the Hurricane Richard rehabilitation expenses incurred in the current fiscal year. When added to the traditional sources of grant aid, mostly from the European Union and the Caribbean Development Bank, and to a number of small programs funded by various United Nations Agencies, we expect the Grant portion of the budget to increase to $54.3 million in the upcoming year.

ESTIMATES OF RECURRENT EXPENDITURE 2011/2012

The Draft Estimates of Recurrent Expenditure propose a total of $729.6 million up from an outturn of $700.4 million the year before. The proposed increase of $29.2 million reflects the steady upward pressure on the wage bill due to annual salary increments, the filling of vital posts especially in the area of public safety, and the contracting of technical and executive staff.

The provision for Pension and Gratuities has also been increasing gradually, reaching $48.9 million for the new fiscal year. We are in the process of undertaking a comprehensive review of the public and government pension systems through a technical cooperation grant from the IDB.

Summary of Expenditure

(Bz$ million)

	Projected Outturn 2010/2011	Draft Estimates 2011/2012
Total Expenditure	**821.8**	**890.0**
Current Expenditure	**700.4**	**729.6**
Wages and salaries	279.9	300.4
Pensions	**46.9**	**48.9**
Goods and services	160.4	167.9
Subsidies & current transfers	**94.8**	**100.3**
Interest payments & other charges	118.3	112.1
Capital Expenditure & Net Lending	**121.4**	**160.4**
Capital II	59.7	48.2
Capital III	**45.2**	**107.3**
Net lending	16.5	5.0
Amortization	**(60.9)**	**(63.0)**

Government is also proposing an allocation of $167.9 million for Goods & Services and $100.3 million for Subsidies & Current Transfers to cover essential materials and supplies for Health and Education; to meet grants to educational institutions; to pay for food and fuel for the Police Department and the Belize Defence Force and other Government departments; and to meet the cost of the ever-growing utilities bills, particularly the bills for street lighting.

In the Recurrent Budget, we are also proposing some $112.1 million to meet interest payments on our debt obligations for the year. The amount required is slightly less than last year's estimate and reflects a slight lowering of interest rate on domestic debt instruments and overdraft facilities. Mr. Speaker, this is just a temporary respite, as in August 2012 the interest on the "Superbond" will reach 8.50%, and the Government will have to provide an additional $28 million per annum to meet the interest on this single debt obligation.

Although not shown explicitly in the recurrent budget due to the GFS-format of the presentation, we have to provide an additional sum of $63.0 million to meet debt amortization payments. This represents a priority call on Government's resources. When added to the Overall Deficit of $46.3 million, it results in an Overall Financing Requirement of $109.4 million.

Summary of Expenditure for FY 2010/2011		
		(Bz$ million)
	Approved Estimates	Projected Outturn
Total Expenditure	876.3	821.8
Current Expenditure	721.6	700.4
Wages and salaries	291.2	279.9
Pensions	50.4	46.9
Goods and services	168.3	160.4
Subsidies & current transfers	92.9	94.8
Interest payments & other charges	118.8	118.3
Capital Expenditure & Net Lending	154.7	121.4
Capital II	65.2	59.7
Capital III	83.0	45.2
Net lending	6.5	16.5
Amortization	63.0	60.9

ESTIMATES OF CAPITAL EXPENDITURE 2011/2012

Mr. Speaker, Government is proposing to allocate some $160.4 million to its capital program in the upcoming fiscal year. The locally funded Capital II Program is estimated at $ 48.2 million while the externally funded Capital III Program will receive an allocation of $107.3 million.

The fairly substantial rise in the Capital III Program is as a result of the increase in secured financing of grant and loan resources. We expect that this will result in an acceleration of ongoing projects as well as the commencement of several major new projects. To move the process along, we have established a number of project steering committees to monitor and support the various project execution units in the implementation ministries. We will also give heightened priority to providing the required local counterpart resources in a timely manner.

