

Belize 2012

Indicative Restructuring Scenarios

OVERVIEW

- Since the publication of its *Economic and Financial Update* in June of this year, the Government of Belize has held consultations with creditors and other stakeholders
- Discussions with multilateral partners have been multi-faceted, focusing—among other things—on refining medium-term macroeconomic projections, identifying corrective measures to be adopted by the Government to offset the declines in oil revenue that have already started to materialize, improving the business climate, and shoring up weaknesses in the banking sector
- As part of this process, the Government has been engaged in detailed discussion with its multilateral partners over a Policy Matrix that is to serve as the basis for expected future financial support; many of the measures envisaged under the Policy Matrix, which is presented in the subsequent page, were hard-wired into the 2012/13 Budget approved by the House of Representatives in late June
- In parallel, the Government has advanced discussions with the former shareholders of both Belize Telemedia Limited (BTL) and Belize Electricity Limited (BEL) on the question of compensation for the BTL and BEL shares acquired by the Government; both sets of parties have expressed a willingness to explore the possibility of out-of-court settlements, and discussions are ongoing
- Following on from recent consultations, the Government sets out in this presentation indicative debt restructuring scenarios for discussion with holders of Belize's US Dollar Bonds due 2029
- These Indicative Scenarios comprise restructuring terms that would close the financing gaps facing the country in a sustainable manner. The gaps are as described in the Active Scenario of the *Economic and Financial Update* of June 2012
- The Indicative Scenarios assume that the same restructuring terms are applied on settlements reached with the former shareholders of the nationalized companies

ADJUSTMENT AND REFORM POLICY MATRIX

- In order to maintain the flow of financing from its multilateral partners, the Government has agreed a matrix of policy measures designed to fortify the country's fiscal stance by buttressing revenues and focusing expenditure and investments, while bolstering financial sector recovery
- Included in this series of reform initiatives that underpins the Government's Active Scenario projections are:

Table 1: Summary Policy Matrix

TOPIC	REFORM	ACTION	TIMING
I. MACROECONOMIC STABILITY	Maintain an appropriate macroeconomic framework that is consistent with fiscal sustainability and financial stability	Enact policy measures in matrix	Ongoing
		Maintain targets in Active Scenario	
II. PUBLIC REVENUES	Adopt fiscal measures designed to boost revenues by eliminating exemptions, rationalizing import tariffs, and streamlining collections	Apply Belize's value added tax (VAT) to the hotel sector, previously exempted from this tax	Law passed, in effect January 2013
		Apply VAT to imported petroleum products	Completed
		Eliminate quantitative restrictions on certain imports	September 2012
		Consolidate tax collection agencies to improve efficiency, audit capacity, and counter evasion	Measures approved by Cabinet; ongoing
III. FISCAL DISCIPLINE AND EXPENDITURE MANAGEMENT	Adopt budgetary measures to ensure fiscal targets are met	Halt real growth in overall primary expenditures	2012/13 Budget
		Disallow all subsidies for public utilities	2012/13 Budget
		Include public enterprises in fiscal accounts	2013/14 Budget
		Implement new public sector procurement standards	2013/14 Budget
IV. PUBLIC DEBT SUSTAINABILITY	Improve public debt sustainability by placing public debt planning and management at the core of fiscal policy	Secure cabinet approval of a best practice Liability Management Strategy	End-2012
		Enact a comprehensive Medium Term Debt Strategy aimed at placing the public debt on a clearly declining and sustainable path	End-2012
V. BANKING SECTOR	Strengthen banking sector regulation and the Central Bank of Belize (CBB)'s institutional capacity to minimize macroeconomic risks	Reform the <i>Banks and Financial Institutions Act</i> to strengthen the regulatory authority of the CBB, improve bank resolution framework, and corporate governance requirements	Bill tabled; end-2012
		Reform loan classification, loan loss reserve requirement, and other measures that facilitate banking sector recovery	Completed
		Introduce deposit insurance	Cabinet approved

Source: GoB

INDICATIVE RESTRUCTURING SCENARIOS

- The Government sets out below indicative debt restructuring scenarios for discussion with holders of Belize's US Dollar Bonds due 2029
- These Indicative Scenarios comprise restructuring terms that would close the financing gaps facing the country in a sustainable manner. The gaps are as described in the Active Scenario of the *Economic and Financial Update* of June 2012 (page 18); this document can be accessed on the Central Bank's website ([click here to open the document](#))
- The Indicative Scenarios assume that the same restructuring terms are applied on settlements reached with the former shareholders of the nationalized companies to whom compensation is still outstanding

Table 2: Indicative Restructuring Scenarios

	SCENARIO A	SCENARIO B	SCENARIO C
TYPE	Par	Discount	Discount
PRINCIPAL REDUCTION	0%	45%	45%
REPAYMENT STYLE	Equal semiannual principal installments after grace period	Equal semi-annual principal installments	Mortgage (level principal and interest) after grace period
PRINCIPAL GRACE PERIOD	15 years	None	5 years
FINAL MATURITY	2062	2042	2042
COUPON	2.0% throughout	1% through 2019 2% through 2026 4% through 2042	3.5% throughout

CONTACT INFORMATION



Ministry of Finance and Economic Development
3rd Floor, Right Wing, Sir Edney Cain Building
Belmopan
BELIZE

Tel: + (501)-822-0367

Fax: + (501)-822-2886

Email: Financial.Secretary@mof.gov.bz