The offer described herein will expire at 3:00 p.m. (New York City time)
on January 26, 2007, unless extended or earlier terminated.

OFFERING MEMORANDUM
Dated December 18, 2006

Belize

Offer to Exchange

U.S. Dollar Bonds Due 2029 (the "*New Bonds*")
for
Eligible Claims (as defined below)

Belize hereby offers to exchange the New Bonds for the claims listed on Schedule A of this offering memorandum ("*Eligible Claims*") on the terms set forth herein. The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Belize and will rank equally with all other existing and future unsubordinated and unsecured Public Debt of Belize. The New Bonds will be backed by the full faith and credit of Belize. This Offer (as defined herein) is a key part of Belize's comprehensive debt management strategy.

A holder of an Eligible Claim may only participate in this Offer by delivering a letter of transmittal or letter of acceptance, as indicated herein, at or prior to 3:00 p.m. (New York City time) on January 26, 2007, unless the Offer period is extended by Belize.

The Government of Belize reserves the right, in its sole discretion, to cancel the Offer in the event that the level of participation in the Offer would not, when taken together with the other fiscal adjustment measures being taken by the Government and the financial support being provided by other creditors, produce a sustainable debt service position for Belize.

The New Bonds will be issued pursuant to an indenture with The Bank of New York, as Trustee for the bondholders, and will be governed by the law of the State of New York.

An investment in the New Bonds involves a high degree of risk. See "Risk Factors" beginning on page 14 of this offering memorandum.

The New Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*") or the securities laws of any other jurisdiction. The New Bonds will be offered only to qualified institutional buyers in the United States under Rule 144A of the Securities Act and to persons outside the United States under Regulation S of the Securities Act. The New Bonds will be subject to restrictions on resale under applicable law. See "Notice to Investors".

Delivery of the New Bonds will be made on or about February 20, 2007. The New Bonds will be delivered in book-entry form through the facilities of The Depository Trust Company, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme. Belize intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the EuroMTF market.

N
Belize
MEXICO
GUATEMALA
BELIZE
HONDURAS
Caribbean Sea
Corozal
Orange Walk
San Felipe
Maskall
Salt Creek
Hill Bank
Ladyville
Belize City
Hattieville
Belmopan
San Ignacio
Caves Branch
Stann Creek
Augustine
Big Creek
Placentia Village
Medina Bank
Monkey River Town
Punta Gorda
Barranco
18
16
90
88
0 25 50 mi
0 25 50 km
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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this offering memorandum. You must not rely on any unauthorized information or representations. This offering memorandum is an offer to exchange only the securities described in this offering memorandum and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this offering memorandum is current only as of this date.

This offering memorandum and the related specimens of letter of transmittal ("*Letter of Transmittal*") and letter of acceptance ("*Letter of Acceptance*") attached as Exhibit I and Exhibit II hereto, respectively, are referred to as the "Offer Materials". The transactions contemplated by the Offer Materials are referred to as the "Offer".

In this offering memorandum, references to the "*Government*" are to the Government of Belize. References to the "*Exchange Agent*" are to The Bank of New York, as Exchange Agent for the Offer; references to the "*Trustee*" are to The Bank of New York, as Trustee for the Offer; and references to the "*Information Agent*" are to D. F. King & Co., Inc., as Information Agent for the Offer.

Belize is furnishing the Offer Materials to you solely for use in the context of the Offer. After having made all reasonable inquiries, Belize confirms that:

- the information contained in this offering memorandum is true and correct in all material respects and is not misleading in any material respect as of the date of this offering memorandum;

- it holds the opinions and intentions expressed in this offering memorandum;

- it has not omitted other material facts, the omission of which makes this offering memorandum as a whole misleading as of the date of this offering memorandum; and

- it accepts responsibility for the information it has provided in this offering memorandum.

Belize has not authorized the making or provision of any representation or information regarding Belize or the Government or the New Bonds to you other than as contained in this offering memorandum. Any such representation or information should not be relied upon as having been authorized by the Government or any of its instrumentalities. Belize does not assume responsibility for information other than as provided in this offering memorandum. Neither the delivery of this offering memorandum nor any aspect of the Offer shall under any circumstances imply that there has been no change in the condition (financial or other) of Belize since the date of this offering memorandum.

You should not consider this offering memorandum as a recommendation by Belize that you should participate in the Offer. In making an investment decision, you must rely on your own examination and evaluation of Belize and the terms of the Offer, including the merits and risks involved. You should consult your own advisors as needed to make your investment decision and as to whether you are legally permitted to acquire the New Bonds in the Offer under applicable legal investment or similar laws or regulations.

The distribution of the Offer Materials and the offering, sale and delivery of the New Bonds in certain jurisdictions is restricted by law. Belize requires that you and anyone who receives the Offer Materials inform themselves about and observe such restrictions. The Offer Materials do not constitute, and may not be used for or in connection with, any offer to, or solicitation by, anyone in any jurisdiction in which, or to or by any person to or by whom, such offer or solicitation would be unlawful, and the

Offer is not being made to, and tenders will not be accepted from, owners of Eligible Claims in jurisdictions in which the Offer or acceptance thereof would constitute a violation of the securities or blue sky laws of that jurisdiction. For more information, see "Jurisdictional Restrictions" in this offering memorandum.

Belize is making the Offer in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The New Bonds have not been recommended by any U.S. or non-U.S. securities authorities, and these authorities have not determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

In any European Economic Area (EEA) Member State that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the "*Prospectus Directive*"), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive.

This offering memorandum has been prepared on the basis that all offers of the New Bonds will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of the New Bonds. Accordingly any person making or intending to make any offer within the EEA of the New Bonds which are the subject of the placement contemplated in this offering memorandum should only do so in circumstances in which no obligation arises for Belize to produce a prospectus for such offer. Belize has not authorized, nor does it authorize, the making of any offer of the New Bonds through any financial intermediary and the Offer constitutes the final placement of the New Bonds.

The New Bonds will be subject to restrictions on resale under applicable law. See "Notice to Investors" in this offering memorandum. By participating in the Offer, you will be deemed to have represented and warranted to the effect set forth in, and agreed to, all the provisions contained in that section of this offering memorandum.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you tender Eligible Claims in exchange for New Bonds, or possess or distribute this offering memorandum. You must obtain any consent, approval or permission you require for the purchase, offer or sale of the New Bonds under the laws and regulations in force in any applicable jurisdiction to which you are subject, or in which you make such purchases, offers or sales. Belize shall not have any responsibility therefor.

Belize reserves the right to reject any offer to tender Eligible Claims in exchange for New Bonds, in whole or in part, for any reason.

Tenders of Bear Stearns & Co. Inc. 9.50% Notes Due 2012 and Bear Stearns Co. Inc. 9.75% Notes Due 2015 may only be made through the submission of Letters of Transmittal in electronic form. Tenders of all other Eligible Claims may only be made through the submission of Letters of Acceptance by hand, mail or facsimile transmission. Belize reserves the right to reject any Letter of Transmittal or Letter of Acceptance not received in the appropriate form. See "Tender Procedures" in this offering memorandum.

Notice to New Hampshire Residents Only

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes with the State of New Hampshire, nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire, constitutes a finding by the Secretary of State that any document filed under Chapter 421-B is true, complete and not misleading. Neither any such fact, nor the fact that an exemption or exception is available for a security or a transaction, means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

PRESENTATION OF CERTAIN INFORMATION

Economic and financial data and statistical information included in this offering memorandum are based upon the latest official data and information available at the date of this offering memorandum. Economic and financial data and statistical information provided in this offering memorandum may be subsequently revised in accordance with Belize's ongoing review of such data and information, and Belize is not obligated to distribute such revised data and information to any investor. Economic and financial data and statistical information for 2005 and 2006 may, in particular, be subject to revision. In addition, some economic and financial data and statistical information for 2005 and all such data and information for 2006 presented herein are estimates based on the latest available data.

Unless indicated to the contrary, estimates in this offering memorandum are estimates of the Ministry of Finance of Belize or the Central Bank of Belize. The Government operates on a fiscal year beginning April 1 and ending March 31. References to a single year (e.g., "2005") refer to the calendar year ending December 31, and references to fiscal year (e.g., "fiscal year 2005/06") refer to Belize's fiscal year ending March 31.

In this offering memorandum, all references to "Belize dollars" and "Bz.$" are to the lawful currency of Belize, all references to "U.S. dollars" and "U.S.$" are to the lawful currency of the United States of America and all references to "€" are to the lawful currency of the European Union. Belize publishes external economy information, such as external debt and goods and services exported, in U.S. dollars. All international currencies, such as external debt denominated in Euro, are translated into U.S. dollars. Belize publishes domestic economy information in Belize dollars.

As part of Belize's ongoing maintenance of its economic data and statistical information and in conformity with standard practices among industrial nations, Belize during 2003 undertook to update its GDP series, including the re-basing of its GDP series from a 1984 base year to a 2000 base year and changing the relative importance allocated to certain GDP sectors, to reflect more closely recent developments in and the diversification of the Belizean economy. In addition, Belize took this opportunity to bring its GDP series closer to the methodology set forth in the United Nations System of National Accounts including eliminating calculations of its GDP at factor cost. As a consequence of these changes, historical information reflected in this offering memorandum, and ratios derived from such information, may be different than historical information previously published by Belize.

Gross domestic product, which we refer to in this offering memorandum as "GDP", is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. Under the 1993 System of National Accounts, GDP figures may be calculated at (1) nominal market prices or (2) constant market prices of a particular year. Unless otherwise indicated, all GDP figures in this offering memorandum are presented at nominal market prices. Nominal GDP at market prices was U.S.$932.1 million in 2002 as compared to U.S.$871.4 million in 2001.

Gross imports may be measured on a cost, insurance and freight basis, which we refer to in this offering memorandum as "cif", or on a free-on-board basis, which we refer to in this offering memorandum as "fob". For balance of payments purposes, imports and exports are calculated based upon entry and departure statistics on a free-on-board basis at a given point of departure, unless otherwise indicated.

The inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. Belize measures the inflation rate by the percentage change between two periods in the consumer price index, which we refer to in this offering memorandum as the "CPI", unless otherwise specified. The CPI is based on a basket of goods and services identified by the Central Statistical Office that reflects the pattern of consumption of Belizean households. The price for each good and service that makes up the basket is weighted according to its relative importance in order to calculate the CPI. The annual average percentage change in the CPI is calculated by comparing the average index for the four quarters of a given year, against the average index for the four quarters of the immediately preceding calendar year.

Since September 2006, Belize began participating in the International Monetary Fund's General Data Dissemination System (GDDS) which provides a framework for Belize to enhance its statistical capacity, especially for macroeconomic statistics. It also provides for comprehensive information on Belize's statistical production and dissemination practices to be posted on the IMF's Dissemination Standards Bulletin Board. The GDDS framework also includes precise guidelines for countries to use when publishing reserves data.

We use the term "N/A" to identify data that is not presented for a particular period because it is not available for that period. We use the term "n/a" to identify data that is not presented for a particular period because it is not applicable to that period.

A "ton" is 2,000 pounds, a "tonne" is 2,204.6 pounds and a "long ton" is 2,240 pounds.

Totals in certain tables in this offering memorandum may differ from the sum of the individual items in such tables due to rounding.