In the Capital II and Capital III Programs, it bears repeating that we have set aside over $15.0 million in programs aimed at providing direct assistance to the poor and to the socially marginalized. To highlight them again, they include $4.0 million for the Conditional Cash Transfer Program; $2.4 million for Food Pantry Programs in Belize City and in the Cayo District; $5.0 million to support Child Care Initiatives particularly in the Northern, Southern and Belize Districts; and $4.4 million for countrywide Home Improvements and Home Repair for low income families.

Also in the Capital III [externally funded] program, provisions are being made for the commencement of several new Projects and Programs funded as follows:

1. $3.0 million from the CDB to commence work on a new Macal River Crossing;

2. $3.0 million from the Russian Federation Grant for Rural Electrification;

3. $9.0 million from the OPEC and the Kuwait Fund for the Big Falls to Guatemala Border Road;

4. $5.0 million from CABEI for the Board Crossing facilities at Santa Elena, Corozal;

5. $3.0 million from the Russian Federation Grant for Agricultural Support to small farmers in light of our renewed push for self-sufficiency and food security.

6. 4.0 million from OPEC for Phase 11 of the Southside Poverty Alleviation Programme

A token provision is also being made for three new programs that have been approved by the IDB, and which are expected to commence later in the upcoming fiscal year. These include the Community Action for Public Safety; a Water and Sanitation Project for the Placencia Peninsula, and a new Belize City Flood Mitigation Project.

In addition to these new Projects, we remind of the continued implementation of the following priority projects currently underway:

1) $5.0 million for the World Bank funded Municipal Development Project;

2) $5.0 million from the CDB for the Kendal and Mullins River Bridges;

3) $5.0 million this year from the EU for the Sugar Support Programme;

4) $5.2 million from the IDB and OFID Fund for the Solid Waste Management Project;

5) $ 5.1 million from the IDB for the Sustainable Tourism Project; and

6) $8.5 million from CDB for the BNTF and the Social Investment Fund Programmes.

MEDIUM TERM FISCAL STRATEGY – 2011 - 2014

REFORM OF THE PUBLIC FINANCIAL MANAGEMENT

Mr. Speaker, in furtherance of my Government's commitment to transparency in our public financial management and procurement systems, both the House of Representatives and the Senate passed into law in October last year the *Fiscal Transparency and Responsibility Regulations, Statutory Instrument No. 95 of 2010.* This SI, which comes into effect 1st April 2012, requires the Minister of Finance to present several reports to Parliament, including a Fiscal Strategy Statement explaining the fiscal strategy of the Government.

Mr. Speaker, we have been busy this year building capacity across ministries and departments in preparation for the coming into effect of the SI. With the help of the IDB, we completed the review and analysis of the legislative framework governing the Auditor General's Office. Additionally, the staff of that Office received training in value- for- money auditing. The staff of the Revenue Departments, Ministries of Finance and Economic Development, and the Central Bank, updated and strengthened their forecasting skills in the context of the preparation of a Medium Term Fiscal Framework for Belize and the drafting of the first Fiscal Strategy. CEOs participated in a seminar designed to raise awareness of the fiscal challenges ahead and the need for policy action. The review and assessment of our procurement practices was completed by a team of local consultants, and the Action Plan to modernize Belize's public procurement system was defined and finalized. The institutional framework for public investment management was also reviewed and an action plan to enhance that framework was agreed. In addition, last year we amended the Finance & Audit (Reform) Act to provide sanctions for violations of the provisions of the Act; to enhance transparency in the tendering process for Government procurement and sales contracts; to enlarge the regulation-making power of the Minister of Finance; and to restore the Financial Orders and Stores Orders to their original status of subsidiary legislation.

With the assistance of the IDB, work will continue this year on the modernization of Belize's public financial management system, on public procurement, on public investment management, and on government internal audit and control. This work will contribute to improved transparency, accountability, and fiscal prudence, goals that continue to be watchwords of the Current Administration.

