"*Achieving debt sustainability, Stimulating economic expansion*"

BUDGET PRESENTATION FOR

FISCAL YEAR 2013/2014

Hon. Dean Barrow

Prime Minister and Minister of Finance and Economic Development

Belmopan

Friday, March 1, 2013

SUMMARY OF RECURRENT AND CAPITAL BUDGETS

	BUDGET OUTTURN 2011/2012	APPROVED BUDGET 2012/2013	PRELIMINARY OUTTURN 2012/2013	PROPOSED BUDGET 2013/2014
TOTAL REVENUES AND GRANTS	**835,664,645**	**862,643,366**	**844,880,645**	**871,736,966**
TOTAL REVENUE	802,518,518	827,444,061	812,341,989	830,655,453
RECURRENT REVENUE	**794,679,073**	**819,369,434**	**808,600,460**	**825,604,389**
TAX REVENUE	669,869,470	683,285,352	687,185,858	727,016,408
Income and profits	236,963,590	226,156,812	222,067,920	233,781,598
of which: Petroleum taxation	*52,966,924*	*36,640,246*	*33,881,070*	*31,410,125*
Taxes on property	6,672,841	6,873,026	6,096,231	7,154,307
Taxes on Int'l trade & transactions	195,980,030	186,394,513	192,928,903	203,465,365
of which: Import duties	*153,462,213*	*142,600,702*	*144,662,896*	*153,751,378*
Taxes on goods and services	230,253,009	263,861,001	266,092,804	282,615,138
of which: GST	*171,084,225*	*202,765,373*	*205,989,371*	*218,288,840*
NON-TAX REVENUE	124,809,603	136,084,082	121,414,602	98,587,981
Property Income	24,118,653	20,608,608	8,733,886	6,869,848
Licenses	12,578,496	12,929,351	15,357,506	15,818,232
Royalties	35,367,977	31,709,138	31,142,003	30,339,436
of which: Petroleum royalties	*20,980,533*	*16,890,071*	*14,618,278*	*12,320,000*
Ministries/Departments	41,461,149	39,029,208	38,134,317	36,139,089
of which: Oil working interest	*16,277,975*	*13,104,345*	*12,538,842*	*10,514,000*
Repayment of old loans	11,283,328	31,807,777	28,046,889	9,421,376
CAPITAL REVENUES	**7,839,445**	**8,074,627**	**3,741,529**	**5,051,064**
GRANTS	**33,146,127**	**35,199,305**	**32,538,656**	**41,081,513**
TOTAL EXPENDITURES	**867,397,642**	**937,857,347**	**862,156,165**	**934,331,703**
RECURRENT EXPENDITURE	**724,458,517**	**777,733,617**	**706,753,324**	**778,006,237**
Primary Expenditure	***624,436,474***	***641,648,486***	***649,009,196***	***681,465,875***
Personal Emoluments	296,421,334	294,742,564	298,153,525	313,154,619
Pensions	51,634,162	50,825,975	54,489,377	55,230,406
Goods & Services	171,791,906	172,617,034	165,772,370	181,051,689
Subsidies & Current Transfers	104,589,072	123,462,913	130,593,924	132,029,161
Debt Service - Interest & Other Charges	***100,022,043***	***136,085,131***	***57,744,127***	***96,540,361***
of which: External Interest Payments	***81,654,720***	***114,354,695***	***81,654,720***	***114,354,695***
CAPITAL EXPENDITURES	**142,939,125**	**160,123,730**	**155,402,841**	**156,325,466**
Capital II Expenditures	72,824,731	79,329,605	70,452,702	67,242,942
Capital III Expenditures	65,268,666	77,541,305	81,685,678	85,959,506
Capital Transfers & Net Lending	4,845,728	3,252,820	3,264,461	3,123,018
RECURRENT SURPLUS/[DEFICIT]	**70,220,556**	**41,635,817**	**101,847,136**	**47,598,152**
PRIMARY SURPLUS/[DEFICIT]	**68,289,046**	**60,871,150**	**40,468,608**	**33,945,625**
As Percentage of GDP	*2.34%*	*2.00%*	*1.26%*	*1.01%*
OVERALL SURPLUS/[DEFICIT]	***(31,732,997)***	***(75,213,981)***	***(17,275,520)***	***(62,594,737)***
As Percentage of GDP	*-1.09%*	*-2.47%*	*-0.54%*	*-1.86%*

OUTLINE OF BUDGET SPEECH FOR FISCAL YEAR 2013/2014

"ACHIEVING DEBT SUSTAINABILITY, STIMULATING ECONOMIC EXPANSION"

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INTRODUCTION

Mr. Speaker,

I rise to move the second reading of the General Revenue Appropriation Bill for Fiscal Year 2013/2014.

This is, by my recollection, the sixth Budget I have had the honour of presenting to this Honourable House. It has always been a privilege to do so. But this one is occasion for a particular sense of accomplishment. And this is so not least because it comes almost exactly one year after the United Democratic Party won its historic consecutive second term as the national Government of our beloved Belize. Now the details of our stewardship in this first twelve months of the new Administration will be set out in the body of the speech. But it is as well to strike two high notes right at the start. We have pretty much done what the sceptics said was impossible. The superbond-that bane of our existence, that monster of our nightmare- has been tackled and tamed. Not vanquished, mind you, but put on a leash and confined to its lair. And as a direct consequence, but also as a result of adroit stewardship and unshakeable commitment to the welfare of this nation, this Budget will see absolutely no new taxes and no overall spending cuts. The fiscal cliff is not for us. And we likewise say no to the gospel of austerity, currently being preached and practiced with such disastrous social and political consequences in Europe.

Mr Speaker, the magnitude of our apostasy, our resistance to, and escape from, the prevailing orthodoxy, must be placed in its proper global and regional context. Especially where the Caribbean is concerned, and as we have been seeing on the news, the picture is one of almost unrelieved economic gloom. With countries all around us teetering on the brink, close to the edge, Belize's Houdini-like performance is phenomenal good news. And it is fitting that, if all goes as expected, the superbond exchange offer would have been completed in the next couple of weeks. So that by the time we return for the Debate on the 21st and 22nd, laurels and garlands should be much in evidence and the UDP and Belize will be taking their victory lap.

RECENT ECONOMIC DEVELOPMENTS AND PROSPECTS

INTERNATIONAL AND REGIONAL ECONOMIC DEVELOPMENTS

The pace of the global economic recovery since the financial crisis of 2008-2009 continues to be anemic and uneven. Global growth is estimated to have weakened from 3.9% in 2011 to 3.2% in 2012 amid broad-based sluggishness in advanced economies. Japan slipped into recession, the Euro area turmoil intensified, and China's economic pace decelerated. In the United States, while a modest housing recovery supported GDP growth of 2.3% that exceeded expectations, labor market conditions remained slack and consumption failed to gain momentum.

Closer to home, several Caribbean countries were challenged by high levels of debt, rising unemployment, high import prices for energy and food and a fall-off in tourism demand from Europe in particular. Already weak balance of payments and fiscal positions, which left little room, if any, for countercyclical policies, were pushed to the brink in St. Kitts and Nevis, Barbados and Jamaica, all three of which had public debt to GDP ratios well in excess of 100%. As a result, the projected 2012 outturn is for a 0.7% contraction in St. Kitts and Nevis, zero-growth in Barbados, and 0.9% growth in Jamaica. On a more positive note, Guyana, Bahamas and Trinidad and Tobago benefitted from lower debt burdens as well as a combination of natural resource wealth, domestic investments and the turnaround in tourist arrivals and remittance flows from the United States to the region. The estimated growth in these countries was 3.3%, 2.5% and 0.7%, respectively.

ECONOMIC DEVELOPMENTS IN BELIZE - 2012

Mr. Speaker, I now turn to economic developments here at home. Preliminary estimates compiled by the Statistical Institute of Belize indicate that our economy grew by 5.3% during 2012, well above the 1.9% recorded for 2011 and just about the best in the Anglophone Caribbean. The growth is attributable to brisk activity in agriculture, agro-manufacturing, tourism, construction and telecommunications, which more than compensated for the sharp downturn in petroleum extraction, domestic electricity generation and cruise-ship disembarkations. Also, and to broaden the point about how comparatively stellar our performance was, the Central Bank reports that this growth is notably above the entire Latin American and Caribbean Region's estimated average of 3.0%.