EXCHANGE RATES

The Belize dollar has been pegged to the U.S. dollar at a rate of Bz.$2.00 to U.S.$1.00 since May 1976.

GOVERNING LAW AND ENFORCEMENT OF CLAIMS

Belize is a foreign sovereign state. It may be difficult for you to obtain or enforce judgments of courts in the United States against Belize.

The New Bonds and the indenture will be governed by the law of the State of New York.

In the indenture and the New Bonds, Belize will irrevocably submit to the jurisdiction of any U.S. federal or New York state court sitting in The City of New York and any appellate court thereof, over any suit, action or proceeding against Belize or its properties, assets or revenues with respect to the New Bonds or the indenture.

Except as provided below, Belize will irrevocably waive and agree not to plead, to the fullest extent permitted by applicable law, any immunity (sovereign or otherwise) from the jurisdiction of such courts in connection with any action arising out of or in connection with the New Bonds or the indenture. Without limiting the generality of the foregoing, Belize will agree that such waivers shall have the fullest scope permitted under the U.S. Foreign Sovereign Immunities Act of 1976, except as provided below. Belize reserves the right to plead sovereign immunity under any applicable law, including, without limitation, the U.S. Foreign Sovereign Immunities Act of 1976, with respect to actions brought against it under U.S. federal securities laws or any state securities laws. In the absence of a waiver of sovereign immunity by Belize in such a securities law-based action, it would not be possible to obtain a U.S. judgment in such an action unless a court were to determine that Belize is not entitled to sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to such action. Belize will waive, to the fullest extent permitted under applicable law, any objection to any action arising out of or in connection with the New Bonds or the indenture in such courts whether on the grounds of venue, residence or domicile or on the ground that the proceedings have been brought in an inconvenient forum.

There is no agreement between Belize and the United States for the reciprocal enforcement of each other's judgments. However, subject to the discussion of attachment and execution in the next paragraph below, it may be possible to enforce U.S. judgments in Belize under the general rules of conflict of laws without any retrial or reexamination of the merits of the original action by a Belizean court.

Belize is subject to suit in the Supreme Court of Belize, the Court of Appeal in Belize and the Judicial Committee of the Privy Council in London, United Kingdom. Section 25(4) of the Crown Proceedings Act, Chapter 167 of the Laws of Belize, Revised Edition 2000, provides that no execution or attachment shall be issued by any court in Belize for the purpose of enforcing payment by Belize of any money or costs. Execution or attachment means a legal process whereby the debtor's property is taken under an order of the Court and may be sold to satisfy the judgment debt. No such order can be made by a Belizean court against Belize. Instead, the Crown Proceedings Act provides that where in any civil proceedings by or against Belize, any order (including an order for costs) is made by any court in Belize in favor of any person against Belize, the proper officer of the court shall, on an application and after taxing of costs, issue a certificate to such person which may be served upon the Attorney General or the Financial Secretary of Belize. If the order provides for the payment of money or costs, the Ministry of Finance normally shall pay the amount due to such person. In some cases, the courts of Belize may not enforce the judgment of a foreign court if such judgment is contrary to the public policy of Belize, e.g., where the judgment was not given by a competent court having jurisdiction over Belize or to whose jurisdiction Belize had not submitted by agreement, or where the judgment was obtained by fraud.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements that reflect Belize's current views with respect to future events. The words "expects", "intends", "anticipates", "believes", "projects", "estimates" and similar expressions identify forward-looking statements. These forward-looking statements are based upon estimates and assumptions made by Belize or its officials that, although believed to be reasonable, are subject to certain known and unknown risks and uncertainties. These risks and uncertainties include, among others, the following:

- political, economic and other conditions in Belize and globally;
- the actual rates of growth, if any, for GDP and other economic indicators of Belize in any relevant year or other period;
- the financial condition of Belize;
- changes in interest rates or exchange rates;
- a reduction in the foreign currency reserves of Belize;
- legislative, regulatory or administrative initiatives affecting businesses, financial institutions and foreign investment in Belize;
- the financial condition and liquidity of banks and other financial institutions in Belize;
- climatic or geological occurrences;
- trade and tariff policies of Belize's trading partners;
- declines in the Government's tax revenues;
- receipt of bilateral and multilateral donor financing;
- Belize's ability to execute its comprehensive debt management strategy;
- prevailing conditions in domestic international and multilateral lending markets and domestic and international capital markets, which may affect the Government's ability to finance budgetary requirements and to refinance outstanding debt and other obligations; and
- other factors identified in this offering memorandum.

All forward-looking statements contained in this offering memorandum are qualified in their entirety by these factors. You are cautioned not to place undue reliance on these forward-looking statements. Belize disclaims any obligation or undertaking to publicly update or revise any forward-looking statement contained in this offering memorandum, whether as a result of new information, future events or otherwise. Future events or circumstances could cause actual results to differ materially from historical results or those anticipated.

SUMMARY

This summary highlights information contained in this offering memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed information elsewhere in this offering memorandum.

Selected Economic Information

	Year ended December 31,					
	2001	2002	2003	2004	2005	At June 30, 2006*
	(in millions of U.S.$ unless otherwise indicated)					
Domestic Economy:						
Nominal GDP	871.4	932.1	987.6	1055.2	1,105.0	N/A
Nominal GDP per capita (U.S.$/person)	3,413.1	3,548.4	3,642.8	3,753.8	3,811.5	N/A
Real GDP at constant 2000 prices	872.9	917.3	1,003.0	1,049.4	1,083.8	581.2
Change in real GDP(%)	4.9	5.1	9.3	4.6	3.3	0.9
Inflation rate (%)[1]	1.1	2.3	2.6	3.1	3.7	4.1
Interest rates (%)						
Weighted average lending rate[2]	15.4	14.5	14.2	14.0	14.3	14.2
Weighted average deposit rate[2]	4.3	4.5	4.9	5.2	5.5	5.7
Treasury bill yield[3]	5.9	3.3	3.3	3.3	3.3	3.3
Unemployment rate (%)[4]	9.1	10.0	12.9	11.6	11.0	N/A
External Economy: [5]						
Nominal exchange rate (ratio)[6]	2:1	2:1	2:1	2:1	2:1	2:1
Total current account	(191.0)	(165.3)	(179.9)	(151.7)	(158.6)	1.7
Of which:						
Goods balance	(209.0)	(187.2)	(206.8)	(173.2)	(234.0)	(85.2)
Services balance	45.5	46.0	72.7	88.9	135.4	121.7
Income balance	(67.0)	(67.5)	(86.7)	(113.3)	(111.3)	(67.5)
Transfers balance	39.5	43.3	40.9	45.9	51.2	32.7
Total capital and financial account	179.2	167.9	181.7	122.0	176.8	17.4
Of which:						
Capital transfers	14.6	16.4	6.6	9.8	3.0	5.4
Foreign direct investment	61.2	25.4	(11.3)	111.4	125.1	46.2
Overall balance of payments	(2.7)	(5.4)	(30.1)	(31.3)	18.0	4.2
Increase (decrease) in official international reserves	(2.7)	(5.4)	(30.1)	(31.3)	18.0	4.2
Gross official international reserves (year-end)[7]	120.1	114.7	84.6	53.3	71.3	75.5
Of which: Central Bank[8]	104.2	106.3	76.2	39.8	57.9	67.1
Central Government	15.9	8.4	8.4	13.5	13.4	8.4
Equivalent weeks of imports (in weeks)[9]	13.8	14.0	9.2	6.1	7.1	7.0
Public Finance:[10]						
Revenue and grants	218.7	230.1	240.7	241.4	280.0	71.0
Of which:						
Current revenue	201.6	203.1	212.5	228.4	264.9	69.2
Capital revenue	8.0	17.6	16.3	5.7	3.6	1.7
Grants	9.1	9.4	11.9	7.3	11.5	0.2
Expenditure	319.7	307.0	309.0	327.8	317.4	78.5
Of which:						
Current expenditure	163.2	180.9	209.4	266.5	272.2	68.8
Capital expenditure	156.5	126.1	99.6	61.3	45.2	9.7
Current balance	38.4	22.2	3.1	(38.1)	(7.3)	0.4
Overall balance (after grants)	(101.0)	(76.9)	(68.3)	(86.4)	(37.4)	(7.5)
Public Finance Ratios:						
Total revenue and grants to nominal GDP (%)	25.1	24.7	24.4	22.9	25.3	N/A
Total expenditure to nominal GDP (%)	36.7	32.9	31.3	31.1	28.7	N/A
Current balance to nominal GDP (%)	4.4	2.4	0.3	(3.6)	(0.7)	N/A
Overall balance to nominal GDP (%)	(11.5)	(8.3)	(6.9)	(8.1)	(3.4)	N/A
Public Debt:						
Domestic public sector debt[11]	128.7	112.2	158.2	163.3	175.0	190.8
Percentage of nominal GDP (%)	14.8	12.0	15.9	15.5	15.8	N/A
External public sector debt	484.1	573.1	751.8	844.2	924.6	914.2
Percentage of nominal GDP (%)	55.6	61.5	76.1	80.0	83.7	N/A
Government guaranteed debt[12]	158.5	192.6	151.5	120.6	85.2	83.3
Percentage of nominal GDP (%)	18.2	20.7	15.3	11.4	7.7	N/A

	Year ended December 31,					At June 30, 2006*
	2001	2002	2003	2004	2005	
	(in millions of U.S.$ unless otherwise indicated)					
Total public sector debt (including Government guaranteed debt)	771.3	877.9	1,061.5	1,128.1	1,184.8	1,188.3
Percentage of nominal GDP (%)	88.5	94.2	107.5	106.9	107.2	N/A
External public sector debt service:						
Amortization	47.6	145.1	82.8	131.0	150.0	30.5
Interest payments	30.1	27.0	43.8	55.5	67.4	33.3
Total external public sector debt service	78.1	172.1	126.6	186.5	217.4	63.8
Ratio of debt service to exports (%)(13)	17.9	35.4	24.0	34.4	35.3	15.9
Tourism:						
Stay-over visitors(14)	177,416	178,952	197,675	220,359	227,037	136,279
Cruise ship visitor arrivals	40,898	271,737	488,917	766,292	720,298	339,359
Total visitor arrivals	218,314	450,689	686,592	986,651	947,335	475,638
Occupancy rate(15)	44.8	40.1	41.3	40.7	40.7	N/A

* Estimate for period ended June 20, 2006.

(1) Annual average change in Consumer Price Index.

(2) The weighted average lending rate takes account of the aggregate amount of loans in each category of lending, including personal loans, commercial loans and mortgage loans, among others. Similarly, the weighted average deposit rate takes into account the aggregate amount of deposits associated with the deposit rates for time and savings deposits.

(3) Treasury bills mature within 90 days.

(4) Includes all adult persons without jobs, whether or not actively seeking employment.

(5) The GDP and balance of payments numbers for 2005 have been revised in November 2006 to show the most recent data available.

(6) The Belizean dollar has been pegged to the U.S. dollar at a rate of two-to-one since May 1976.

(7) Year end official international reserves exclude foreign currency assets of commercial banks.

(8) Equivalent to IMF reporting of gross international reserves.

(9) Calculated using Central Bank methodology, which excludes certain items included in Imports in the Balance of Payments table in "External Economy—Balance of Payments".