MEDIUM TERM FISCAL FRAMEWORK

Mr Speaker, as you know, the economy of Belize is challenged by less than optimum growth and high levels of public debt. My Government intends to confront these challenges with a fiscal strategy that tries to contain public spending and promote private sector growth. The draft budget for fiscal year 2011-2012 includes for the second year a multi-year budget, which has been fashioned within a framework that includes an internally consistent set of macroeconomic projections and assumptions on key economic variables in the real, financial, and external sectors. The multi-year budget is for the next three years; namely, 2011/12, 2012/13 and 2013/14. This Honorable House is being asked to agree the budget for the first year only as the second and third years are indicative budgets, indicative of expected revenue and expenditure in line with Government's fiscal strategy.

Mr. Speaker, I will highlight three areas of concern that this multi-year exercise has disclosed.

The first is the need to strengthen revenue flows. But we are convinced this can be done by improved collection and broadening the tax base rather than by increases in the rates.

The second observation is with regard to the rising trend in debt service payments, which is clearly visible in the medium term budget presentation. Debt service payments will escalate from $175.1 million in fiscal year 2011/2012 to $205 million in fiscal year 2013/14. This is because of the jumps in the interest rates being paid on the Super Bond from 4 1/4 to 6 percent in 2010, and further to 8 ½ percent in 2012. In the current global context, these are extortionate rates. However, debt service will rise still more in 2019, when repayments of $110 million per year become due.

Mr. Speaker, the current level of debt retards the confidence that is necessary for private investment, both domestic and international, and growth. As everyone is aware, the debt challenge that we face is due to a series of ruinous policy decisions at the beginning of the last decade, which trebled the debt ratio within five years. Terribly expensive borrowed funds were used to boost capital spending (on white elephant projects) from 5 to 15 percent of GDP. This resulted in the widening of the deficit to over 10 percent of GDP. The past Administration also took over the debt of the then bankrupt Development Finance Corporation and participated in several transactions in public assets (privatizations and nationalizations) at unfavorable prices.

This led to valuation losses and further increased Government debt. Altogether, public debt surged from 35 to 90 percent of GDP between 2000 and 2005, with the accompanying travails that have us in such repayment straits now.

My third observation is with regard to the level of capital spending. This is especially critical but must never be wasteful or corrupt, as in the past. My Government continues to hold fast to the belief that capital spending, especially on infrastructure, is essential to stimulate the economy and ensure growth. Accordingly, it should indeed never fall below 5 percent of GDP. But it must always be efficiently allocated to priority projects that address national needs and have nothing to do with featherbedding or cronyism.

MONETARY POLICY REFORM

In the course of the current year, the Central Bank of Belize in collaboration with the Ministry of Finance, took several steps toward the development of a framework that would enable the Central Bank to execute monetary policy using a more market based approach.

Following the amendments to the Treasury Bills and the Central Bank Act last April, the Central Bank purchased some $65 million in new Treasury Notes and a further $75 million in Treasury Bills. The Treasury Notes were of varying terms and interest rates and effectively lengthened the overall maturity structure of the current stock of Government securities and also provided for the development of a yield curve for these types of Government debt instruments.

The proceeds from the sale of these securities were used to effect a substantial reduction in the Government's overdraft with the Central Bank. At the same time, the increase in securities provided the Central Bank with additional holdings of instruments to enable the Bank to address the current high liquidity position of the domestic banks.

On 1st May, 2010, the Central Bank instituted a new securities requirement as part of the domestic banks liquid asset reserve requirement. This mandated the domestic banks to hold certain ratios of T-Bills and T-Notes, as part of their liquid assets reserve requirements. By December 2010, the domestic banks were holding $149.0 million in T-Bills, well above the required levels.