In the primary sector, the rehabilitation of storm-damaged acreages and favourable agronomic conditions helped banana production to increase by 39.9%, while citrus also recovered from weather-related damages to post a 14.3% increase in deliveries. A relatively uneventful season that was not plagued by the difficulties of the previous year because Government had helped to solve those problems, facilitated a 22.6% increase in sugarcane deliveries. The strong outturn of citrus fruit and sugarcane deliveries bolstered agro-manufacturing activity so that production of citrus juices and sugar production rose by 12.8% and 15.4%, respectively. Notably, sugar production for the 2011/2012 crop year exceeded the 100,000 long ton mark for the first time since the 2005/2006 crop; and the average price paid to farmers was adjusted upward from $68.12 to $72.12 per long ton of sugarcane.

The services sector was supported by superb growth of 10.2% in arrivals of overnight tourists, with visitors from the US and Canada, Belize's primary markets, up by 14.8% and 29.2% respectively. The performance of the overnight segment contributed to upswings across the "Wholesale and Retail Trade", "Hotels and Restaurants" and "Transport and Communication" subsectors. The latter was also boosted by BTL's investment in 4G technology. Construction activity was buoyant owing largely to public sector infrastructural projects, condominium development and residential housing construction that was fueled by the fall in interest rates on housing loans.

On the downside, four additional wells at the Spanish Lookout Field could not stabilize slipping oil production and output fell by 26.8% to 1,029,938 barrels, significantly steeper than the 10.0% annual average decline that had been projected. Cruise ship disembarkations fell by 11.9% to 576,661 visitors due to fewer port calls and the use of smaller ships for the Belize route. Underpinning this decline were the expansion of routes by North American cruise ships to long-haul, non-traditional destinations in Asia and Brazil. These are substitutes for the Caribbean and also contain an advantage vis-a-vis the lack of adequate deep water docking facilities in Belize. It is noteworthy, though, that at least one new Cruise Terminal with landslide berthing facilities, will start construction this year.

Meanwhile the surge in domestic electricity generation that occurred over the first half of 2012 could not be sustained. A lack of rainfall in the catchment areas of the hydroelectric plants arrested production during the second half of the year and resulted in an overall reduction of 15.8% in domestic electricity generation in 2012.

Prices

Price pressures were moderate in 2012 with the Consumer Price Index (CPI) rising by an annual average of 1.3% compared to the 1.5% increase in the previous year. Price declines for "Household Goods and Maintenance" and "Clothing and Footwear" were offset by increases for other categories, the most sizable being the 4.2% for “Medical Care” and 3.0% for "Personal Care".

The External Sector

On the external front, the balance of payments current account deficit widened for the first time in three years to approximately 2.7% of GDP. The merchandise trade deficit rose by 23.3% or $81.3 million as imports grew at a faster pace than exports. Most of the growth in imports was due to a $162.8 million increase in goods for domestic consumption that included higher outlays on diesel fuel, heavy machinery, cement imports and electricity. Total exports went up by $43.1 million, reflecting increases of $53.9 million in commercial free zone sales and $14.5 million in re-exports. Domestic exports, on the other hand, declined by $25.3 million as significantly lower petroleum and papaya revenues more than offset gains from sugar, banana and citrus. Other notable developments on the current account included an increase in net inflows from services due to the excellent performance of the overnight tourist segment; a reduction in net outflows in the form of profit repatriation; and lower inflows from transfers such as family remittances.

The surplus on the capital and financial account was notably larger. Foreign direct investments during 2012 stood at an unprecedented $386.6 million, well above the $189.4 million recorded in

2011 and higher than the $360.0 million registered in 2008. The Leader of the Opposition and his cohort of naysayers will no doubt take note. And indeed it more than compensated for lower official capital flows and an increase in commercial banks' net foreign asset holdings abroad. The most significant of these flows went to the Agriculture and Aquaculture sector (38.4%) and Real Estate Activities (24.7%). The net result was a $105.6 million increase in the gross international reserves to $577.8 million, which was equivalent to 4.6 months of merchandise imports.

Monetary & Financial Developments

Reflective of the strong economic performance, the broad money supply expanded by 11.0%, led by higher foreign inflows and supplemented by growth in credit to the private sector, which occurred even after taking into account $37.3 million in loan write-offs during the year. Most of the credit went towards personal financing and the building and construction subsector. The build-up in net foreign assets was largely attributable to elevated inflows from foreign direct investment and tourism even as the external current account deficit widened. The accumulation of foreign assets and credit growth contributed to the continued rise in cash and statutory bank liquidity. At the end of the year, commercial bank holdings of cash and statutory liquid balances were respectively 81.7% and 61.3% above required levels.

The high level of liquidity facilitated a 103 basis points fall in the weighted average lending rate to 11.99% as all loan categories recorded rate cuts, the most notable being 139 basis points for residential construction and 129 basis points for personal loans. The weighted average deposit rate also fell to 2.55% (the lowest level since 1977) chiefly due to a 142 basis points fall in the time deposit rate. As a result, the weighted average spread increased by 7 basis points to 9.44%. I should at this juncture, Mr. Speaker, note that since December 2008, the weighted average lending rate has fallen by 211 basis points and, the weighted average deposit rate went down by 380 basis points. Accordingly, the weighted average interest rate spread increased by 169 basis points during the period.

Mr. Speaker, credit unions continue to play a leading role in Belize’s development. Lending by the five largest credit unions rose by $36.2mn to $403.0 million during 2012, and this was almost twice the $20.8 million recorded for 2011. The loans extended for agriculture, individuals, real estate and residential construction overshadowed the repayments for home improvement and manufacturing. The quality of the credit union sector's loan portfolio continues to improve, and as of December 2012, the NPLs ratio fell well below the 5.0% threshold to 3.5%.

I will address the developments on the debt later on in this presentation.

ECONOMIC PROSPECTS FOR 2013

Price stability is one of the principal benefits of the fixed exchange rate and while increasing international prices for basic food commodities such as grains (used as feed for cattle, chicken etc.) is likely to be a factor, the projected rise in the Consumer Price Index remains a moderate 2.5% for 2013. GDP growth is projected to decelerate to about 3.0% in 2013 due to the lessening impact of the factors that boosted activity in 2012. As in the case of our regional counterparts, the Belizean economy is vulnerable to commodity price shocks and weather-related setbacks and is also dependent on the growth performance of external trading partners. The GDP growth projection therefore assumes that a gradual upturn in global growth to 3.5% will continue, especially through tourism, to support the economy's tertiary sector that includes retail trade, hotels and restaurants, and transport and communication. The projection is also premised on the assumption that overnight tourism expansion will settle at 4.5% due to continued fragility and weak employment in Belize's primary market, the United States. But the projection is conservative since the ramping up of marketing efforts by the Belize Tourism Board has the potential to boost the number of visitors to Belize notwithstanding America's travails.

The primary sector is likely to backslide to low single digit growth due to a return to normal crop cycles and a forecast downturn in citrus output. Last year was an unusual one with the significant double-digit growth in agriculture and agro-processing coming as a rebound after the poor banana, citrus and sugarcane crops of 2010/2011. The expectation is therefore that there will be a return to normal crop cycles and growth patterns in 2013. One caution, however, is that citrus may be facing headwinds from lower international prices and a cyclical crop downturn. On the upside sugarcane should benefit from technological and knowledge-based transfers from

American Sugar Refining; and a solid banana crop is expected. Also, despite the projected 10.0% contraction in petroleum extraction and low reservoir levels at the hydro dams, the secondary sector of the economy should continue to grow in 2013 due to the continuation of several construction projects and increased output of electricity from BELCOGEN and other domestic suppliers.