(10) Fiscal year data from April 1 to March 31. For example, 2005 refers to the period from April 1, 2005 to March 31, 2006 (i.e., fiscal year 2005/06), and the last column refers to the period April 1 to June 30, 2006.

(11) Includes indebtedness of the Government, the Development Finance Corporation and the non-financial public sector. The Government is only liable for the debt of the Development Finance Corporation and other entities that the Government expressly assumes or guarantees. See "Public Debt—External Public Sector Debt" for additional information about Government-guaranteed obligations.

(12) Government guaranteed debt for years 2001 to 2004 included Belize Water Services Ltd. loans as contingent liabilities. In September 2005 Belize Water Services Ltd. was repurchased by Government. At June 2006, Belize Electricity Limited multilateral loans U.S.$17.4 million, Port of Belize U.S.$21.5 million, Development Finance Corporation mortgage-backed securities U.S.$31.2 million, and Intelco loans U.S.$13.2 million were recorded as Government contingent liabilities. See "Public Debt—External Public Sector Debt."

(13) Excludes debt service payments on contingent liabilities.

(14) Stay-over visitors are those who stay overnight in Belize, as opposed to cruise ship passengers or other day excursionists.

(15) Represents on an annualized basis the number of occupied hotel rooms divided by the aggregate number of hotel rooms available.

Sources: Central Bank of Belize; Ministry of Finance; Belize Tourism Board; Central Statistical Office

THE OFFER

This summary highlights information contained in this offering memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed description of the New Bonds in "Terms and Conditions of the New Bonds".

Issuer	Belize
The Offer	Belize is inviting holders of Eligible Claims to tender their Eligible Claims in exchange for newly-issued New Bonds on the terms and subject to the conditions set forth in this offering memorandum and the related form of Letter of Transmittal or Letter of Acceptance, as applicable. The Offer expires at 3:00 p.m. (New York City time) on January 26, 2007, unless extended by Belize in its sole discretion. We refer to the date on which the Offer expires as the "*Expiration Date*". Belize will announce the results of the Offer on the Central Bank website http://www.centralbank.org.bz on the third business day following the Expiration Date or as soon as practicable thereafter. The New Bonds will be issued on or about February 20, 2007, unless the Expiration Date is extended or terminated. We refer to the date on which the New Bonds will be issued in exchange for tendered Eligible Claims as the "*Closing Date*". See "Timetable for the Offer". Issuance of the New Bonds has been authorized by a resolution enacted by the National Assembly of Belize in accordance with the Finance Audit (Reform) Act 2005, No. 12 of 2005.
Consideration to Be Received for Eligible Claims Tendered	See "Terms of the Offer—Consideration to Be Received for Eligible Claims Tendered".
Minimum Level of Overall Participation Required for Completion of Offer	The Government of Belize reserves the right, in its sole discretion, to cancel the Offer in the event that the level of participation in the Offer would not, when taken together with the other fiscal adjustment measures being taken by the Government and the financial support being provided by other creditors, produce a sustainable debt service position for Belize.

Tendering Eligible Claims by Submission of Letters of Transmittal or Letters of Acceptance	You or the custodial entity through which you hold your Eligible Claims must transmit at or prior to 3:00 p.m. (New York City time) on the Expiration Date a properly completed Letter of Transmittal or Letter of Acceptance, as applicable. Tenders of Bear Stearns & Co. Inc. 9.50% Notes due 2012 and Bear Stearns & Co. Inc. 9.75% Notes due 2015 may only be made through submission of Letters of Transmittal in electronic form. Tenders for all other Eligible Claims may only be made through the submission of Letters of Acceptance by hand, mail or facsimile transmission. A description of the procedures for submitting Letters of Transmittal and Letters of Acceptance can be found in "Tender Procedures" in this offering memorandum.
Withdrawal Rights	Any tender for exchange may be withdrawn, for any reason, at any time prior to 3:00 p.m. (New York City time) on the Expiration Date. Belize will, if necessary, extend the Expiration Date so that there will be at least three business days remaining on the Offer should there be any material changes to the terms of the Offer. Thereafter, tenders shall become irrevocable. A description of the procedures for withdrawing tenders can be found in "Tender Procedures—Withdrawal Rights" in this offering memorandum.
Voting Proxies	By tendering an Eligible Claim outstanding under the following series: RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2004 – 2014; each holder thereof will give a proxy in favor of the Exchange Agent to vote that Eligible Claim at any meeting of holders occurring prior to or on the Closing Date in favor of one or more resolutions that would have the effect of amending the series to conform its maturity date, interest rate and certain amendment procedures to those of the New Bonds. If the voting requirements are met, the amendments will take effect at the closing of the Offer on the Closing Date. For each of the following series of Eligible Claims: Royal Merchant Bank and Finance Company Limited 9.50% Fixed Rate Bonds due 2010; Citicorp Merchant Bank Limited 8.95% Fixed Rate Bonds due 2013; Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds

	1998 – 2008; and
	Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds 1997 – 2007.
	Belize is offering to exchange New Bonds for beneficial interests (sometimes styled "Certificates of Participation", "Certificates of Interest" or "Certificates", and referred to herein as "*Strips*") in these Eligible Claims or, if approved by the requisite percentage of such owners of beneficial interests, for the entirety of each such Eligible Claim. Accordingly, by tendering its Strip beneficial interest in each of these Eligible Claims, the beneficial owner will give a proxy in favor of the Exchange Agent to vote that Strip at any meeting of stripholders occurring prior to the Closing Date in favor of one or more resolutions that would have the effect of authorizing the tender of the entirety of the Eligible Claim in the Offer (or, in the case of an Eligible Claim that has been partially stripped, to authorize the nominal holder of the Eligible Claim corresponding to these Strips to consent to a tender of the Eligible Claim in the Offer).
Consent to Amendments	By tendering an Eligible Claim outstanding under Bear Stearns 9.75% Notes due 2015, each holder thereof will irrevocably consent to amendments to the Bear Stearns 9.75% Notes due 2015 that would have the effect of conforming the maturity date and interest rate, and making certain related amendments to the Bear Stearns 9.75% Notes due 2015. If the voting requirements under this series are met, the amendments to the series will take effect at the closing of the Offer on the Closing Date.
Jurisdictional Restrictions on the Offer	Belize is making the Offer only in jurisdictions where and to the extent it is legal to make the Offer. See "Jurisdictional Restrictions".
	Without limiting the generality of the preceding paragraph, the Offer is being made in the United States solely to holders of Eligible Claims that are "qualified institutional buyers" (within the meaning of Rule 144A under the Securities Act) and in the European Economic Area (EEA) solely to Eligible EEA Investors (as this term is defined in "Notice to Investors").
Exchange Agent	The Bank of New York
Information Agent	D. F. King & Co., Inc.
Risk Factors	An investment in the New Bonds involves a high degree of risk. Before deciding to tender your Eligible Claims in exchange for New Bonds, you should read carefully all of the

	information contained in this offering memorandum, including, in particular, "Risk Factors" beginning on page 14 of this offering memorandum.
Further Information	Any questions or requests for assistance concerning the Offer may be directed to the Information Agent or the Exchange Agent at their respective telephone numbers on the back cover page of this offering memorandum.

THE NEW BONDS

New Issue	Eligible Claims are entitled to be exchanged for the New Bonds.
Currency	The New Bonds will be denominated for purposes of both interest and principal in U.S. dollars.
Interest Rate	The New Bonds will accrue interest, payable semiannually in arrears, from February 20, 2007 at the interest rates per year set forth below:

From (and including):	To (but excluding):	Interest Rate (per annum)
February 20, 2007	February 20, 2010	4.25%
February 20, 2010	February 20, 2012	6.00%
February 20, 2012	February 20, 2029	8.50%

Interest Payment Dates	Each February 20 and August 20, commencing on August 20, 2007.
Principal Amount	As described under "The Offer—Consideration to Be Received for Eligible Claims Tendered" above.
Final Maturity Date	February 20, 2029
Amortizations	20 equal semi-annual installments commencing August 20, 2019.
Optional Redemption	Belize may redeem the Securities at par together with accrued interest, in whole or in part, on any interest payment date falling on or after (but not prior to) August 20, 2019. Belize may at any time acquire (for cancellation) the New Bonds in the secondary market. See "Terms and Conditions of the New Bonds—Redemption" with respect to the New Bonds.
Modifications	The New Bonds will contain collective action clauses. See "Terms and Conditions of the New Bonds—Modifications" with respect to the New Bonds.
Ranking	The New Bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of Belize, will rank equally with all of Belize's existing and future unsubordinated and unsecured Public Debt and will be backed by the full faith and credit of Belize.
Further Issuance	Belize may, from time to time, create and issue further bonds having the same terms as and ranking equally with the New Bonds in all respects and such further bonds will be consolidated and form a single series with the New Bonds.

Constitutive Document	The New Bonds will be issued under an indenture.
Withholding Tax	Belize will make all payments on the New Bonds without withholding or deducting any Belizean taxes, unless required by law. If Belizean law requires Belize to withhold or deduct taxes, Belize will pay holders of New Bonds, subject to certain exceptions, additional amounts to provide the equivalent of full payment to the holders. See "Terms and Conditions of the New Bonds—Taxation".
Negative Pledge Covenant	Belize may not create or suffer to exist any lien (with the exception of certain permitted liens) on its revenues or assets to secure Public Debt (as defined herein) unless Belize also causes such lien to secure equally and ratably the obligations of Belize with respect to the New Bonds.
Most Favored Creditor Undertaking	In the event that any single Eligible Claim (or portion thereof) representing five percent or more of the aggregate amount of all Eligible Claims is not tendered in the Exchange Offer (each, an "*Untendered Material Claim*"), the New Bonds shall contain a covenant preventing Belize from entering into any arrangement to pay or to settle such an Untendered Material Claim on terms more favorable to the holder thereof (in a net present value sense) than the terms being offered herein to the holders of tendered Eligible Claims, without simultaneously making those more favorable terms available to each holder of a tendered Eligible Claim.
Events of Default; Acceleration	The following events, among others, shall be Events of Default under the New Bonds: (i) Failure to pay any amount of interest or principal on the New Bonds (with a 30-day grace period); (ii) Failure by Belize to observe or perform any of the other covenants or agreements provided herein or in the indenture, (with a 60-day grace period); (iii) Cross-acceleration of an aggregate principal amount of at least U.S.$25 million (or equivalent in other currencies) in respect of Public Debt issued, or amended as to payment terms, on or after the original issuance date of the New Bonds and such acceleration shall not have been rescinded or annulled; (iv) Failure by Belize to satisfy, discharge, contest in good faith or obtain a stay of execution of any judgment against Belize or its assets (other than any such judgment rendered in respect of an Eligible Claim) for the payment of money exceeding U.S.$25 million within a period of 60 days; (v) Invalidity of the New Bonds or the indenture; and

	(vi) Failure to maintain membership in the International Monetary Fund (with a 60-day grace period).
	Holders of 25% or more of principal amount of the New Bonds may instruct the Trustee in writing to accelerate following the occurrence of an Event of Default.
Enforcement	Following the occurrence of an Event of Default, the power to enforce the New Bonds shall reside with the Trustee under the indenture, unless the Trustee shall have declined to exercise that power as provided in the indenture.
Governing Law	The New Bonds and the indenture will be governed by the law of the State of New York. Belize will submit to the jurisdiction of U.S. federal and New York State courts in New York City.
Restrictions on Resale	The New Bonds have not been registered under the U.S. Securities Act and will be subject to restrictions on resale under applicable law. See "Notice to Investors". The New Bonds will be subject to contractual transfer restrictions.
Listing	Belize intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the EuroMTF market.
Denomination	New Bonds will be issued in denominations of U.S.$100 and higher integral multiples of U.S.$100 in excess thereof.
Form and Settlement	Belize will issue the New Bonds in the form of one or more fully registered global securities, without interest coupons attached, registered in the name of either a nominee for DTC or a common depositary for Euroclear and Clearstream, as the case may be, and will deposit such global securities on or before the Closing Date with a custodian for DTC or a common depositary for Euroclear and Clearstream.
Trustee, Registrar, Transfer Agent and Paying Agent for New Bonds	The Bank of New York
Luxembourg Paying Agent and Transfer Agent	The Bank of New York (Luxembourg) S.A.
Luxembourg Listing Agent	Fortis Banque Luxembourg

RISK FACTORS

An investment in the New Bonds involves a significant degree of risk. Investors are urged to read carefully the entirety of this offering memorandum and to note, in particular, the following considerations.