In another move to further reduce the cost of funds for commercial banks and to provide more latitude for lowering of interest rates, the Central Bank decreased the minimum interest rate on saving deposits from 4.5% to 3.5% on 1st November 2010. It is expected that there may be a lag before the effect of this action is felt through the banking system; but that there will be a gradual decline in the weighted average lending rate in the months ahead. If that doesn't happen, I say again that this massaging of the system would have to be replaced by more direct action.

Also in the course of the year, the Central Bank continued with the preparation of a project to upgrade the domestic payments system to increase efficiency and reduce risk, while at the same time providing a facility through which the commercial banks can better manage their cash reserve positions. Funding for a feasibility and design study in this regard, has been pledged by the World Bank.

CONCLUSION

In concluding, Mr. Speaker, I observe that this presentation has been as economical as I could have made it. But there has been no need to buttress the facts, gild the lily. For this is a good Budget, Mr Speaker, positioning us on the recovery path and hastening the pace of development and equity. Still, there are those that will come in thirteen days time to assassinate truth and eviscerate principle. Well let them do their worst, Mr Speaker. They can never prevail. For this Budget is anchored in, and vindicated by, my belief in the Belizean nation: in the flash and splendour of our talent; in our capacity for hard work; in our creativity and adaptability; in the fundamental soundness of our economy. I believe, above all, in the fullness of our compassion, the fastness of our safety net, the oneness of our people.

Mr Speaker, what a difference a year makes! Inspired by the return to growth and the credo I have just set out, this government now confidently takes the Belizean agenda forward. We have turned things around and once more are free to fly. So, Mr Speaker, it is onward and upward: to consolidation, to expansion and to that great triumph which we have always known to be the inevitable destiny of our beloved Belize.

I thank you.

ANNEX 1: Economics Indicators

	2006	2007	2008	2009	2010P
POPULATION AND EMPLOYMENT					
Population (Thousands)	299.8	309.8	322.1	333.2	345.0
Employed Labour Force (Thousands)	102.2	111.8	114.5	120.5	125.0
Unemployment Rate at April (%)	9.4%	8.5%	8.2%	13.1%	
INCOME					
GDP at Current Market Prices ($mn)	2,426.2	2,563.0	2,727.0	2,698.0	2,790.0
Per Capita GDP ($, Current Mkt. Prices)	8,093.6	8,274.1	8,466.3	8,097.2	8,087.0
Real GDP Growth (%)	4.7%	1.2%	3.6%	0.0%	2.4%
TOURISM ARRIVALS					
Stay-over Visitors (Thousands)	237.8	241.6	234.7	221.7	224.7
Cruise Ship Passenger (Thousands)	590.3	560.5	537.6	634.7	688.2
MONEY AND PRICES ($mn)					
Inflation (Annual average percentage change)	4.2%	2.3%	6.4%	-1.1%	0.9%
Currency and Demand deposits (M1)	617.8	704.4	706.2	713.3	707.9
Quasi-Money (Savings and Time deposits)	887.1	1,031.7	1,260.4	1,379.9	1,382.9
Money Supply (M2)	1,504.9	1,736.1	1,966.6	2,093.2	2,090.8
Ratio of M2 to GDP (%)	62.0%	67.7%	72.1%	77.6%	74.9%
Excess Statutory Liquidity	64.3	58.5	84.0	105.0	160.1
Excess Cash Liquidity	15.2	8.7	15.1	40.0	60.5
CREDIT ($mn)					
Commercial Bank Loans and Advances	1,390.5	1,599.6	1,742.4	1,805.4	1,762.0
Public Sector	48.6	40.0	17.8	7.1	5.7
Private Sector	1,342.8	1,559.6	1,724.6	1,798.3	1,756.3
INTEREST RATE (%)					
Weighted Average Lending Rate	14.2%	14.3%	14.1%	14.0%	13.8%
Weighted Average Deposit Rate	5.8%	6.0%	6.4%	6.1%	5.6%
Weighted Average Interest Rate Spread	8.5%	8.3%	7.8%	7.9%	8.2%
BALANCE OF PAYMENTS (US $mn)					
Merchandise Exports (f.o.b.)[1]	427.1	425.6	480.1	382.1	481.9
Merchandise Imports (f.o.b.)	611.9	642.0	788.2	620.5	615.7
Trade Balance	(184.8)	(216.5)	(308.1)	(238.4)	(133.8)
Remittances (Inflows)	57.8	70.8	74.1	76.2	74.5
Tourism (inflows)	254.7	288.7	278.5	256.2	262.6
Services (Net)	210.7	229.9	216.9	182.6	203.4
Current Account Balance	(25.4)	(52.1)	(132.4)	(84.6)	(5.3)
Capital and Financial Flows	83.2	123.7	235.7	135.5	13.6
Gross Change in Official International Reserves	49.8	22.9	57.9	47.3	4.3
Gross Official International Reserves[2]	85.6	108.5	166.4	213.7	218.0
Import Cover of Reserves (in months)	1.8	2.3	2.8	4.2	4.8
PUBLIC SECTOR DEBT					
Disbursed Outstanding External Debt (US $mn)	985.7	972.5	956.6	1,015.6	1,009.1
Ratio of Outstanding Debt to GDP at Mkt. Prices (%)	81.3%	75.9%	70.2%	75.3%	72.3%
External Debt Service Payments (US $mn)	134.3	133.4	96.9	81.3	76.1
External Debt Service Ratio (%)[3]	17.0%	16.2%	11.2%	11.3%	10.5%
Disbursed Outstanding Domestic Debt ($ mn)	299.9	321.9	332.8	320.2	367.8
Domestic Debt Service Payments ($ mn)	27.5	30.4	47.7	39.1	40.1