In respect of the banking and financial system, it is expected that the large liquidity overhang will continue during the year ahead even as credit to the private sector expands at a similar pace as 2012. The high levels of excess liquidity should act as a de facto ceiling on interest rates, which are not expected to increase in 2013. Heightened supervision and regulatory oversight of the financial and banking system should continue to build on gains achieved to date and further improve the stability, soundness and resiliency of the financial institutions.

BUDGET PERFORMANCE IN FISCAL YEAR 2012/2013

PROJECTED OUTTURN

The projected outturn for Fiscal Year 2012/2013 indicates that Central Government posted a primary surplus of $40.5 million, the equivalent of 1.3% of GDP, and an overall deficit of $17.3 million or 0.5% of GDP. While the projected primary surplus is $20.4 million below budget, compensation was had by an overall deficit that came in at $57.9 million less than had been estimated.

Table 1: Summary of Budget Estimates, FY 2010/2011 to FY 2013/2014

(Bz$million)

	Budget Outturn 2010/2011	Budget Outturn 2011/2012	Approved Estimates 2012/2013	Projected Outturn 2012/2013	Draft Estimates 2013/2014
Total Revenue and Grants	777.7	835.7	862.6	844.9	871.7
Total Expenditure	825.0	867.4	937.9	862.2	934.3
Primary Balance	49.6	68.3	60.9	40.5	33.9
As % of GDP	*1.8%*	*2.3%*	*2.0%*	*1.3%*	*1.0%*
Overall Deficit	(47.3)	(31.7)	(75.2)	(17.3)	(62.6)
As % of GDP	*-1.7%*	*-1.1%*	*-2.5%*	*-0.5%*	*-1.9%*
Amortization	(54.2)	(48.1)	(64.6)	(65.0)	(64.5)
Financing Requirement	(101.5)	(79.8)	(139.8)	(82.3)	(127.1)
GDP in current market prices	2,822	2,924	3,042	3,203	3,369

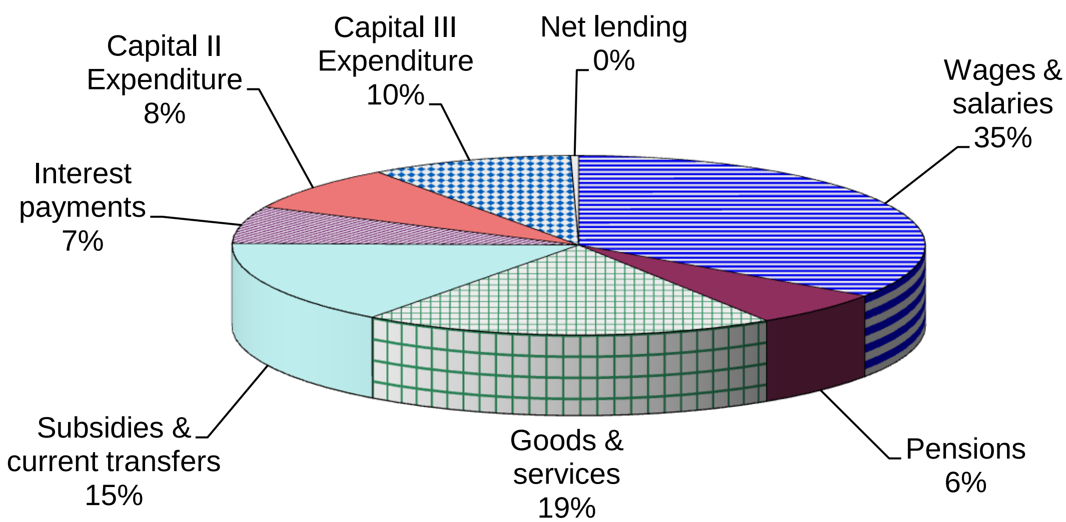
Revenue Performance

Total revenue and grants are projected to be $844.9 million, almost $20 million below budget, as a 0.6% increase in tax revenue was outweighed by declines in non-tax revenue, capital revenue and grant receipts. The lower than expected performance in revenue collections reflected a $5.6 million shortfall in receipts from the local petroleum industry and the non-payment of BTL dividends. However, one-off inflows in the form of loan repayments from BSI, BTL and DFC helped to overshadow the lower receipts from the petroleum sector.

Expenditure Performance

The Government's total expenditure for FY 2012/13 is projected at $862.2 million, which was 8.1% below budget. The reduced outlay was attributed to the lower interest payments made as a consequence of the liability management exercise that we undertook during the course of this fiscal year. The two primary components of the expenditure are Current Expenditures of $706.8 million or 82% of total expenditures; and Capital Expenditures of $155.4 million or 18% of total expenditures.

Chart 1: Distribution of Government's $862.2 million Expenditure in FY 2012/2013



The wage and wage-related payments continue to be significant and are projected at $483.2 million or 56% of total expenditures for FY 2012/13, reflecting 34.6% on "Wages and salaries", 6.3% on "Pensions" and 15.1% on "Subsidies and current transfers" or grants. That latter includes the salaries of teachers and KHMH staff.

BUDGET PROPOSALS FOR FISCAL YEAR 2013/2014

UNDERLYING PRIORITIES FOR THE BUDGET

Mr. Speaker, we saw in 2012 a rebound in real growth over 2011. We also are optimistic that the current debt restructuring exercise will end in success. And, once again, we have managed to turn in yet another positive primary balance this year. So there is great progress. But problems persist and it would be a mistake to turn ourselves into Pollyannas.

There is still the need, therefore, to consolidate our fiscal position in a judicious and measured way, so as to generate the level of surpluses that will be required to grind our debt ratios down to even more sustainable levels. Fiscal discipline must continue, and expenditure restraint-though not wholesale contraction- must remain at the front of our agenda as we manage our public finances into the medium term.

Over the last year, we have negotiated bondholder relief.

Over the last year, we have also negotiated continuing IFI partnerships.

Both these are necessary but not sufficient conditions for our onward progress.

We must now do our share. Even as we reject austerity we do not embrace profligacy.

We therefore walk the fine line of, on the one hand,

i. responding to the pressing social and citizen security needs at home;
ii. responding to any reasonable and affordable wage concerns of our public officers and teachers;
iii. responding to the need for investment in new physical infrastructure;

While, on the other hand,

i. ensuring that we organize our fiscal affairs prudently and with proper husbandry;
ii. ensuring that we produce sufficient savings to meet our debt payments;

iii. ensuring that we limit our new borrowing so as to maintain repayments on a manageable footing.

On the revenue side, I say again with great pride that we do not propose to increase any taxes in this new budget. Instead, we sound the tocsin of improved administration and efficiency of collection. And we believe that Public Officers will answer the call. For they, and we, know that, in the face of declining petroleum revenues and grants, it on this that the salary increases depend; it is this that must carry the day.

On the expenditure side, we have to show that we are in principle determined to hold current expenditure and wages down to only what is affordable on the basis of the expected revenue increases.

However, and employing whatever ingenuity and dexterity is required in moving things around, we also have to provide for continued priority attention to the following critical areas:

Poverty Reduction and Social Protection – We will expand our support to the indigent and the working poor through the Food Pantry Program, giving this basic nutritional and survival assistance to more citizens, including now in some rural areas. We will also widen the range of the Conditional Cash Transfer initiative, known as BOOST, to empower more youths and single mothers with incentives to engage in productive and socially responsible lifestyles.

Citizen Security – We will continue to fight the scourge of crime, which despite our best efforts, casts its increasingly long shadow over our entire society, but especially our urban youth. We will not slacken in our resolve to restore sanity and safety to our Cities, Towns and Communities.

In this new budget we have accordingly pledged more resources to our police and security forces, to provide more weapons, vehicles, and surveillance and communication equipment. At the same time, we will upgrade our intelligence-gathering capabilities. We will strengthen the coordination between the Ministry of National Security, the Attorney General's Ministry, and the

Office of the Director of Public Prosecution, all in a concerted effort toward more effective crime investigation, prosecution and conviction.