Risks of Not Participating in the Offer

Treatment of Eligible Claims Not Tendered

Belize does not foresee that it will have the resources to pay any non-tendered Eligible Claims according to their existing terms. Moreover, Belize shall not pay any amount in respect of a non-tendered Eligible Claim if, at the time such payment is due, a payment default then exists under any New Bond.

Illiquidity

Any Eligible Claims not tendered and accepted in the Offer may become illiquid following the Closing Date and this may adversely affect the market value of those remaining Eligible Claims. Moreover, there may be no active trading market or published secondary market price quotations for any remaining Eligible Claims.

Possible Failure of the Offer

If the Offer described herein is not completed, Belize projects that it will not have the resources to continue debt servicing on all Eligible Claims on the existing terms of those instruments. Eligible Claims could therefore enter, and remain in, payment default for an indefinite period of time and Belize cannot predict whether, or when, it may be able to implement a successful debt management program affecting those instruments.

Risk of Modification of Certain Eligible Claims

By tendering an Eligible Claim outstanding under the following series:

RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2004 – 2014;

each holder thereof will give a proxy in favor of the Exchange Agent to vote that Eligible Claim at any meeting of holders occurring on or prior to the Closing Date in favor of one or more resolutions that would have the effect of amending the relevant series to conform its maturity date, interest rate and certain amendment procedures to those of the New Bonds. If voting requirements are met and such amendments take effect, the payment terms of your non-tendered Eligible Claims in respect of the above-mentioned series will be changed in a manner that is adverse to your interest.

By tendering an Eligible Claim outstanding under the Bear Stearns 9.75% Notes due 2015, each holder thereof will irrevocably consent to amendments to the Bear Stearns 9.75% Notes due 2015 that would have the effect of conforming the maturity date and interest rate, and making certain related amendments to the Bear Stearns 9.75% Notes due 2015. These amendments, if approved by the necessary percentage of holders, would adversely affect the interests of any remaining holders of such Notes.

Enforcement of Civil Claims

Belize is a foreign sovereign state. Consequently, it may be difficult to obtain or enforce judgments against Belize. See "Governing Law and Enforcement of Claims".

In addition, under several series of Eligible Claims (e.g., Bear Stearns & Co. Inc. 9.50% Notes due 2012, Bear Stearns & Co. Inc. 9.75% Notes due 2015, Belize Sovereign Investments I (Cayman) Limited Loan due 2015 and Belize Sovereign Investments II (Cayman) Limited Loan due 2010) Belize does not expressly waive the entitlement of its property located in the United States to immunity from prejudgment attachment and attachment in aid of execution. Holders of Eligible Claims of these series may therefore not be able to levy against Belizean property in the United States to satisfy a court judgment in respect of these Eligible Claims.

Risks of Participating in the Offer

Ongoing Economic Crisis

Belize is currently restructuring several categories of its debt obligations and there is no assurance that the comprehensive debt management strategy described in this offering memorandum will succeed or that Belize will achieve the macro-economic stability and sustainable debt profile that is the object of its debt management strategy.

Potential Challenges to Belize's Payments on the New Bonds

Belize's payments on the New Bonds may be attached, enjoined or otherwise challenged by holders of Eligible Claims that decline to participate in the Offer or by other creditors of Belize. Creditors have, in recent years, used litigation tactics against sovereign debtors that have defaulted on their sovereign bonds—for example, Peru, Nicaragua and Argentina—to attach or interrupt payments made by these sovereign debtors to, among others, holders of bonds who have agreed to a debt restructuring and accepted new securities in an exchange offer. Belize may become subject to suits to collect on defaulted Eligible Claims or other indebtedness. Belize cannot assure you that a creditor will not be able to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the New Bonds.

Future Access to Financing

Belize may be unable to meet future debt service obligations out of current revenues and it may have to rely in part on additional financing from the domestic and international capital markets (or multilateral or bilateral sources) in order to do so. In the future, Belize may not be able or willing to access such markets or sources of funding, and Belize's ability to service its public debt, including the New Bonds, may be adversely affected.

No Established Market for the New Bonds

The New Bonds will be a new issuance of securities without established trading markets. Belize cannot predict the extent to which investor interest will lead to the development of an active trading market for the New Bonds or how liquid those markets may become. Belize intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the EuroMTF market. No assurance can be given as to the liquidity of the trading market for the New Bonds. If an active trading market for either series of New Bonds fails to develop or continue, this failure could adversely affect the trading price of the New Bonds.

Risks Relating to Belize

Fixed Exchange Rate

Since 1976, Belize has maintained a fixed exchange rate of Bz.$2.00/U.S.$1.00 (See "The Monetary System – Foreign Exchange and International Reserves"). Belize's ability to continue that fixed exchange rate will be significantly affected by the level of the country's international monetary reserves in the future. As noted elsewhere in this offering memorandum (See "Recent Developments – The Economic Crisis"), Belize's international monetary reserves have declined rapidly over recent years. If circumstances were to force Belize to abandon its fixed exchange rate policy in the future, the cost of servicing Belize's external debt (including the New Bonds) could escalate sharply, possibly forcing the country into another round of debt restructuring.

Future Financing Gaps

The IMF has projected financing gaps in Belize's fiscal accounts and balance of payments from 2007 onwards. According to IMF projections, gaps in the balance of payments will average more than six percent of GDP through 2012. Financing gaps may persist even after taking into account the debt service relief that would be conveyed by a successful completion of Belize's comprehensive debt management strategy and expected disbursements from multilateral and bilateral lenders. See "Recent Developments—Financing Gaps" and "—Debt Management Strategy".

Economic, Political or Social Conditions

Belize is an emerging market economy and investing in securities of emerging markets issuers involves special risks. These risks include the possibility of economic, political or social instability that may be caused by many different factors, including the following:

- high interest rates;
- devaluation or depreciation of the currency;
- declines in the economic activity of major trading partners;
- inflation;
- exchange controls;
- wage and price controls;
- climatic or geological occurrences;
- financial crises in other emerging market countries that can have a "contagious" effect on investor appetite for emerging market securities as a class;
- changes in governmental economic, tax or other policies;
- the imposition of trade barriers; and
- qualification for continuing access to preferential trade arrangements with foreign governments, particularly the United States.

Any of these factors, as well as volatility in the markets for securities similar to the New Bonds, may adversely affect the liquidity of, and the trading market for, the New Bonds.

Climatic or Geological Occurrences

Belize is a coastal nation located in one of the most hurricane-prone regions of the world. Belize may, at irregular and unpredictable intervals, suffer the effects of earthquakes, tidal waves and severe storm damage.

TIMETABLE FOR THE OFFER

The following summarizes the anticipated time schedule for the Offer assuming, among other things, that the Expiration Date is not extended. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this offering memorandum.

Date	**Action**
December 18, 2006	*Commencement Date of the Offer* Issuance of press release announcing the Offer and distribution of the offering memorandum describing the terms of the Offer.
December 18, 2006 – January 26, 2007	*Offer Period* The Offer is open during this period.
January 26, 2007 at 3:00 p.m. (New York City time)	*Expiration Date and Time* The deadline for holders of Eligible Claims to deliver completed Letters of Transmittal or Letters of Acceptance, as described in this offering memorandum.
January 31, 2007	*Announcement Date* Belize will announce on this date or as soon as possible thereafter the results of the Offer.
Week of January 29, 2007	*Bondholder/Stripholder Meetings* Meetings of holders of certain series of Eligible Claims (or of "stripped" beneficial interests in such Eligible Claims) will be held on or about these dates with respect to proposed amendments to the terms of such series.
February 20, 2007	*Closing Date* On this date or as soon as possible thereafter the New Bonds are issued and the Eligible Claims tendered are thereupon cancelled, and the proposed amendments to certain Eligible Claims will become effective.

Belize may at its own discretion extend the Offer past the originally scheduled Expiration Date. As a result of any such extension, the Offer Period, Announcement Date, Bondholder/Stripholder Meetings date and Closing Date may be extended accordingly.

TERMS OF THE OFFER

Belize is inviting owners of Eligible Claims, also referred to as "*holders,*" to tender, on the terms and subject to the conditions of this offering memorandum and the related form of Letter of Transmittal or Letter of Acceptance, as applicable, their Eligible Claims in exchange for newly-issued New Bonds. Each such tender for exchange is referred to as a "*tender*".

Purpose of the Offer

The Offer has been designed to adjust Belize's debt service profile and, in conjunction with its comprehensive debt management strategy, make it sustainable.

Consideration to Be Received for Eligible Claims Tendered

Each holder that exchanges an Eligible Claim pursuant to the Exchange Offer will receive a New Bond (in a face amount determined by using an exchange ratio designed to equalize, in a present value sense, the position of all participating holders) and a cash Participation Fee (equal, for each Eligible Claim, to the amount of accrued but unpaid interest on the Eligible Claim calculated at the normal contractual rate through February 20, 2007, and any unpaid principal falling due before December 6, 2006).

Interest on the New Bonds, even if issued after February 20, 2007, will commence accruing on that date.

Specifically, the consideration to be received on the Closing Date by a holder tendering an Eligible Claim will be*:

Bond Indebtedness

(i) for each U.S.$1,000.00 principal amount of the Bear Stearns & Co. Inc. 9.50% Notes due 2012,

  (a) U.S.$1,005.86 principal amount of New Bonds, and

  (b) U.S.$48.82 Participation Fee payable in cash.

(ii) for each U.S.$1,000.00 principal amount of the Bear Stearns & Co., Inc. 9.75% Notes due 2015,

  (a) U.S.$999.15 principal amount of New Bonds, and

  (b) U.S.$67.17 Participation Fee payable in cash.

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* The principal amounts of New Bonds issued per U.S.$1,000.00 of Eligible Claims described in this section are for illustration purposes only. The actual principal amounts of New Bonds will be calculated on the basis of the exchange ratios listed in "—Exchange Ratios" below, and are subject to rounding as described in "—Rounding" below.