Sources: Ministry of Finance, Statistical Institute of Belize, and Central Bank of Belize P = Provisional

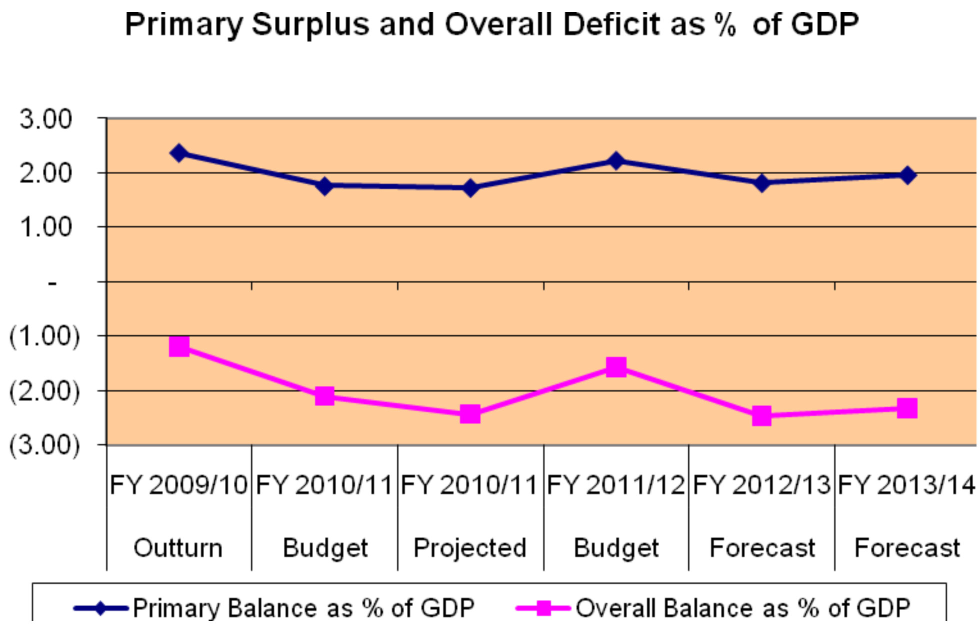
(1) Includes CFZ gross sales

(2) Starting in 2005 these numbers have been revised to reflect only usuable reserves as defined by BPM5.