Education –With the assistance of our development partners, we will continue to implement reforms in education financing and in teacher education and curriculum development. All this with the intention of ensuring more access and improved quality in the education system, particularly at the secondary level. At the same time we maintain our support to tertiary level education, and certainly to our national University of Belize.

Health – In this budget, we will protect the level of funding for the National Health Insurance. We will also provide the counterpart resources for two major initiatives supported by the World Bank and the IDB for primary health care and education especially in the southern districts.

Physical Infrastructure- we will continue to expand and upgrade the primary and secondary road network throughout Belize, and allocate as much as we can toward the all-important maintenance of streets and drains in our cities and main towns. In this regard, the Ministry of Works has articulated a Maintenance Plan for the road network countrywide. We have secured funding from the CDB for a new Road Safety Project for the George Price Highway; funding from the IDB for the Drainage Project for the North-side of Belize City; and from the World Bank for the Municipal Infrastructure Project. The latter is already in full implementation in many district towns.

SUMMARY OF THE DRAFT ESTIMATES FOR FISCAL YEAR 2013/2014

The draft estimates have been prepared on the assumption that nominal GDP will grow, in real terms, by about 3.0% over the fiscal year just ended, reflecting projected increases in the primary and services sectors and continued strong public sector investment especially in road and bridge infrastructure.

As a worst case scenario, we are also assuming a moderate 2.5% rise in Consumer Price Index. This may, though, be tempered by the forecast sharp decline in world oil prices later this year.

The proposed Budget targets a preliminary Primary Surplus of 1.0% of GDP and an Overall Deficit of 1.9% of GDP.

Table 2: Summary of Revenue and Grants, FY 2010/2011 to FY 2013/2014

(Bz$ million)

	Budget Outturn 2010/2011	Budget Outturn 2011/2012	Approved Estimates 2012/2013	Projected Outturn 2012/2013	Draft Estimates 2013/2014
Total Revenue and Grants	**777.7**	**835.7**	**862.6**	**844.8**	**871.7**
Total Revenue	**770.8**	**802.5**	**827.4**	**812.3**	**830.6**
Current Revenue	**766.2**	**794.7**	**819.4**	**808.6**	**825.5**
Tax Revenue	*659.3*	*669.9*	*683.3*	*687.2*	*727.0*
Taxes on Income & Profits	240.1	237.0	226.2	222.1	233.8
Taxes on Property	6.6	6.7	6.9	6.1	7.2
Taxes on Goods & Services	251.1	230.3	263.9	266.1	282.6
International Trade & Transactions	161.5	196.0	186.4	192.9	203.5
Non-Tax Revenue	*106.8*	*124.8*	*136.1*	*121.4*	*98.5*
Property Income	17.6	24.1	20.6	8.7	6.9
Licenses	15.0	12.6	12.9	15.4	15.8
Royalties	29.4	35.4	31.7	31.1	30.3
Ministries & Departments	41.0	41.5	39.0	38.1	36.1
Repayment of old loans	3.9	11.3	31.8	28.1	9.4
Capital Revenue	**4.7**	**7.8**	**8.1**	**3.7**	**5.1**
Grants	**6.8**	**33.1**	**35.2**	**32.5**	**41.1**

Total Expenditure is estimated at $934.3 million while Total Revenue and Grants are projected at $871.7 million. When taken together, this results in an Overall Deficit of $62.6 million, or about 1.9% of GDP.

To this figure we must add a further $64.5 million for Loan Amortization requirements, and so arrive at the Total Financing Needs of $127.1 million.

These financing needs will be met from the following sources:

- Disbursement of $54.8 million from Loans already contracted with our multi-lateral development partners to fund our Capital III Expenditure Program;
- Disbursement of $20.0 million in budget support financing from the Republic of China (Taiwan) under the on-going bi-lateral economic cooperation program;
- And, a combination of domestic borrowing and draw-down of GOB deposits in the banking system in the amounts of $32.2 million and $20.0 million respectively.

Mr. Speaker, I would like to note that we continue to finance the majority of our needs through the use of funds contracted on highly concessionary terms and that we are again this year, as in the past six years, refraining from any commercial borrowing.

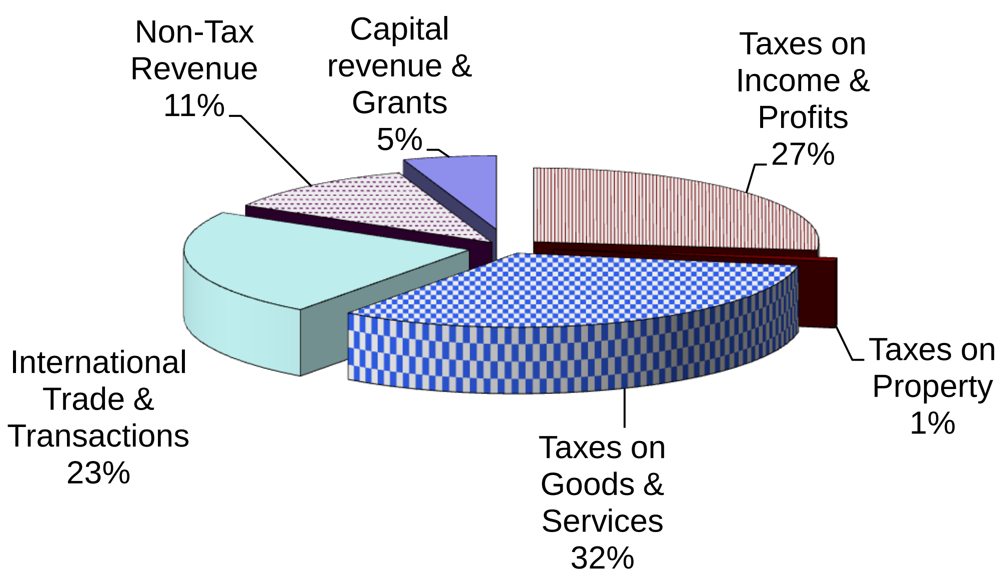
ESTIMATES OF REVENUE 2013/2014

The Draft Estimates of Revenue and Grants amount to $871.1 million for FY 2013/14 and are comprised of $825.6 million in Recurrent Revenue, $5.1 million in Capital Revenue and $41.1 million in Grants.

This represents a rise of $26.9 million in Total Revenue and Grants over the estimated out-turn for the current fiscal year, and of which some $17.0 million is attributed to an increase in Recurrent Revenue. The increase comes, not from any new taxes measures, as indeed there are none this year, but rather from an expected improvement in tax administration, especially from improvement in Customs duties collections utilizing the newly implemented ASYCUDA system, and improvements in assessments and auditing in both the General Sales Tax and Business and Income Tax regimes. I interject here again that we expect redoubled Public Officer collection efforts since the salary increases hang in this particular balance. We hope to appoint a working committee of Ministers and Union Reps to monitor progress in this regard, and we are contemplating the possibility of naming an efficiency Czar to act as the committee's point person.

Mr. Speaker, while we are projecting a small net increase in recurrent revenues, this masks the continued decline in petroleum revenues and also a sharp fall-off in inflows from the Repayment of Old Loans, some of which were fully liquidated in the 2012-2013 fiscal year.

Chart 2: Sources of Government's $871.7 million Income in FY 2013/14



Mr. Speaker, as we have been warning for some time now, the natural decline in the production of oil from the Spanish Lookout field continues. We expect a decline of a further 10% in the coming year. The production from the Never Delay Field remains at a small and steady flow but is not enough to compensate for the significant slowdown from the Spanish Lookout field. There are a number of exploratory wells being drilled in the Northwest and others planned for the South. But while the seismic studies yield promising data, the hard reality is that we have not yet discover any new reserves. Since there is no room for wishful thinking in the already dismal science of economics, we do the prudent and responsible thing and arrange our fiscal affairs assuming that there will be NO additional revenue from this sector in the upcoming year.

ESTIMATES OF RECURRENT EXPENDITURE 2013/2014

The Draft Estimates of Recurrent Expenditure is proposing a total of $778.0 million in recurrent expenditure up by $71.2 million from the projected outturn of $706.8 million for FY 2012/13.