(iii) for each U.S.$1,000.00 principal amount of the RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2014,

(a) U.S.$1,093.31 principal amount of New Bonds, and

(b) U.S.$31.78 Participation Fee payable in cash.

(iv) for each U.S.$1,000.00 principal amount of the Royal Merchant Bank and Finance Company Limited 9.50% Fixed Rate Bonds due 2010,

(a) U.S.$1,102.37 principal amount of New Bonds (reflecting the expected application of the sinking fund toward outstanding principal), and

(b) U.S.$155.83 Participation Fee payable in cash.

(v) for each U.S.$1,000.00 principal amount of the Citicorp Merchant Bank Limited 8.95% Fixed Rate Bonds due 2013,

(a) U.S.$1,042.13 principal amount of New Bonds, and

(b) U.S.$51.46 Participation Fee payable in cash.

(vi) for each U.S.$1,000.00 principal amount of the Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds 1998 - 2008,

(a) U.S.$1,091.31 principal amount of New Bonds, and

(b) U.S.$30.60 Participation Fee payable in cash.

(vii) for each U.S.$1,000.00 principal amount of the Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds 1997 - 2007,

(a) U.S.$1,101.00 principal amount of New Bonds, and

(b) U.S.$33.04 Participation Fee payable in cash.

Bank Facilities:

(viii) for each U.S.$1,000.00 insured principal amount of The International Bank of Miami 10% Note due 2012,

(a) U.S.$1,010.51 principal amount of New Bonds, and

(b) U.S.$23.06 Participation Fee payable in cash.

(ix) for each U.S.$1,000.00 insured principal amount of The International Bank of Miami 9.25% Note due 2011,

(a) U.S.$1,015.63 principal amount of New Bonds, and

(b) U.S.$38.80 Participation Fee payable in cash.

(x) for each U.S.$1,000.00 principal amount of The International Bank of Miami Tranche A Promissory Note due 2010, Tranche A Yield Compensation Note due 2010, Tranche B Promissory Note due 2010, and Tranche C Promissory Note due 2008,

(a) U.S.$931.46 principal amount of New Bonds, and

(b) U.S.$25.56 Participation Fee payable in cash.

(xi) for each U.S.$1,000.00 principal amount of The International Bank of Miami Tranche A Interest Notes due 2010,

(a) U.S.$931.46 principal amount of New Bonds, and

(b) U.S.$0.00 Participation Fee payable in cash.

Insured Claims:

(xii) for each U.S.$1,000.00 principal amount of the Belize Sovereign Investments I (Cayman) Limited Loan due 2015, after deducting the amounts in the Waiting Period Debt Service and Uninsured Debt Service Reserve accounts,

(a) U.S.$846.08 principal amount of New Bonds, and

(b) U.S.$61.86 Participation Fee payable in cash.

(xiii) for each U.S.$1,000.00 principal amount of the Belize Sovereign Investments II (Cayman) Limited Loan due 2010, after deducting the amounts in the Waiting Period Debt Service and Uninsured Debt Service Reserve accounts,

(a) U.S.$959.69 principal amount of New Bonds, and

(b) U.S.$243.21 Participation Fee payable in cash.

Special Notice for Holders of:

RBTT 9.50% Fixed Rate Bonds due 2010
Citigroup Merchant Bank Limited 8.95% Fixed Rate Bonds due 2013
Citigroup Merchant Bank Limited 9.75% Fixed Rate Bonds 1997-2007
Citigroup Merchant Bank Limited 9.75% Fixed Rate Bonds 1998-2008

(referred to as the "*Stripped Issues*")

In each of the Stripped Issues, beneficial interests (sometimes styled "Certificates of Participation", "Certificates of Interest" or "Certificates", and referred to herein as "*Strips*") were sold to investors at the time the issue was arranged. Holders of such beneficial interests are invited to tender those stripped interests in response to this Offer.

Belize expects to ask each trustee, acting in its capacity as a trustee for the stripholders, to call a stripholders' meeting to occur shortly after the Expiration Date for the purpose of considering an Extraordinary Resolution authorizing and instructing that trustee (in the case of Eligible Claims that have been fully stripped) to tender the entirety of the Stripped Issue into the Exchange Offer or (in the case of Eligible Claims that have only been partially stripped) to consent – in respect of that stripped portion – to the tender of the entirety of the Eligible Claim into the Exchange Offer. By tendering a stripped beneficial interest in response to this Offer, the owner of that strip will give to the Exchange Agent a proxy to attend such a stripholders' meeting on the owner's behalf and to vote that strip in favor of the Extraordinary Resolution.

If the Extraordinary Resolution is approved by the required percentage of stripholders, then the holder of the legal interest in that Stripped Issue will tender the entirety of the Stripped Issue in the Exchange Offer. Belize will permit and recognize such a tender even after the Expiration Date.

If the Extraordinary Resolution is not approved by the required percentage of stripholders at the stripholders' meeting, Belize will, on the Closing Date, complete the exchange of New Bonds and the related Participation Fee with the tendering stripholder in return for the tendered strip interest on the same terms as set out in items (iv), (v), (vi) and (vii) above, except that the specified consideration will be exchanged for each U.S.$1,000.00 of outstanding strip value for principal amount of New Bonds and a participation fee, based on the following schedule*:

RBTT 9.50% Fixed Rate Bonds due 2010

	08-Dec-06	**08-Jun-07**	**08-Dec-07**	**08-Jun-08**	**08-Dec-08**	**08-Jun-09**	**08-Dec-09**	**08-Jun-10**	**08-Dec-10**
Principal	$697.92	$656.00	$617.04	$580.76	$546.82	$515.11	$485.07	$456.90	$430.14
Participation Fees	$77.85	$77.85	$77.85	$77.85	$77.85	$77.85	$77.85	$77.85	$77.85

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* The principal amounts of New Bonds issued per U.S.$1,000.00 of Eligible Claims described in this section are for illustration purposes only. The actual principal amounts of New Bonds will be calculated on the basis of the exchange ratios listed in "—Exchange Ratios" below, and are subject to rounding as described in "—Rounding" below.

Citigroup Merchant Bank Limited 8.95% Fixed Rate Bonds due 2013

	24-Jan-07	**24-Jul-07**	**24-Jan-08**	**24-Jul-08**	**24-Jan-09**	**24-Jul-09**	**24-Jan-10**
Principal	$1,083.01	$1,018.58	$957.92	$902.01	$849.06	$800.10	$753.20
Participation Fees	$38.38	$38.38	$38.38	$38.38	$38.38	$38.38	$38.38

	24-Jul-10	**24-Jan-11**	**24-Jul-11**	**24-Jan-12**	**24-Jul-12**	**24-Jan-13**	**24-Jul-13**
Principal	$709.67	$667.88	$629.03	$591.72	$556.86	$523.57	$492.66
Participation Fees	$38.38	$38.38	$38.38	$38.38	$38.38	$38.38	$38.38

Citigroup Merchant Bank Limited 9.75% Fixed Rate Bonds 1997-2007

	21-Apr-07	**21-Oct-07**
Principal	$1,055.84	$992.87
Participation Fee	$30.76	$30.76

Citigroup Merchant Bank Limited 9.75% Fixed Rate Bonds 1998-2008

	30-Apr-07	**30-Oct-07**	**30-Apr-08**
Principal	$1,052.60	$989.85	$931.54
Participation Fees	$27.85	$27.85	$27.85

Exchange Ratios

The exchange ratios used for purposes of determining the principal amount of New Bonds to be exchanged for each of the Eligible Claims identified above are:

(i) 1 : 1.0058589
(ii) 1 : 0.9991511
(iii) 1 : 1.0933085
(iv) 1 : 1.1023700
(v) 1 : 1.0421328
(vi) 1 : 1.0913087
(vii) 1 : 1.1010020
(viii) 1 : 1.0105056
(ix) 1 : 1.0156285
(x) 1 : 0.9314593
(xi) 1 : 0.9314593
(xii) 1 : 0.8460809
(xiii) 1 : 0.9596878

If the following instruments are not tendered as discussed in the Special Notice above, the actual principal amounts of New Bonds partially tendered will be calculated on the basis of maturity by the following exchange ratios:

RBTT 9.50% Fixed Rate Bonds due 2010

08-Dec-06	1: 0.6979245
08-Jun-07	1: 0.6560049
08-Dec-07	1: 0.6170383
08-Jun-08	1: 0.5807639
08-Dec-08	1: 0.5468187
08-Jun-09	1: 0.5151063
08-Dec-09	1: 0.4850724
08-Jun-10	1: 0.4568959
08-Dec-10	1: 0.4301418

Citigroup Merchant Bank Limited 8.95% Fixed Rate Bonds due 2013

24-Jan-07	1: 1.0830095
24-Jul-07	1: 1.0185795
24-Jan-08	1: 0.9579209
24-Jul-08	1: 0.9020092
24-Jan-09	1: 0.8490556
24-Jul-09	1: 0.8001021
24-Jan-10	1: 0.7532013
24-Jul-10	1: 0.7096730
24-Jan-11	1: 0.6678764
24-Jul-11	1: 0.6290312
24-Jan-12	1: 0.5917186
24-Jul-12	1: 0.5568550
24-Jan-13	1: 0.5235748
24-Jul-13	1: 0.4926629

Citigroup Merchant Bank Limited 9.75% Fixed Rate Bonds 1997-2007

21-Apr-07	1: 1.0558399
21-Oct-07	1: 0.9928669

Citigroup Merchant Bank Limited 9.75% Fixed Rate Bonds 1998-2008

30-Apr-07	1: 1.0525994
30-Oct-07	1: 0.9898478
30-Apr-08	1: 0.9315377

Documentation of New Bonds

The New Bonds will be issued under an indenture with The Bank of New York, as trustee for the bondholders, and will be governed by the law of the State of New York.

The Government will post the draft indenture on the website http://www.centralbank.org.bz, and will also make copies of the indenture available for inspection at the Ministry of Finance, New Administrative Building, Belmopan, by not later than the Commencement Date of the Offer.

Rounding

To determine the amount of New Bonds that will be exchanged for a specific tender, the principal amount resulting from the application of the relevant exchange ratio to the principal amount of each Eligible Claim tendered will be rounded down so that it can be exchanged for the nearest U.S.$100 face amount of the New Bonds. This rounded amount will be the principal amount of New Bonds received, and no additional cash will be paid in lieu of any principal amount of New Bonds not received as a result of rounding down.

Minimum Level of Overall Participation Required for Completion of Offer

The Government reserves the right, in its sole discretion, to cancel the Offer in the event that the level of participation in the Offer would not, when taken together with the other fiscal adjustment measures being taken by the Government and the debt relief being provided by other creditors, produce a sustainable debt service position for Belize.

Irrevocability; Withdrawal Rights

Any tender for exchange and the corresponding Letter of Transmittal or Letter of Acceptance, as applicable, may be withdrawn, for any reason, at any time prior to 3:00 p.m. (New York City time) on the Expiration Date. Belize will, if necessary, extend the Expiration Date so that there will be at least three business days remaining on the Offer if any material changes are made to the terms of the Offer. Thereafter, tenders shall become irrevocable.

In addition, if Belize terminates the Offer without accepting any tenders for exchange, all tenders for exchange and Letters of Transmittal or Letters of Acceptance, as applicable, shall automatically be deemed to be withdrawn.