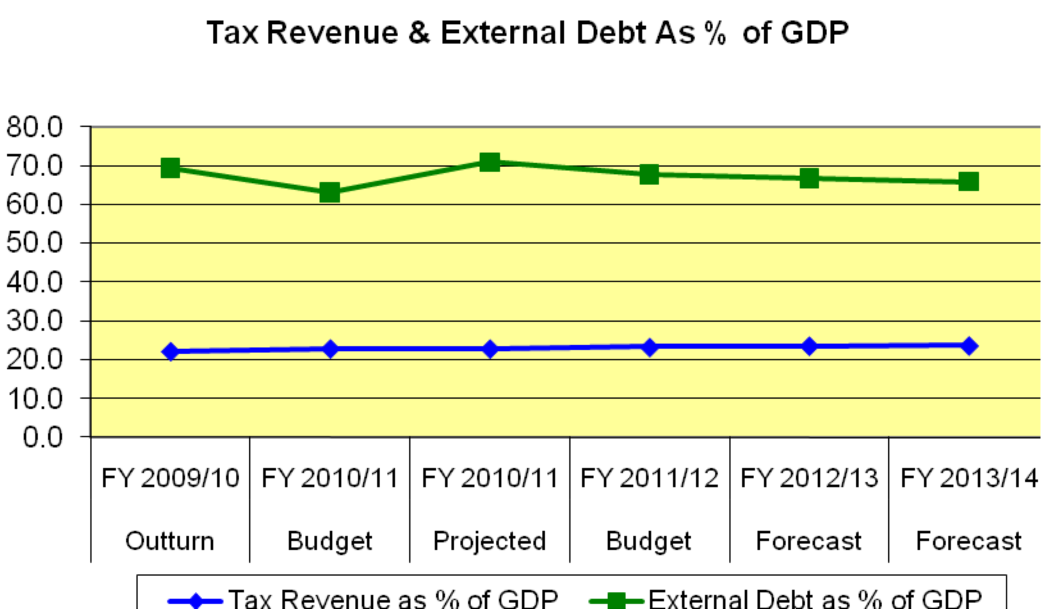
ANNEX 2: Central Government's Propsed Budget FY 2011/12 and Multi-Year Forecasts						
	Outturn	Budget	Projected	Proposed	Forecast	Forecast
($ million)	FY2009/10	FY2010/11	FY2010/11	FY2011/12	FY2012/13	FY2013/14
TOTAL REVENUE & GRANTS	**735.7**	**811.6**	**752.6**	**843.6**	**850.8**	**890.3**
Recurrent Revenue	**697.3**	**784.3**	**735.6**	**784.0**	**830.6**	**869.5**
Taxes on income & profits	213.5	247.5	240.8	258.7	289.8	312.5
of which: Petroleum Taxes	*27.5*	*31.6*	*45.3*	*46.9*	*48.5*	*52.8*
Taxes on goods & services	220.6	273.1	241.0	228.7	232.4	239.4
of which: GST (net)	*157.5*	*207.0*	*187.8*	*170.5*	*175.7*	*180.9*
Taxes on International Trade	165.3	175.8	183.5	198.3	204.3	210.4
of which: Import Duties	*122.8*	*133.5*	*125.9*	*158.6*	*163.6*	*168.5*
Other tax revenue	5.3	7.0	5.3	5.5	5.6	5.8
Non-Tax revenue	92.6	80.8	85.1	98.8	98.5	101.5
of which: Petroleum Royalties	*12.3*	*18.0*	*15.8*	*16.4*	*16.9*	*17.4*
Capital revenue	**4.8**	**4.8**	**4.1**	**5.3**	**5.4**	**5.6**
Grants	**33.7**	**22.5**	**12.8**	**54.3**	**14.7**	**15.2**
TOTAL EXPENDITURE	**768.5**	**876.3**	**821.8**	**890.0**	**927.2**	**965.9**
Recurrent Expenditure (1)	**668.9**	**721.6**	**700.4**	**729.6**	**763.5**	**799.0**
Ministry of Education & Youth	176.2	169.3	183.6	191.9	201.5	211.6
Ministry of Agriculture & Fisheries	10.2	10.2	9.9	11.2	11.7	12.3
Ministry of Human Development	8.7	9.5	9.0	9.9	10.4	10.9
Ministry of Works	8.7	8.8	8.7	9.2	9.7	10.2
Other Ministries	465.1	503.8	489.2	507.3	530.2	554.0
of which: Interest Payments	*97.2*	*118.8*	*118.3*	*112.1*	*132.7*	*139.3*
Capital Expenditure (1)	**99.6**	**154.7**	**121.4**	**160.4**	**163.6**	**166.9**
Ministry of Education & Youth	5.1	2.8	2.0	3.8	3.8	3.9
Ministry of Agriculture & Fisheries	8.4	12.4	6.6	15.5	15.8	16.2
Ministry of Human Development	0.9	6.2	1.0	12.5	12.8	13.0