Table 3: Summary of Expenditure, FY 2010/2011 to FY 2013/2014

(Bz$ million)

	Budget Outturn 2010/2011	Budget Outturn 2011/2012	Approved Estimates 2012/2013	Projected Outturn 2012/2013	Draft Estimates 2013/2014
Total Expenditure	**825.0**	**867.4**	**937.9**	**862.2**	**934.3**
Current Expenditure	***682.1***	***724.5***	***777.7***	***706.8***	***778.0***
Wages and salaries	279.1	296.4	294.7	298.2	313.2
Pensions	45.3	51.6	50.8	54.5	55.2
Goods and services	163.6	171.8	172.6	165.8	181.1
Subsidies and current transfers	97.2	104.6	123.5	130.6	132.0
Interest payments & other charges	96.8	100.0	136.1	57.7	96.5
Capital Expenditure & Net Lending	***142.9***	***142.9***	***160.1***	***155.4***	***156.3***
Capital II	73.1	72.8	79.3	70.4	67.2
Capital III	53.3	65.3	77.5	81.7	86.0
Net lending	16.6	4.8	3.3	3.3	3.1
Amortization	**(54.2)**	**(48.1)**	**(64.6)**	**(65.0)**	**(64.5)**

ESTIMATES OF CAPITAL EXPENDITURE 2013/2014

Mr. Speaker, my Government is proposing to allocate some $156.3 million to its capital program in the upcoming fiscal year. The locally funded Capital II Program is estimated at $ 67.2 million while the externally funded Capital III Program will receive an allocation of $86.0 million.

In the **Capital III Program** provisions have been made for the following employment-generating, growth stimulating projects:

For the Upgrading of Roads, Streets and Drains:

- **$6.0 million** from the OPEC Fund, the Kuwait Fund, and CABEI for the continuation of the upgrading of the **Southern Highway** between Big Falls and the Belize/Guatemala Boarder. It is expected that this project will be substantially completed by the end of the upcoming fiscal year and that the economic impact to the area and the increase in cross-border trade will be dramatic.
- **$5.0 million** from the CDB for the new **Macal River Crossing,** including the upgrading of the La Loma Luz Boulevard and the Joseph Andrews Drive leading to the new bridge site.
- **$3.0 million** dollars from the CABEI for the new **Corozal Border Crossing Reconstruction Project** to upgrade facilities and infrastructure at the second Belize/Mexico Bridge, including access roads, security fencing and lighting, and parking.
- **$6.0 million** from the World Bank for the **Belize Municipal Development Project** to improve access to basic municipal infrastructure and to enhance municipal management in selected towns and city councils.

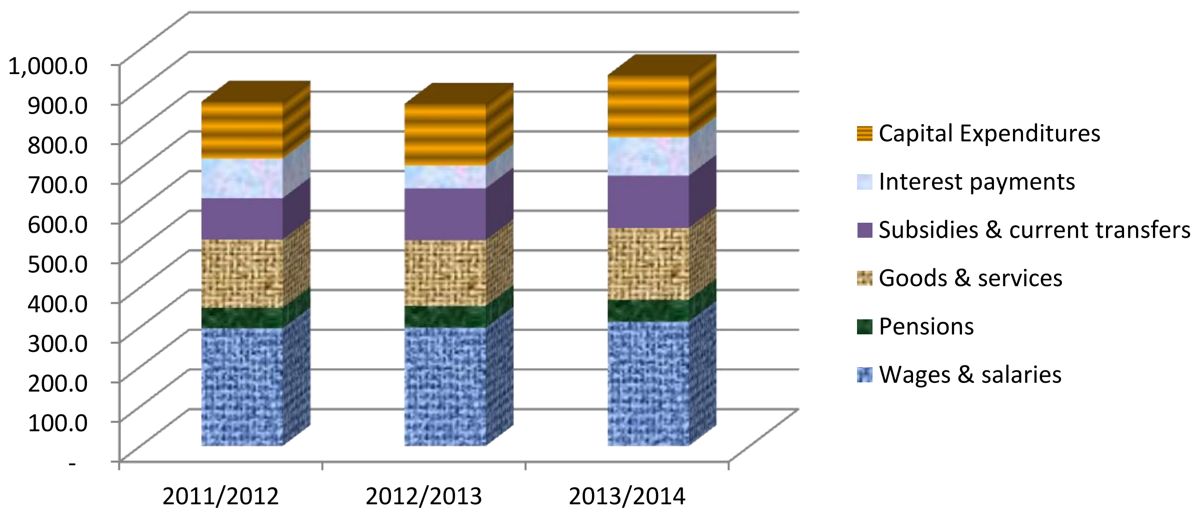
For Education and Health and Social Protection:

- **$1.5 million** from donor funds administered by the IDB for the **Mesoamerican Health Initiative** to improve the health of women and children in the Corozal, Orange Walk and Cayo Districts**.**
- **$0.5 million** from the **World Bank** for **Improving Health and Nutrition** in local Mayan Communities in the Toledo District.
- **$2.0 million** from t**he CDB for the Youth and Community Transformation Project on the** Southside of Belize City including the construction of a Youth and Community Resource Center as well as programs to reduce vulnerability of children to crime and gang membership**.**

For the Environment and Tourism:

- **$5.0 million** from the IDB **for the Sustainable Tourism Project** to continue work on the visitors facilities in Belize City, San Igancio and Placencia, and improvement to the Mayan sites at Xunantunich, Cahal Pech, and the ATM Cave site.
- **$6.0 million** from the IDB **for the Solid Waste Management** Project to complete the sanitary landfill site on the George Price Highway and to begin construction on the transfers station at the Belize City dump site.

Chart 3: Distribution of Government's Expenditure in FY 2011/12 ($867.4mn), FY 2012/13 ($862.2mn) and FY 2013/2014 ($934.3mn)



And for Agriculture:

- $7.1 million from the European Union for the National Cattle Sanitary Program (the Cattle Sweep Program), for assistance to the Banana Industry, and for the strengthening of the Sugar Industry Research and Development Institute (SIRDI).

Mr. Speaker, I would like to point out that while these numbers may sound ambitious, in fact they are well within our capacity to implement this coming year and we are confident that we will do so. And as a point of reference, the outturn for the current year shows that we achieved and slightly exceeded the global Capital III spending targets.

GOVERNMENT'S REFORM MEASURES

Mr. Speaker, during the year, the reform of the Government's systems remained unimpeded and will continue in the upcoming fiscal year.

REFORM OF PUBLIC FINANCE MANAGEMENT

Work on the reform of the Public Finance Management (PFM) System intensified in Fiscal Year 2012/2013 with further consolidation of revenue administration, regular management meetings between the Ministry of Finance and Management of Customs, Income Tax and the General Sales Tax (GST) Departments, and agreement on the draft Strategic Plans and Codes of Conduct. Implementation of the ASYCUDA World virtual software at the Customs Department progressed satisfactorily as linkages were established with stakeholders like the Central Bank, BAHA and BELTRAIDE.

Staff in the Ministry of Finance including the Treasury Department, and Finance Officers in all ministries, continued to receive technical assistance from the regional Supporting Economic Management in the Caribbean (SEMCAR) program funded by CIDA and managed by the IMF and World Bank. Impressive progress is being made in budget preparation, budget execution and accounting, and treasury operations.

Budget preparation for fiscal year 2013/14 benefited from this assistance and the main issues addressed include: the Medium Term Expenditure Framework (MTEF), program classification, budget call classification (including a separate budget call circular for the Public Sector Investment Program (PSIP), and budget presentation formats.

Technical assistance to the staff of the Treasury Department this past fiscal year has been focused on making the 2009 financial statement compliant with the cash-basis International Public Sector Accounting Standards (IPSAS). Subsequent work with SEMCAR will then be directed at 2010 and 2011 with the objective of the Treasury and the Ministry of Finance becoming sufficiently comfortable with the IPSAS standards that they will eventually be able to produce the current financial statement according to the standards.