Voting Proxies

By tendering an Eligible Claim outstanding under the following series:

RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2004 – 2014,

each holder thereof will give a proxy in favor of the Exchange Agent to vote that Eligible Claim at any meeting of holders occurring prior to or on the Closing Date in favor of one or more resolutions that would have the effect of amending the relevant series to conform its maturity date, interest rate and certain amendment procedures to those of the New Bonds. If the voting requirements under a series are met, the amendments to such series will take effect at the closing of the Offer on the Closing Date.

For each of the following series of Eligible Claims:

Royal Merchant Bank and Finance Company Limited 9.50% Fixed Rate Bonds due 2010;

Citicorp Merchant Bank Limited 8.95% Fixed Rate Bonds due 2013;

Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds 1998 – 2008; and

Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds 1997 – 2007,

Belize is offering to exchange New Bonds for beneficial interests (sometimes styled "Certificates of Participation", "Certificates of Interest" or "Certificates", and referred to herein as "*Strips*") in these Eligible Claims or, if approved by the requisite percentage of such owners of beneficial interests, for the entirety of each such Eligible Claim. Accordingly, by tendering its Strip beneficial interest in each of these Eligible Claims, the beneficial owner will give a proxy in favor of the Exchange Agent to vote that Strip at any meeting of stripholders occurring prior to the Closing Date in favor of one or more resolutions that would have the effect (in the case of Eligible Claims that have been entirely stripped) of authorizing the tender of the entirety of the Eligible Claim in the Offer or (in the case of Eligible Claims that have been partially stripped) of authorizing the nominal holder to consent to a tender of the Eligible Claims in the Offer.

Consent to Amendments

By tendering an Eligible Claim outstanding under Bear Stearns 9.75% Notes due 2015, each holder thereof will irrevocably consent to amendments to the Bear Stearns 9.75% Notes due 2015 that would have the effect of conforming the maturity date and interest rate, and making certain related amendments to the Bear Stearns 9.75% Notes due 2015. If the voting requirements under this series are met, the amendments to the series will take effect at the closing of the Offer on the Closing Date.

Offering Restrictions

You are not eligible to receive or review the Offer Materials or to participate in the Offer unless:

(1) you are qualified institutional buyer in the United States and are participating in the Offer under an exemption provided by Rule 144A under the Securities Act; or

(2) you either:

- are not in the United States (as contemplated in Rule 903(a)(1) of Regulation S under the Securities Act) and are not a U.S. person (as defined in Rule 902(o) of Regulation S under the Securities Act); or

- are a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States holding a discretionary account or similar account (other that an estate or trust) for the benefit or account of a non-U.S. person (as contemplated by Rule 903(a)(1) of Regulation S under the Securities Act); or

(3) if you are located in the European Economic Area, you are an Eligible EEA Investor (as this term is defined in "Notice to Investors"); and

(4) your receipt and review of the Offer Materials and your participation in the Offer, is otherwise permitted under the laws and regulations of any other jurisdiction applicable to you, including, without limitation, as set forth in "Jurisdictional Restrictions".

We refer to holders of Eligible Claims who meet the foregoing criteria as "eligible holders".

For a description of certain restrictions on resale of the New Bonds, see "Notice to Investors" in this offering memorandum.

Representations, Warranties and Undertakings Relating to Tenders of Eligible Claims

See Exhibit I—Form of Letter of Transmittal and Exhibit II—Form of Letter of Acceptance for applicable representations, warranties and undertakings relating to tenders of Eligible Claims.

Business Day

The term "*business day"* for the Offer means any day except a Saturday, Sunday or any other day on which commercial banks in New York City or Belize City are required or authorized by law to close.

TENDER PROCEDURES

General

IMPORTANT: The procedures for tendering Eligible Claims pursuant to the Offer differ depending on the type of Eligible Claim being tendered. Tenders of Bear Stearns & Co. Inc. 9.50% Notes due 2012 and Bear Stearns & Co. Inc. 9.75% Notes due 2015 (the "*Specified Notes*") may only be made by submission of Letters of Transmittal in electronic form. Tenders of all other Eligible Claims may only be made by submission of Letters of Acceptance by hand, mail or facsimile transmission. Read carefully this section, and, as applicable, the Form of Letter of Transmittal or Form of Letter of Acceptance, which are attached as Exhibit I and Exhibit II to this offering memorandum, respectively, to understand the procedures for tendering your Eligible Claims.

If you have any questions regarding the process by which you can tender your Eligible Claims, you may contact the Information Agent or the Exchange Agent at the phone numbers listed on the back cover of this offering memorandum.

Procedures for Submitting Letters of Transmittal (for Tenders of Specified Notes ONLY)

Your Letter of Transmittal must be submitted during the Offer Period. Specified Notes tendered in the Offer will be "blocked" for transfers to third parties pending settlement.

Your Letter of Transmittal must clearly designate an account at the Depository Trust Company ("DTC"), Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"; and, together, the "Designated Clearing Systems"), as applicable, where the New Bonds you are entitled to receive can be credited upon settlement of the Offer.

The Exchange Agent is the entity responsible for, among other things, receiving and processing tenders made by holders pursuant to the Offer through the Designated Clearing Systems and, at the settlement of the Offer, delivering the New Bonds to the tendering holders.

The procedures you must follow to tender the Specified Notes depend upon the manner in which they are held. We set forth below a description of the procedures generally applicable for tenders of Specified Notes, followed by a brief description of specific tender procedures applicable to the Designated Clearing Systems. **In any event, it is your responsibility to inform yourself of, and arrange for timely tender of your Specified Notes in accordance with, the procedures applicable to the Designated Clearing Systems through which you tender your Specified Notes.**

General Procedures

Beneficial ownership of Specified Notes held in book-entry form generally represents an interest in a global certificate representing Specified Notes that is registered in the name of a clearing system or such clearing system's nominee. These beneficial interests may be held directly if you have an account as a participant in the relevant clearing system, or indirectly through participants, such as securities brokers and dealers, that have an account with the relevant clearing system. We refer to institutions that have an account with the relevant clearing system as "direct participants" in such system. Only these direct participants may submit electronic Letters of Transmittal to the relevant clearing system. If you are not a direct participant, you (or your broker, dealer, bank, trust company, trustee or other custodian on your behalf) must arrange for the direct participant through which you hold your Specified Notes to submit an electronic Letter of Transmittal on your behalf to the relevant clearing system.

Belize has designated each of DTC, Euroclear and Clearstream as "Designated Clearing Systems" for purposes of the Offer, either because the Specified Notes are registered in the name of such clearing system (or a nominee of its depositary) or Belize expects a substantial number of tenders to be submitted through these clearing systems.

Belize has made special arrangements with the Designated Clearing Systems that will allow these clearing systems to submit electronic Letters of Transmittal on behalf of tendering holders directly to the Exchange Agent. These Designated Clearing Systems will be able to perform this function even with respect to the Specified Notes that are not registered in their name (or in the name of their depositary nominee).

For your tender to be effective, a direct participant in a Designated Clearing System through which you tender your Specified Notes must submit an electronic Letter of Transmittal on your behalf to the relevant Designated Clearing System prior to 3:00 p.m. (New York City time) on the Expiration Date. The Designated Clearing Systems will not submit to the Exchange Agent any electronic Letter of Transmittal received after this time.

Upon receipt of your electronic Letter of Transmittal, the Designated Clearing System will submit your electronic Letter of Transmittal to the Exchange Agent. The receipt of your electronic Letter of Transmittal by a Designated Clearing System will result in the blocking of your tendered Specified Notes in such clearing system. This will prevent you from being able to transfer your tendered Specified Notes to third parties.

The Exchange Agent will establish an account at each of the Designated Clearing Systems for purposes of receiving tenders of Specified Notes pursuant to the Offer. The receipt of your electronic Letter of Transmittal by the Designated Clearing System will constitute instructions to make a book-entry transfer of your tendered Specified Notes into the Exchange Agent's account at such clearing system. Your tendered Specified Notes will be held in the Exchange Agent's account pending settlement of the exchange on the Closing Date. Upon performing the book-entry transfer of your tendered Specified Notes into the Exchange Agent's account, the Designated Clearing System will deliver to the Exchange Agent a confirmation of such book-entry transfer.

None of Belize, the Information Agent or the Exchange Agent will be responsible for ensuring that any electronic Letter of Transmittal is submitted to or accepted by a Designated Clearing System or for ensuring that the book-entry transfer into the Exchange Agent's account at the relevant clearing system is effected. If your tendered Specified Notes are not transferred into the Exchange Agent's account at the relevant Designated Clearing System prior to the Expiration Date, your tender will be deemed invalid.

By submitting a valid electronic Letter of Transmittal to a Designated Clearing System, tendering holders, and the relevant direct participant on their behalf, shall be deemed to have made the representations and warranties set forth in the Letter of Transmittal to Belize, the Information Agent and the Exchange Agent.

Special Instructions for Tenders Through DTC

If your Specified Notes are held or registered in the name of a nominee of DTC, and you do not hold your beneficial interest in these securities through any other Designated Clearing System, you may submit your tender directly through DTC using DTC's Automated Tender Offer Program system (ATOP system). To effectively tender any Specified Notes, you must:

- instruct DTC (if you are a direct participant in DTC), or arrange to have a direct participant in DTC provide instructions to DTC on your behalf, to make a book-entry transfer of the Specified Notes you tender into the Exchange Agent's account at DTC, in accordance with DTC procedures for such transfers; and

- electronically transmit to DTC (if you are a direct participant in DTC), or arrange to have a direct participant in DTC electronically transmit to DTC on your behalf, your duly completed electronic Letter of Transmittal through the ATOP system.

Upon completion of these steps, Belize expects DTC to transfer the Specified Notes you tender into the Exchange Agent's account at DTC, to deliver to the Exchange Agent a confirmation of such book-entry transfer and, upon verifying your acceptance, to send an "agent's message" to the Exchange Agent for its acceptance of your tender. An "agent's message" is a message transmitted by DTC to, and received by, the Exchange Agent as part of DTC's confirmation of the book-entry transfer of your Specified Notes to the Exchange Agent's account at DTC. The "agent's message" will state that:

- DTC has received an express acknowledgment from a DTC participant tendering Specified Notes on behalf of the holder of such Specified Notes;

- such DTC participant has received and agrees to be bound by the terms and conditions of the Offer as set forth in the Offer Materials, including the representations and warranties set forth in the Letter of Transmittal; and

- Belize may enforce such agreement against the DTC participant.

For your tender through DTC to be effective, the Exchange Agent must receive (i) an agent's message as described above no later than the Expiration Date, and (ii) a confirmation of the book-entry transfer of your Specified Notes into the Exchange Agent's account at DTC no later than the Expiration Date.

Additional Information for Tenders through Euroclear or Clearstream

If you hold Specified Notes through Euroclear or Clearstream you may submit (if you are a direct participant), or arrange to have a direct participant submit on your behalf, an electronic Letter of Transmittal in accordance with the procedures established by Euroclear or Clearstream, as applicable, to participate in this Offer. Participants should refer to the respective notifications of Euroclear and Clearstream for detailed information regarding tender procedures.