Ministry of Works	29.6	40.1	32.5	38.9	39.6	40.4
Other Ministries	50.3	88.8	62.9	84.8	86.6	88.4
Capital Transfers & Net Lending	5.2	6.5	16.5	5.0	5.0	5.0
Recurrent Balance	**28.4**	**62.7**	**35.3**	**54.5**	**67.1**	**70.5**
Primary Balance	**64.4**	**54.0**	**49.1**	**65.7**	**56.3**	**63.7**
OVERALL BALANCE	**(32.8)**	**(64.7)**	**(69.2)**	**(46.4)**	**(76.4)**	**(75.7)**
Financing	**32.8**	**64.7**	**69.2**	**46.4**	**76.4**	**75.7**
External	1.8	37.5	(8.4)	34.6	34.8	37.8
Disbursements	71.5	100.5	52.5	97.6	100.5	103.5
Amortization	(69.7)	(63.0)	(60.9)	(63.0)	(65.7)	(65.7)
Domestic	31.0	27.2	77.6	11.8	41.6	37.8
Memo Items:						
GDP at current market prices ($mn)	**2,721**	**3,071**	**2,841**	**2,951**	**3,100**	**3,245**
Percentage change in GDP (%)	-	12.9	4.4	3.9	5.1	4.7
Tax Revenue as % of GDP	**22.2**	**22.9**	**22.9**	**23.3**	**23.6**	**23.7**
Capital Expenditure as % of GDP	3.7	5.0	4.3	5.4	5.3	5.1
Primary Balance as % of GDP	**2.37**	**1.76**	**1.73**	**2.23**	**1.82**	**1.96**
Overall Balance as % of GDP	(1.20)	(2.11)	(2.44)	(1.57)	(2.46)	(2.33)
Government's External Debt (US$mn)	**944.9**	**969.8**	**1,007.3**	**999.0**	**1,033.5**	**1,068.3**
As % of GDP	*69.5*	*63.2*	*70.9*	*67.7*	*66.7*	*65.8*

1 - The Ministries featured were the four selected for the piloting of the multi-year budget framework.

ANNEX 3



Primary Surplus and Overall Deficit as % of GDP
3.00
2.00
1.00
-
(1.00)
(2.00)
(3.00)
FY 2009/10 Outturn
FY 2010/11 Budget
FY 2010/11 Projected
FY 2011/12 Budget
FY 2012/13 Forecast
FY 2013/14 Forecast
Primary Balance as % of GDP
Overall Balance as % of GDP



Tax Revenue & External Debt As % of GDP
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
0.0
FY 2009/10 Outturn
FY 2010/11 Budget
FY 2010/11 Projected
FY 2011/12 Budget
FY 2012/13 Forecast
FY 2013/14 Forecast
Tax Revenue as % of GDP
External Debt as % of GDP