Also, draft Procurement Guidelines and Standard Bidding Documents were completed this fiscal year, financed by the IDB. Training of public and private persons in the use of the guidelines was also completed and a Government of Belize Procurement Portal is to be launched soon.

A second Public Expenditure and Financial Accountability (PEFA) Assessment is scheduled to begin near the end of 2013. The Assessment will be funded by the European Union (EU) and involve several of Belize's partners in development. The objectives of the Assessment are to:

- provide reliable information on the performance of Belize's Public Financial Management (PFM) systems, processes and institutions over time;
- contribute to the government reform process by determining the extent to which reforms are yielding improved performance and by increasing the ability to identify and learn from reform success; and
- facilitate harmonization of the dialogue on PFM performance, reform needs and donor support between government and donors around a common PFM performance assessment, and therefore contribute to reduce transaction costs for Belize.

By providing a common pool of information for measurement and monitoring of PFM performance progress, and a common platform for dialogue about PFM reform, it aims to contribute to the development of effective country-owned PFM systems.

TAX REVIEW AND REFORM

Mr. Speaker, since taking office, the Government has been mindful of the urgent need for Business Climate Reforms to foster private sector development in Belize. We are particularly aware of the need for reforms that would foster sustainable economic growth and enhance competitiveness in Belize while at the same time ensuring sustainable public finances. These needs have been identified and re-emphasized during our continuing dialogue with the business sector under the umbrella of the Public /Private Partnership institution.

In this regard, and with the assistance of our International Financial Institutions (IFI) partners, we have commissioned three recent studies aimed at reviewing and making recommendations on our domestic tax system, as follows:

Belize Tourism Taxation Study – was undertaken last year with the support of the IDB to review the current taxation structure of the tourism industry in Belize and to provide recommendations on measures that could provide further competitive advantages for Belize while preserving the tax base in Belize. A draft study has been submitted and the GOB has been considering the practicality of the recommendations contained therein. Implementation of one of the key recommendations, that of bringing the hotel accommodation services fully into the General Sales Tax net while at the same time repealing the Hotel Accommodation Tax, has been deferred pending further study and consideration. Ultimately, the Government is determined to find a way to permit GST credits for the hotel sector, in cases where services are in fact business inputs, while preserving the income for the Government and for the Belize Tourism Board. The Government is also examining ways to address the structural problems of, and improve the competitiveness in, the cruise service industry, through possible reductions in customs duties on inputs for such services and possible reform of the cascading business tax regime.

Estimation of Tax Expenditures on Fiscal Incentives – the study currently being undertaken also with the support of the IDB, is aimed at developing a comprehensive view of the costs of delivering different fiscal incentives, and involves the development of a "tax expenditure budget" which would estimate the revenue losses attributable to the granting of various exemptions, exclusions, deferrals and preferential rates in the tax system. This budget, along with the strengthening of our institutional capacities to use it efficiently and effectively, will be a useful tool for policy makers to craft more efficient incentives for business development, and also to be able to see the full cost of granting such incentives. It is expected that this study will be concluded by the middle of this year, after which the Government will consider the recommendations in more detail and take steps toward early implementation.

Comprehensive Tax Policy Review – a diagnostic review of the tax system in Belize is currently being undertaken by the IMF Fiscal Affairs Department, with special attention to the

Business and Income Tax, GST and the taxation of Excisables. The Review once completed is expected to produce recommendations for tax reform for increased growth, fairness and sustainable revenues. Such reforms will establish a firm foundation to allow for a growing economy and sustainable public finance.

PUBLIC DEBT AND LIABILITY MANAGEMENT

The Debt Restructuring

Mr. Speaker, on Friday, February 15, the Government officially launched an offer to restructure the country's outstanding external commercial debt – the so-called Super Bond - proposing new bonds for those that were to mature in 2029. The offer period is to close on March 8, and the transaction completed by March 20. Bondholders have been advised that the offer for exchange will be consummated only if 75% of holders participate, a threshold triggering the collective action clause that then ropes in the remaining Bondholders thereby guaranteeing a 100% subscription.

In advance of the launch, this Honorable House ratified the reduced repayment terms for the replacement bonds. And these contrast favorably in every regard with the current Super Bond:

- The new bonds allow nine additional years for repayment since final maturity is now 2038, as compared to 2029 for the Super Bond;
- The principal outstanding is being reduced by 10% or BZ$110 million;
- The initial interest rate will fall to 5.000% for the first 4.5 years, then move to 6.767% for the remaining life. These are decreases of 41% and 21%, respectively, when compared to the current interest rate of 8.5%; and
- The annual principal repayment amount will fall to BZ$46m compared to BZ$110 million under the previous terms.

When this debt operation is clinched in just a matter of days, the debt repayment relief this Administration will have secured for Belizeans will be unprecedented: BZ$22 million in 2012, BZ$66 million this year, BZ$236 million in the five year period to 2017, and BZ$494 million over the coming decade.

In other words, when reasonably discounted on a net present value basis, the new bonds represent a reduction of more than 43% as compared to the current terms.

And gross nominal cash flow savings through to maturity will total BZ$112 million.

Recall then, Mr. Speaker, the way those on the other side dug deep into Pandora's box when in January of last year I first asserted Belize's entitlement to debt relief. They scoffed and predicted failure. They foretold a collapse in the economy, a withering of FDI, and a fracture in relations with our multilateral partners. In forecasting, indeed wishing for, macroeconomic Armageddon, they leagued themselves with the rating agencies and, of course, their favorite bedfellows in the Ashcroft Alliance.

But the confounding of the Cassandras by this speedy fulfillment of the most fundamental of UDP election pledges, will only further excite them to jealousy and bad mind, Mr. Speaker. This is so not only because we will be able to deliver an average yearly debt saving of BZ$50 million over the next decade, but because our victory upsets all paradigms and shatters all conventional wisdom. According to the international sovereign restructuring playbook, nobody gets debt relief even as they are growing their economy by over 5%. Nobody gets debt relief while attracting signature foreign direct investments such as the ASR $100m in the sugar industry. And nobody gets debt relief while steadfastly refusing to surrender fiscal and monetary sovereignty to any IMF Program.

So let the haters choke on their bile. This singular triumph of the UDP shall forever stand in contrast to the kleptocracy of their record.

The Public Debt

Mr Speaker: Not since the Latin American debt crisis of the 1980s has the world's attention been so attuned to the corrosive effects of unsustainable public debt. Belizeans need look no further than Jamaica for a case study writ large. Last month the government there was compelled to reschedule its domestic bonds, hoist additional taxes on individuals and businesses, and submit to a tightened IMF embrace by acceptance of the dread conditionalities of another bailout loan.

But by standing sentinel over careful management and upright governance, our Administration in Belize has so far ensured economic expansion without new taxes, to be accompanied now by the actual driving down of the level of national indebtedness.

At the close of the 2012, overall outstanding external public debt stood at US$1,017.8 million, more than half of this amount being the Super Bond. Domestic public debt stood at Bz$417.2 million for a total public debt of Bz$2,452.8 million or approximately 77.6% of GDP. If, for the remainder of this decade, as was the case in FY 2012/13, Government's net financing requirement remains neutral in relation to the overall public debt, then even with a modest 2.5% annual GDP growth, Belize's ratio of public debt to GDP would fall beneath the 60% level considered eminently acceptable by international standards. Not since the days of the UDP Esquivel Administrations has this nirvana been so within our country's grasp.

And Mr. Speaker, the intention is to further fine-tune public debt management. In order to institutionalize the optimal debt management framework, the Ministry of Finance and the Central Bank collaborated with the Capital Markets Division of the IMF last November in an exhaustive review of public debt practices. In consequence, at the conclusion of the debt restructuring exercise, the Government will implement a procession of debt management reforms including passage of a Public Debt Management Act, a new Securities and Capital Markets Act. We will thereby modernize the mechanisms through which domestic debt is raised, and upgrade debt monitoring and reporting systems.

MONETARY AND FINANCIAL SECTOR REFORM

The Central Bank took further steps in 2012 to strengthen the architecture of Belize's financial system with a view to improving its operational efficiency and stability. The Bank's strategic initiatives fell under the three pillars of ***financial regulation***, ***financial system modernization*** and ***macro-prudential surveillance***.