Procedures for Submitting Tenders of Specified Notes Held Through Any Other Clearing System

If you hold Specified Notes through any other clearing system, you must follow the procedures established and deadlines required by such clearing system in order for your tender to be received by a Designated Clearing System prior to 3:00 p.m. (New York City time) on the Expiration Date. You may contact the Information Agent or the Exchange Agent for assistance in effecting your tender in accordance with the applicable procedures and deadlines for such other clearing systems.

If You Hold Specified Notes Through a Custodian or Other Securities Intermediary

If your Specified Notes are held in the name of a custodian or other securities intermediary, such as a broker, dealer, bank trust company or trustee, you mush contact such custodian or other securities intermediary and instruct it to tender your Specified Notes on your behalf. You should contact your custodian or other securities intermediary well in advance of the Expiration Date, since your custodian may have earlier deadlines by which it must receive your instructions in order to have adequate time to meet the deadlines of the clearing system through which your Specified Notes are tendered.

Effectiveness of Tenders of Specified Notes

For your tender of Specified Notes to be effective:

(1) your duly completed electronic Letter of Transmittal must be received by the Designated Clearing System through which you tender your Specified Notes no later than 3:00 p.m. (New York City time) on the Expiration Date;

(2) the Designated Clearing System through which you tender your Specified Notes must deliver your duly completed electronic letter of transmittal to the Exchange Agent no later than the Expiration Date; and

(3) your tendered Specified Notes must be transferred into the Exchange Agent's account at the Designated Clearing System through which you tender your Specified Notes no later than the Expiration Date.

You and the Designated Clearing System through which you tender Specified Notes are responsible for arranging the valid and timely delivery of the electronic Letter of Transmittal to the Exchange Agent. None of Belize, the Information Agent or the Exchange Agent will be responsible for the submission of tenders by:

- holders (or brokers, dealers, banks, trust companies, trustees or other custodians on their behalf) to direct participants in a Designated Clearing System;
- direct participants (whether on their own behalf or on behalf of holders who are not direct participants) to the Designated Clearing Systems; or
- the Designated Clearing Systems to the Exchange Agent.

Delivery of documents to a custodian, direct participant or clearing system (including the Designated Clearing Systems) does not constitute delivery to the Exchange Agent and is not sufficient for an effective tender. Belize can offer no assurance that any custodian, direct participant or clearing system (including the Designated Clearing Systems) will follow the procedures outlined above for purposes of effecting your tender of Specified Notes, as these procedures are entirely within such parties' discretion.

Procedures for Submitting Letters of Acceptance (for Tenders of Eligible Claims OTHER THAN Specified Notes)

In order to submit a tender, you must submit, or arrange to have submitted on your behalf, a duly completed Letter of Acceptance by hand, mail or facsimile transmission to the Exchange Agent at the address set forth on the final page of the Letter of Acceptance.

The method of delivery of Letters of Acceptance and all other required documents to the Exchange Agent is at your own election and risk, and delivery will be deemed made only when actually received by any officer of the Exchange Agent who has direct responsibility for the administration of this Offer ("*Authorized Officer*").

No Letters of Acceptance or other required documents should be sent to any person other than the Exchange Agent.

Letters of Acceptance must be received by an Authorized Officer of the Exchange Agent at or prior to 3:00 p.m. (New York City time) on the Expiration Date. Sufficient time should be allowed to assure timely delivery.

Letters of Acceptance may only be signed by the current record or registered holder or owner of the tendered Eligible Claims. Beneficial owners of Eligible Claims whose Eligible Claims are held by a broker, dealer, commercial bank, trust company or other nominee should contact such broker, dealer, commercial bank, trust company or other nominee promptly and instruct such person, as the holder of the Eligible Claims, to arrange for timely delivery of the Letter of Acceptance on behalf of the beneficial owner.

Your Letter of Acceptance must clearly designate an account at DTC, Euroclear or Clearstream where the New Bonds you are entitled to receive can be credited upon settlement of the Offer. Beneficial ownership in the New Bonds may be held directly if you have an account as a participant in DTC, Euroclear or Clearstream, or indirectly through participants, such as securities brokers and dealers, that have an account with the relevant clearing system. See "Book-Entry Settlement and Clearance" in this offering memorandum.

You will need an account at DTC, Euroclear or Clearstream or at a participant at DTC, Euroclear or Clearstream to receive New Bonds at settlement. If you do not have such an account, you may contact the Information Agent or the Exchange Agent at the phone numbers set forth on the final page of the Letter of Acceptance to obtain information on how to establish an account with a participant at DTC, Euroclear or Clearstream.

By delivering a Letter of Acceptance, you will agree that not less than three business days prior to the Closing Date you will deliver by hand or insured registered mail or insured certified mail to the Exchange Agent at the address set forth on the final page of the Letter of Acceptance the original copy of any debt instruments (such as a certificate or promissory note) evidencing a tendered Eligible Claim.

If you encounter difficulties in submitting your Letter of Acceptance, you may contact the Information Agent or the Exchange Agent at the phone numbers listed on the back cover of this offering memorandum.

Irregularities

All questions regarding the validity, form and eligibility, including time of receipt or revocation or revision, of any Letter of Transmittal or Letter of Acceptance, as applicable, will be determined by Belize in its sole discretion, which determination will be final and binding. Belize reserves the absolute right to reject any and all Letters of Transmittal or Letters of Acceptance not in proper form or for which any corresponding agreement by Belize to exchange would, in the opinion of Belize's counsel, be unlawful. Belize also reserves the right in its sole discretion to reject any tender in which the tendered Eligible Claim cannot be reconciled with Belize's own records. Belize reserves the absolute right to waive any of the conditions of the Offer or defects in tenders and the relevant Letters of Transmittal or Letters of Acceptance, as applicable. None of Belize, the Information Agent or the Exchange Agent shall be under any duty to give notice to you, as the tendering holder, of any irregularities in Letters of Transmittal or Letters of Acceptance, as applicable, nor shall any of them incur any liability for the failure to give such notice.

Withdrawal Rights

Any tender for exchange and the corresponding Letter of Transmittal or Letter of Acceptance, as applicable, may be withdrawn, for any reason, at any time prior to 3:00 p.m. (New York City time) on the Expiration Date. Thereafter, tenders shall become irrevocable.

Holders may not rescind withdrawals of tendered Eligible Claims. However, withdrawn Eligible Claims may be retendered by following the procedures therefore described in this offering memorandum and the Letter of Transmittal or the Letter of Acceptance, as applicable, at any time prior to 3:00 p.m., New York City time, on the Expiration Date.

In addition, if Belize terminates the Offer without accepting any tenders for exchange, all tenders for exchange and the corresponding Letter of Transmittal or Letter of Acceptance, as applicable, shall automatically be deemed to be withdrawn.

Procedures for Withdrawal of Tenders (for Tenders of Specified Notes ONLY)

You, or a direct participant on your behalf, may withdraw your tender by submitting an electronic withdrawal notice to the Designated Clearing System through which you submitted your tender. Upon receiving such instructions the Designated Clearing System will deliver a notice of withdrawal to the Exchange Agent, and the Exchange Agent will then instruct the Designated Clearing System to transfer the Specified Notes you wish to withdraw to the direct participant's account at the clearing system.

If you hold your Specified Notes through a custodian or other securities intermediary, you must instruct that custodian to arrange for the valid submission of an electronic withdrawal notice to the relevant Designated Clearing System.

Any Specified Notes properly withdrawn will be deemed to be not validly tendered for purposes of the Offer.

Belize can offer no assurance that any custodian, direct participant or clearing system (including the Designated Clearing Systems) will follow the procedures necessary to withdraw your tender, as these procedures are entirely within such parties' discretion.

Special Instructions for Withdrawal of Tenders Through DTC

If your tender was submitted through a direct participant in DTC, your electronic withdrawal notice must:

- specify the DTC Voluntary Offer Instruction Number, the name of the participant from whose account such Specified Notes were tendered for exchange and such participant's account number at DTC to be credited with the withdrawn Specified Notes;

- contain a description of the Specified Notes to be withdrawn (including the principal amount in whole to be withdrawn); and

- be submitted through ATOP by the DTC participant in the same manner as the applicable agent's message, or be accompanied by evidence satisfactory to Belize that the person withdrawing the tender has succeeded to the beneficial ownership of such Specified Notes.

Procedures for Withdrawal of Tenders (for Tenders of Eligible Claims OTHER THAN Specified Notes)

In order to withdraw your tender, you must submit, or arrange to have submitted on your behalf, a withdrawal notice (by hand, mail or facsimile transmission) to the Exchange Agent at the address set forth on the final page of the Letter of Acceptance.

In order to be valid, a notice of withdrawal must specify the name of the person who tendered the Eligible Claims to be withdrawn (the "*Depositor*"), the name in which the Eligible Claims are registered if different from that of the Depositor, and the type and the principal amount of Eligible Claims to be withdrawn. If certificates or promissory notes or other original copies of any debt instruments, have been delivered to the Exchange Agent, the name of the holder and the certificate number or numbers or any other identifying items relating to such Eligible Claims withdrawn must also be furnished to the Exchange Agent as aforesaid prior to the physical release of the certificates or promissory notes for the withdrawn Eligible Claims. The notice of withdrawal must be signed by the holder in the same manner as any Letter of Acceptance, or accompanied by evidence satisfactory to Belize that the person withdrawing the tender has succeeded to the beneficial ownership of such Eligible Claims.

Beneficial owners of Eligible Claim whose Eligible Claims are held by a broker, dealer, commercial bank, trust company or other nominee should contact such broker, dealer, commercial bank, trust company or other nominee promptly and instruct such person, as the holder of the Eligible Claims, to arrange for timely delivery of the withdrawal notice on behalf of the beneficial owner.

Extension of Offer; Amendments

The Offer will expire at 3:00 p.m. (New York City time) on the Expiration Date, unless Belize in its sole discretion extends it.

At any time before the expiry of the Offer, Belize may, in its sole discretion:

- extend the Offer past the originally scheduled Expiration Date, or
- amend the Offer from time to time in any fashion.

The Government reserves the right, in its sole discretion, to cancel the Offer in the event that the level of participation in the Offer would not, when taken together with the other fiscal adjustment measures being taken by the Government and the debt relief being provided by other creditors, produce a sustainable debt service position for Belize. Any such waiver or amendment shall be accompanied by withdrawal rights as set forth in "—Irrevocability; Withdrawal Rights".

Publication

Belize will publish notices concerning the Offer on the website http://www.centralbank.org.bz. You may also obtain all information contained in such notices by contacting the Information Agent.

Settlement

The Closing Date for the Offer will be February 20, 2007 or as soon as practicable thereafter, unless the Offer is extended, in which case a new Closing Date, if necessary, will be announced by press release issued by or on behalf of Belize and at the website http://www.centralbank.org.bz.

On the Closing Date (if you have tendered your Eligible Claims in accordance with this offering memorandum and the Letter of Transmittal or Letter of Acceptance, as applicable, at or prior to 3:00 p.m. (New York City time) on the Expiration Date):

- you, or the record or registered holder or owner on your behalf, must deliver to Belize good and marketable title to your Eligible Claims, free and clear of all liens, charges, claims, encumbrances, interests, rights of third parties and restrictions of any kind; and
- in return you will receive, solely in book-entry form through the facilities of DTC, the New Bonds you are entitled to receive pursuant to the Offer. The Exchange Agent is not responsible for any incorrect or incomplete information provided by tendering holders of Eligible Claims in Letters of Transmittal or Letters of Acceptance.

