

Medium Term Fiscal Framework Seminar, Seoul, June 30- July 5, 2013

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* This presentation reflects the views of the author, and not of the
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Belizean Economy & Growth 1998-2005

- Commencing in 2006 the macroeconomic analysis of the economy made in conjunction with the Article IV consultations of the IMF it was noted that for the past decade Belize had impressive growth rates averaging about 10% per annum and had recorded price and currency stability. (The Belize Dollar is pegged to the US Dollar at the rate of BZD \$2.00 = USD \$1.00).
- It was also noted that the growth had been made possible by expansionary growth financed by public borrowing but which had caused the external current account to increase to unsustainable levels.
- The government (under the same administration which had led the expansionary policies) began fiscal adjustments and monetary tightening early in its second term in office (2005-2006) to correct the imbalances. It was thought however, that more needed to be done to protect the exchange rate peg, to avert an external payment crisis and so set the stage for recovery of growth and also employment.
- From this came the discussions with the authorities focused on the development of a policy framework that would achieve these objectives.

Fiscal Tightening

- Measures to contain fiscal crisis led to cuts in capital expenditure, tightening of monetary supply (one measure was to sterilize Social Security contributions by depositing the funds at the Central Bank of Belize instead of the Commercial Banks).
- This led to a decrease in the Primary Deficit from -6% to 3% in the first year. However, these measures, although necessary were not sufficient to put back the economy on a sustainable growth path as the debt service especially on commercial debt was increasing becoming a burden.

Budget Consultations

- In 2007 Belize had successfully issued new bonds to replace a previous bond issue which required the bullet payments of US \$125m in 2012 and \$100m in 2015. Since no Sinking Funds had been established to meet the bullet payments, Belize would be unable to cover the payments needed – hence the need for re-negotiations.
- At the beginning of the Budget Cycle of 2008/2009 the Ministry of Finance carried out consultations with various stakeholders to established problems encountered and to bring up suggestions on how to deal with them.
- This led to further consultations from which two important studies came up which are the guiding strategies for the development of Belize both in the Medium Term and in the Long Term

Horizon 2030

- ***Objectives of Horizon 2030 Framework***
- ***“To clearly establish a set of long-term development goals, targets, and indicators to guide concerted action by all stakeholders involved in the development, implementation, and monitoring and evaluation of both long term and intermediate sector programs and Government’s long and medium-term development strategies”.***

Horizon 2030 – A National Development Framework

- The Horizon 2030 study has a bottom – up approach and tries to incorporate the vision of all consulted – youths, farmer groups, private sector, academia, government, special groups and others.
- What kept coming up is the need to align the budget with the investment needs of the country
- Planning must be relevant to both urban and rural communities. Planning must integrate and mainstream inter-sectoral collaboration.
- Planning must incorporate monitoring and evaluation into the design of policies and programmes.
- Focus on action by building proper implementation processes into the Horizon 2030 framework.
- Focus on the community by anchoring development planning in the communities to promote relevance, buy-in of beneficiaries and long term sustainability of results.

7 thematic Areas under 3 main headings

I: Two Pillars for Future Development

A: Democratic governance for effective public administration and sustainable development

1. Democratic governance as a foundation for development
2. Crime, citizen security and access to justice

B: Education for Development

3. Education for development - education for life

II: One Binding Constraint - generating resources for long term development

4. Build a resilient economy
5. Focus on key productive sectors

III: The Bricks and the Mortar - the Core of the Long- term Development Framework

6. Healthy citizens throughout the life cycle
7. Care for the natural environment

The idea is to reach high levels of accomplishments in these areas at least by 2030