Financial regulation

Given the importance of the domestic banking sector to the wider economy, a high priority was placed on finalizing the revision of the Banks and Financial Institutions Act to close regulatory loopholes and raise prudential standards. The result of these efforts was the Domestic Banks and Financial Institutions Act (DBFIA), which came into effect on 1 January 2013. The DBFIA significantly enhances the Central Bank's regulatory flexibility making it easier for the Bank to fulfill its mission of assuring a safe, sound and efficient financial system.

Financial System Modernization

Aided by the Canadian International Development Agency (CIDA) and the International Financial Corporation (IFC), the Central Bank continued to make advances in its national payments systems reform and credit bureau projects, which are intended to modernize Belize's financial system. Reform of the payments system is considered to be one of the foundational elements for national development since a shift away from manual paper-based payment processes holds the potential to improve security, reliability and efficiency for all economic transactions. The versatility afforded by a modern payments system would also supplement the Central Bank's oversight function and enhance its capacity for effective monetary policy implementation. Progress in this important project included the completion of a National Payments System Strategy and Plan in 2012 and the selection of a Project Manager to guide Project efforts.

The requisite groundwork for the credit bureau project, which includes a review of the legal framework, consultations with stakeholders and drafting of credit bureau legislation, were completed in 2012. A campaign will shortly be launched to heighten the public's awareness of credit reporting and it is expected that the Credit Report Act will be passed followed by the creation of a credit bureau license later this year.

Macro-Prudential Surveillance

The world financial crisis has led to a heightening of international concerns about financial system stability not only in the developed nations but also in the Caribbean. Following from this, the IADB has been funding a regional project administered by the Caribbean Centre for Money and Finance to improve institutional capacity to analyze and monitor the strengths and vulnerabilities of the financial sector. In this regard, the Central Bank of Belize established a Financial Stability Unit (FSU) in August 2012, which forms part of the governance structure to support policy decisions and which is tasked with the building of a framework for continuous monitoring and reporting of key financial stability indicators on the micro and macro level. Two papers were also produced during the year that provided an overview of Belize's financial sector and an assessment of the system's architecture and its risks and vulnerabilities.

PUBLIC PRIVATE SECTOR PARTNERSHIPS

This Government of Belize fully recognizes the fact that a significant part of our population lives in conditions of poverty and that for many of our citizens the business of making a living and of providing for our children, is a major daily struggle. For this reason we have, on a continuing basis, placed great emphasis on developing our economy and raising the living standards of all our people through the provision of not just jobs but decent work. We have also ensured the placement of social and economic safety nets to support those of our people who, for whatever reason, are experiencing hard times. This last has really become a hallmark of our Administration. And the Food Pantry and Cash Transfer programmes, I earlier indicated, are being expanded in this Budget to the tune of almost two million dollars. They are now permanent features of a UDP landscape of social justice; and have been so effective that they have gained us high marks even from the neoliberal international institutions that are only too ready to confuse social justice with socialism.

Where the middle classes are concerned, UDP relief has been principally by way of the waves of income tax relief that now exempt completely all those making less than five hundred dollars per week; by way of the millions in mortgage write offs at DFC and SSB and Ministry of Housing; and by way of our willingness now to finance the 10% down payment for new homeowners seeking construction financing from commercial institutions.

In all this we have been forthright in embracing and promoting-indeed proselytizing-the role of the state in driving economic development; in stimulating demand; in stepping into the breach always, but especially when there is any slackening of private sector activity. It has been our practical and philosophical conviction that big government is a necessity for small countries. We will therefore continue to ramp up the public sector investment programme. We will continue to fund robustly the infrastructure projects that create employment, better the physical conditions of our people and-I can't say it enough-stimulate demand.

It is that last, the stimulation of demand, that allows me to segue into the paramount importance that we attach to the partnership between Government and the Business Community. For in the end that is what the stimulation of demand is all about: creating jobs, increasing disposable income, trading more goods, expanding the supply chain, accelerating the activity that will in turn feed on itself, replicate and multiply; and ultimately, in consequence, push the private sector into its deserved and necessary pride of place.

When we talk about the private sector we talk about the entire private sector, whether organized in large business ventures (as in our major agricultural and industrial exporting companies) or in medium and small enterprises. We talk about our hotels, restaurants, bus and water-taxi operations. We talk about our farmers, fishermen, street vendors, tour operators. We talk about the service providers such as tutors, hair braiders, language translators, artists, musicians. These are the people who, through the sale of their goods and services, generate the jobs and produce the incomes, part of which is used by the Government to deliver social services, to reinvest, to make sure that the wheel comes full circle: that the environment is maintained and strengthened in which these same individuals and enterprises can operate even more successfully, can prosper by leaps and bounds and help move our country forward. Government is in its own right an employer, an investor, a direct social and economic guardian of the people. But it is also a facilitator and motivator of the private sector. And one of its main purposes is to provide the maximum possible help and support so that Business can play a paramount role in helping to achieve national development objectives and improve our standard of living.

It is in recognition of all this that I have tried, beginning in late 2011, to intensify the relationship between the Government and the private sector through the convening of the Business Forum. The idea was to establish a medium for dialogue as a way of achieving and maintaining a close understanding of what each sector needs to do to assist the other in growing our economy and providing more jobs and higher incomes for our people.

The Business Forum is the umbrella entity designated to superintend the new process. In between its annual meetings, though, there is a need for operational continuity. And this has been filled by a joint private-public sector Committee, which meets every three weeks to identify and deal with issues and bottlenecks that are obstacles to the expansion of private sector activity. It also looks at the internal workings of the private sector and tries to arrange for changes in the way business is done so as to maximize results.

Among the accomplishments of this ongoing private-public sector dialogue have been the following:

- The comprehensive review of Belize’s tax system about which I earlier spoke. We have already received a preliminary report from the external advisers, and we are currently awaiting their detailed recommendations for changes.
- Continuing consultations on a programme of public service reform, with the intention of improving the quality of public services delivery and of making the interactions between the public service and members of the general public as efficient and as pleasant as possible. This process is critical to business facilitation.
- Consideration of proposals to review the entire transportation sector, including seaport and airport operations as well as road development and improvement, in order to optimize the delivery of services and reduce the costs of moving people and goods throughout the country and within the region.
- The involvement of the private sector in the development of education and training curricula, given the recognition that our education and training institutions must increasingly produce individuals with the skills and capacities that permit them to become both employees or self-employed entrepreneurs.
- The establishment by Government in Belize City of the first of a series of small and medium-sized business support centers, with the intention to branch out to every municipality. Along with these, we have been engaging with the financial institutions and with the utility services in an effort to encourage them to provide special assistance packages to small business operations, and in particular to new start-ups.
- Membership of both sides in the wider social partner structure set up to address the troubling crime situation that has affected business operations in the country.

I believe it is fair to say that this public-private sector approach has to date produced benefits for both sectors and for the country of Belize in general. The distrust of one side for "the other" has been greatly reduced. And there is much commonality in defining objectives and the way to realize these, even if there is not as yet maximum symmetry of implementation.

CONCLUSION

Mr. Speaker, "Those who cannot remember the past are condemned to repeat it"

This famous dictum by the philosopher George Santayana has been so quoted and misquoted, so varied and paraphrased, that the author has in this regard perhaps gone posthumously from Valhalla to the kingdom of the hackneyed. But triteness is in many respects still serviceable. And while this has been, I hope, a forward looking Budget speech, there are some points that in conclusion I wish to make lest, apologies to Kipling, we ever forget.

Mr Speaker,

For the greater part of the last 15 years our Belize has been through some extraordinarily difficult times. The first 10 years of the period saw an unprecedented raping of the country by members of an Administration that was single-mindedly intent on enriching itself at the expense of the people. In the process the nation was severely damaged. The so-called Washington consensus was used as a cover for corruption; government assets were given away or sold at knock-down prices to cronies; secret agreements were signed with foreign predators to allow a further creaming away of the patrimony; the civil service was weakened and demoralized as they were forced to turn a blind eye or become complicit in the state-sponsored plunder; international middlemen were paid handsomely to arrange a debtor's prison of 1.5 billion in unsustainable, un-repayable borrowing.

Those were dark days, Mr Speaker.

But we are cleaning out the Augean stables, we are stabilizing the public finances and this Budget is proof positive of that.

Principal among our labours of Hercules has been the reduction of the fiscal deficits. These, under the same people that in a few short years quadrupled the national debt, had reached the dizzying level of 10% of GDP. But we have brought them down, wonderful to relate, to under 2%. In this process of curbing deficits and bolstering surpluses, we have had absolutely no recourse to borrowing from foreign commercial banks. We have utilized only concessional loans from bilateral and multilateral partners, and all the funds have been invested wisely and spent transparently. It can never be said of us, as Bear Stearns said of the PUP, that the people's money has disappeared into ministerial paws.

Of course, Mr Speaker, the high point, the piece de resistance, of our rescue efforts, is the superbond restructuring. But even before this, Mr Speaker, we were able to pioneer and expand social and educational programmes. We were able to support the poor, equip our children, and increase opportunities right across the spectrum. And we have been able to effect clearly visible improvements to the physical infrastructure of our municipalities. And Belize City under the phenomenal Mayor Darrell Bradley, about whom we may well ask 'when comes such another', has been the jewel in the crown.

Mr Speaker, place all this in the context of our Central American and Caribbean corner of the world. Even as all others have been struggling, Belize has been a comparatively bright spot. And just one year into our second term we have recorded this spectacular growth, making us the envy of the region as anyone can attest who listened to the recent CDB press conference on CARICOM economies.

Of course, while we can now feel very good about Belize, it is not all rose coloured lenses or sunlit vistas. For one thing, there is still a superbond hangover. We have taken our alka seltzer and tomato juice. But though the "goma" has lessened it will never completely disappear.

Those that have condemned us to this perpetual migraine say they are tired of hearing about it, but I endorse the words of the Minister of Housing: you will hear about it till you are dead because we have to continue paying it till we are all dead. 547 million US dollars, Mr Speaker, and nothing to show for it. Yet with that money we could have built eleven thousand 3-bedroom houses each costing 100 thousand Belize dollars. With an average of 5 persons in each home we could have provided decent accommodation for 55,000 persons.

But this is wishful thinking, Mr Speaker. Wishful thinking because those on the other side entered into the secret and punishing Settlement Deeds and Accommodation Agreements; signed the tax giveaways and the exemption from our laws and regulations; physically alienated our patrimony and ceded control even of our waterways and rivers and streams; and, finally, consigned us to superbond hell.

In reflecting on their vermin-like behaviour, I am reminded of what Mirabeau said of Talleyrand in the days before the French Revolution, and I paraphrase: he would sell his soul for money, and he would be right, for he would be receiving gold in exchange for excrement. That, Mr Speaker, could well be the epitaph of those on the other side.

Fortunately however, and as this Budget shows, we have extricated Belize from the worst of their Faustian pact. Even at the cost of huge legal fees, ongoing litigation, the relentless campaign of our implacable enemy and their everlasting friend, we have wrapped ourselves in our Belizean coat of many colours, rallied round the Belizean flag, and donned the armour of Belizean nationalism.

So one by one the dominoes continue to fall. The superbond has had its claws drawn. The asphyxia of austerity has been rejected. There is unprecedented economic growth. There is tangible increase in social protection. There is abundant liquidity in the banking system for private sector access to credit. There is security for our currency backstopped by impregnable reserves. And there is a sixty million dollar infrastructure package to be financed and implemented via the newly registered, wholly GOB-owned, private company called Belize Infrastructure Limited. This is the special-purpose vehicle that will create jobs, stimulate demand, purchase private sector material and supplies, and generally raise that tide that will float all Belizean boats.

Mr Speaker,

We move onward and upward, dedicated to creating this new Belize: an egalitarian, prosperous, progressive society; a strong, confident and successful nation that, we are convinced, is not just our desire but our destiny.

Thank you.

ANNEX 1: Select Indicators

	2007	2008	2009	2010	2011R	2012P
POPULATION AND EMPLOYMENT						
Population (Thousands)	309.8	322.1	333.2	323.4	332.7	339.9
Employed Labour Force (Thousands)	111.8	114.5	120.5	100.7	na	127.0
Unemployment Rate at April (%)	8.5	8.2	13.1	23.3	na	14.4
INCOME						
GDP at Current Market Prices ($mn)	2,563.2	2,727.0	2,698.0	2,797.0	2,895.0	3,159.0
Per Capita GDP ($, Current Mkt. Prices)	8,274.8	8,466.3	8,097.2	8,649.8	8,701.5	9,292.9
Real GDP Growth (%)	1.2	3.6	-	2.7	2.0	5.3
Sectoral Distribution of Constant 2000 GDP (%)						
Primary Activities	12.8	12.5	11.7	11.4	10.6	na
Secondary Activities	17.6	18.7	21.4	20.8	20.7	na
Services	60.3	60.2	53.7	54.1	54.9	na
TOURISM						
Stay Over Arrivals (Thousands)	241.6	234.7	221.7	224.7	233.2	257.0
Cruise Ship Passsenger Arrivals (Thousands)	560.5	537.6	634.7	688.2	654.8	576.7
MONEY AND PRICES ($mn)						
Inflation (Annual average percentage change)	2.3	6.4	(1.1)	0.9	1.5	1.3
Currency and Demand deposits (M1)	704.4	706.2	713.3	707.9	839.4	1,102.9
Quasi-Money (Savings and Time deposits)	1,031.7	1,260.4	1,379.9	1,377.1	1,361.9	1,340.7
Money Supply (M2)	1,736.1	1,966.6	2,093.2	2,085.0	2,201.3	2,443.6
Excess statutory liquidity	58.5	84.0	105.0	160.1	221.1	310.1
Excess cash liquidity	8.7	15.1	40.0	60.5	95.7	152.6
Excess securities				24.7	151.5	173.9
CREDIT ($mn)						
Commercial Bank Loans and Advances	1,599.6	1,742.4	1,805.4	1,762.0	1,756.5	1,802.6
Public Sector	40.0	17.8	7.1	8.9	9.1	16.6
Private Sector	1,559.6	1,724.6	1,798.3	1,753.1	1,747.4	1,786.0
INTEREST RATE (%)						
Weighted Average Lending Rate	14.3	14.1	14.0	13.8	13.0	12.0
Weighted Average Deposit Rate	6.0	6.4	6.1	5.6	3.7	2.6
Weighted Average Interest Rate Spread	8.3	7.8	7.9	8.2	9.4	9.4
BALANCE OF PAYMENTS (US $mn)						
Merchandise Exports (f.o.b.)(1)	425.6	480.1	382.1	475.7	603.6	625.1
Merchandise Imports (f.o.b.)	642.0	788.2	620.5	649.8	778.2	840.4
Trade Balance	(216.5)	(308.2)	(238.4)	(174.0)	(174.6)	(215.3)
Remittances (Inflows)	70.8	74.1	76.2	75.8	73.0	73.6
Tourism (inflows)	288.7	278.5	256.2	264.4	247.6	261.7
Services (Net)	229.9	216.9	182.6	200.1	169.1	187.7
Current Account Balance	(52.1)	(132.4)	(84.6)	(40.6)	(19.9)	(42.8)
Capital and Financial Flows	123.7	235.7	135.5	33.0	44.7	95.6
Gross Change in Official International Reserves	22.9	57.9	47.3	4.3	18.1	52.8
Gross Official International Reserves (2)	108.5	166.4	213.7	218.0	236.1	288.9
Import Cover of Reserves (in months)	2.3	2.8	4.2	4.5	4.3	4.6

Sources: Ministry of Finance, Statistical Institute of Belize and the Central Bank of Belize

(1) Includes CFZ gross sales

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

P: Preliminary R: Revised

n.a. Not available