Medium Term Development Strategy Belize 2010-2013

- The other study was developed as a Short to Medium term strategy to begin aligning policies and practices focused to achieve the objectives of Horizon 2030 and also of the National Poverty Elimination and Action Plan (NPESAP) 2009-2013.
- Its **underpinning principles** seeks to ensure ***Benefit for the Greatest Number of Belizeans by Securing Human Rights and Human Development***
- that an individual's ultimate goal is to lead a fulfilling life with political freedom, and that to do so requires that he/she is equipped to fully function in society. It suggests that a necessary condition for an individual to reach fulfilment is that he/she leads a long and healthy life and is able to fully engage in the affairs of his/her community
- Central among these principles is the individual's right to health, education, decent work, participation, non-discrimination, and information

Sectoral Focus Areas

- **1. Enterprise Development.** Measures that support the continued development of traditional and emerging industries and expansion of small, medium and micro-enterprises.
- **2. International Trade Capacity and Competitiveness.** Measures to increase Belize's market access through better negotiating capacity and improvements in quality management and in the national quality certification capacity.
- **3. Environment and Disaster Risk Management.** Confronting economic and physical shocks requires the ability to plan adequately and to make adjustments at the individual, institutional and community level. Sustainable use of Natural Resources to ensure that individuals have decent living conditions, sources of income and an assurance of resources for future consumption .
- **4. Human Development.** The ability of each citizen to reach his or her full development potential and to make meaningful contributions to his community requires a sound foundation. The human and social development objectives of the MTDS will be achieved through investment in education and health delivery and in social safety net provisions. The latter will include measures aimed at specific groups, such as women, youth and the aging.
- **5. National and Citizen Security.** Fight crime, fight the underlying reasons for crime and ensure citizen security

Cross Cutting Focus Areas

- **Fiscal discipline, Effective Debt Management and Complementary Monetary Policy.**
- **Public Sector Institutional Strengthening**
- **Improved Governance Systems**
- **Citizen Participation, Gender Focus and Equitable Development.**
- **Transportation, Building and Public Utilities**
- **Information and Communication Technology**

Investment for Poverty Reduction (aligned with MTDS)

- ***1. Economic Policies for Enabled Growth (Growth is a necessary condition)***
- ***2. Transparency and Accountability for Good Governance (Low corruption to ensure optimal use of resources for public benefit)***
- ***3. Investment for Human Capital Development (Health and Education)***
- ***4. Infrastructure for Growth and Sustainability (Access to water, better transportation)***
- ***5. Strategic Support for Equity and Social Development (Social Nets to help vulnerable groups)***

FISCAL TRANSPARENCY AND RESPONSIBILITY REGULATIONS, 2010

- These Regulations were passed in 2010 but to come into effect at the completion of the 2012-2013 fiscal year ending March 2013
- Its passing was to show that the Government of Belize is committed to enhancing fiscal transparency and accountability in the conduct of its affairs;

The Regulations would provide a framework for

- for sound fiscal discipline and public scrutiny of fiscal policy
- and performance at all levels:

Fiscal Transparency

- The Regulations extend to Central Government, Statutory Bodies and require transparency in the setting of fiscal policy, objectives and targets, in the implementation of fiscal policy, and the publication of the public accounts
- stability in the fiscal policy-making process and the way fiscal policy impacts on the economy
- fairness at all levels, including fairness between the present and future generations
- efficiency in the design and implementation of fiscal policy and the management of both the asset and liability sides of the public sector balance sheet.

Fiscal Transparency

- The Regulations also establish deadlines by which time reports should be submitted by the Minister of Finance to the National Assembly
- It also requires the Minister of Finance to present its fiscal strategy [at the time of the presentation of the Budget Estimates] for debate (previously done in practice)
- Other reports include the Fiscal Outlook and Mid-year Review
- Report and the Final Budget Outcome Report of the previous year

Policy Impact

- Much of recommendations of the Medium Term Strategy have been implemented in subsequent budgets. Also, financing for some of the areas had already been obtained or were in negotiations
- Government has stuck to maintaining at least a Primary Surplus of 2% of GDP for the last 6 fiscal years. The commercial debt was again rescheduled in 2013 permitting savings in debt service to help finance the investments required.
- We are currently working on preparing the reports to be presented to the National Assembly

Conclusion

Thank you