BELIZE

History

The territory of what is now Belize was originally settled by the Maya over 4,000 years ago. The earliest European settlement in Belize was established in 1638 by British pirates, buccaneers and adventurers known as "Baymen" who developed logwood and mahogany industries, which formed the basis of the settlement's economy. From the seventeenth century until the mid-1900s, the Belizean economy thrived from the expansion of the logwood and mahogany industries. The importance of forestry in the country's early economic development is embodied in the Belizean flag, which contains a mahogany tree between two woodcutters standing on either side of a coat of arms. The national motto "*sub umbra floreo*" ("under the shade we flourish"), a reference to the mahogany industry, also appears in the Belizean flag.

In 1786 Belize became a British colony and in 1862 became a British Crown colony under the name British Honduras. As a colony, the various governments of Belize included a lieutenant governor, a governor and a legislative council, and a limited representative government in the twentieth century. The colonial government granted universal adult suffrage in 1954. Internal self-government began in 1964, and the colony was renamed "Belize" in 1973 in anticipation of its independence. The move toward independent status was slowed by years of border disputes with Guatemala, which claimed rights to Belizean territory. See "—International Relations—Guatemala". Belize became a sovereign state within the British Commonwealth on September 21, 1981.

Territory and Population

Belize is situated in Central America, bordered to the north by Mexico, to the south and west by Guatemala, and to the east by the Caribbean Sea. It has a coastline of 386 kilometers. The area of Belize is roughly the size of Massachusetts at 23,000 square kilometers. The capital city, Belmopan, was built in the late 1960s following extensive damage to Belize City, the former capital, by Hurricane Hattie in 1961. Belmopan became the capital of Belize in 1970.

From the 1991 census to the latest census in May 2000 Belize's population grew by 26.8%. The total population of Belize was 249,800 as of May 2000. The Central Statistical Office estimates that, as of June 30, 2005, the total population of Belize was approximately 291,800, an increase of approximately 16.8% over the population reported in the 2000 census. The 2005 Mid-Year Population Estimates indicated that 48.9 % of Belize's population lived in rural areas, while 50.2% lived in urban areas. Belize City, the country's largest business center, has a population of approximately 60,800, or 20.9% of the total population. Belmopan is approximately 75 kilometers from Belize City and has a population of approximately 13,500. Based on census data compiled by the Belizean Central Statistical Office, population density is estimated at 12.8 persons per square kilometers, making it the least densely populated country in Central America.

Society

Belize is the only country in Central America where English is the official language. In addition, Creole and Spanish are also spoken. Since 1980, an estimated 50,000 Central Americans (mostly Guatemalans, Salvadorans and Nicaraguans) fled civil strife in their own countries and immigrated to Belize. More recently, an estimated 10,000 Taiwanese nationals have immigrated to Belize. The result is a multiethnic, multilingual society, which is 49% Mestizo, 25% Creole, 11% Maya, 6% Garifuna, 3% East Indian, and 6% other (Asian, White and other).

Belize's population maintains diverse religious beliefs, although Christian denominations predominate with approximately 82% of the population practicing some form of Christianity. Other major religious groups include adherents to the Hindu, Ba'haí, Muslim and Buddhist faiths.

Belize's educational system is based on the British system. Belize education levels are relatively high with the World Bank estimating the adult literacy rate for the year ended December 31, 2004 at 76.6%. Pre-primary school education is available to children between the ages of three and five years. Primary school consists of eight years of education and is mandatory for children between the ages of five and 14. Secondary school education consists of four years of education offering general education and vocational or trade schools offering short-term courses in basic trades. The Centers for Employment Training are the most prominent of the vocational and trade schools. The training system in the Centers for Employment Training adapts to employment trends and changes in the labor market.

Belize's educational system consists of public and private schools. The Government pays tuition fees for students attending public primary and secondary schools. Post-secondary school education is available to qualified candidates at community colleges and the national university. Belize has seven community colleges and one national university, the University of Belize. The Government makes contributions to these post-secondary school based on the number of students. Students at all post-secondary schools pay registration and other fees. In total, the Government contributes approximately 70% to the total cost of student education.

The unemployment rate in Belize during the past five years has ranged from a high of 11.0% in 2005 to a low of 9.1% in 2001. See "Domestic Economy—Employment and Labor."

The following table sets forth selected comparative social indicators for Belize and selected Central American countries for the year ended December 31, 2003:

Selected Social Development Indicators

	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
Infant Mortality (per thousand)	32	8	32	35	32	30	18
Adult Literacy Rate (%)	76.6	94.9	78.9	69.1	80.0	76.7	91.9
GNI Per Capita (in U.S.$)	3,370	4,300	2,340	1,910	970	740	4,060
Life Expectancy (years)	72	79	70	66	66	69	75

Source: The World Bank World Development Indicators, 2004 and 2005

Governmental Structure and Political Parties

The Constitution is the supreme law of Belize and sets forth the country's basic framework and legal underpinnings for governmental activity. The Constitution came into effect when Belize became an independent country on September 21, 1981, and includes provisions that safeguard fundamental individual freedoms.

Belize is a parliamentary democracy based upon the British Westminster model and is a member of the British Commonwealth. The Head of State is the British Monarch, who is represented locally by the Governor-General of Belize. Traditionally, the British Monarch appoints the Governor-General upon the recommendation of the Belizean Prime Minister. The duties and responsibilities of the Governor-General are, in most cases, of a purely formal and ceremonial nature. Under the Constitution, general elections are due every five years. The Constitution permits the Prime Minister to call elections at anytime within the five-year period, consistent with the British Westminster model. The next general election is constitutionally due to be held no later than March 2008.

National legislative power is vested in a bicameral National Assembly composed of a House of Representatives and a Senate. Belize is divided into 29 electoral districts, with each district representing at least 2,000 registered voters. The House of Representatives consists of 29 members elected by the people in the general elections. Belize held its last general election on March 5, 2003. The results of the last general election in March 2003 accorded the People's United Party 22 of the 29 seats in the House of Representatives. The Prime Minister, the member from the ruling party who can command the support of the majority of the House of Representatives' members, is appointed by the Governor-General. The current Prime Minister, Hon. Said Musa, is a member of the People's United Party and has entered his eighth year in office. There are no term limits for any elected or appointed office in the Government.

The Senate is comprised of 12 members appointed by the Governor-General, six of whom are appointed on the advice of the Prime Minister, three of whom are appointed on the advice of the leader of the opposition party, one of whom is appointed on the advice of the Council of Churches, one of whom is appointed on the advice of the business community and one of whom is appointed on the advice of non-Governmental organizations. The President of the Senate is elected by its members from among the 12 members or from outside the Senate.

Amendments to the Constitution that do not affect fundamental rights, the judiciary or certain other key provisions require approval by a two-thirds majority of the House of Representatives. Constitutional amendments to fundamental rights and other entrenched provisions require approval by a three-fourths majority of the House of Representatives. However, a simple majority in the Senate is sufficient for such measures.

In addition to the national governing bodies, local Government is administered through the six administrative districts of Corozal, Belize, Orange Walk, Stann Creek, Cayo and Toledo. Those districts are administered at the local level by two city councils located in Belize City and Belmopan, eight town councils and 185 village councils. The Belmopan city council has seven members, and the city council of Belize City has eleven members. Town and village councils each have seven members.

City council, town council and village council members are each elected to three-year terms. The most recent local elections were held in March 2006 to fill vacancies for town councils in Corozal, Orange Walk, San Pedro, San Ignacio/Santa Elena, Benque Viejo del Carmen, Dangriga, Punta Gorda, and Belize and Belmopan Cities. All the councils except Belize City elected one mayor and six councilors; Belize City elected one mayor and 10 councilors. Sixty-seven seats were available, contested by 153 persons representing four political parties. There were thirteen independent candidates. The United Democratic Party (UDP) won sixty-four seats, the People's United Party (PUP) three, and all other parties and independents none.

The principal policy-making body of the Government is the cabinet, which is responsible for the general direction and control of Belize and whose members are collectively accountable to the National Assembly. The cabinet consists of the Prime Minister and members selected from either house of the National Assembly. The Prime Minister's administration decides the size of the cabinet. The Governor-General appoints members of the cabinet upon the recommendation of the Prime Minister. The power of the Prime Minister to determine the size of the Cabinet is circumscribed by the Belize Constitution which states that the Cabinet shall be comprised of (a) not more than two-thirds of the elected members of the Party that obtains majority seats in the House of Representatives following the holding of a general election and (b) not more than four Senators.

The Belizean judicial system is based on English common law and practice and consists of a Supreme Court, a Court of Appeal and local courts. Final appeals are made to the Judicial Committee of the Privy Council in the United Kingdom. A number of Caribbean nations, including Belize, have agreed to establish a Caribbean Court of Justice to replace the Judicial Committee of the Privy Council for those nations. Belize has signed and ratified the Agreement for the Establishment of the Caribbean Court of Justice under the auspices of the Caribbean Community and Common Market (CARICOM). In December 2005, an Act was approved by the National Assembly making the Caribbean Court of Justice the Court of Original Jurisdiction for the Treaty of Chaguaramas while retaining the Privy Council as the Court of Final Appeal. The Caribbean Court of Justice was inaugurated in April 2006.

Prior to 1981, two political parties existed in Belize, the People's United Party and the United Democratic Party. Since independence, these two major political parties have continued to dominate Belize's political system. From the date of Belize's independence on September 21, 1981 until 1984, the People's United Party formed the Government. The United Democratic Party assumed power in 1984. The People's United Party then won the 1989 elections only to be ousted by the United Democratic Party in 1993. In 1998, the People's United Party returned to power by winning 59.7% of the votes cast and 26 out of 29 seats in the House of Representatives. In 2003, the People's United Party remained in power by winning 53.2% of the votes cast and 22 out of 29 seats in the House of Representatives. The People's United Party's 2003 victory was the first time since Belize became an independent country that the incumbent party retained control of the House of Representatives. The People's United Party won the 1998 and 2003 elections with a parliamentary majority on a platform of social development and poverty reduction.

The following table shows the House of Representatives electoral results for the past five general elections:

House of Representatives Electoral Results(1)

	1979	1984	1989	1993	1998	2003
			(number of representatives)			
People's United Party	12	7	15	13	26	22
United Democratic Party	6	21	13	16	3	7

(1) The total number of seats in the House of Representatives was increased to 28 in 1984 and to 29 in 1993. In late 2003, following a bi-election to fill a vacancy caused by the death of a People's United Party representative, the composition of the House of Representatives changed to 21 People's United Party representatives and eight United Democratic Party representatives.

Source: The Belize Election and Boundaries Commission

Poverty Elimination Plans

After a two-year period of consultation with various representatives of Belizean society, the Government formulated, in 2000, a five-year National Poverty Elimination Strategy and Action Plan, or the Poverty Elimination Plan, with support from the Caribbean Development Bank, the U.K. Department for International Development and the Canadian International Development Agency. The overarching goal of this Action Plan was Belize's development agenda to reduce the poverty rate from approximately 33% in 1999 to approximately 28% by 2004.

A mid-term Country Poverty Assessment conducted in 2002 suggested that the poverty rate had remained largely unchanged and a successor National Poverty Elimination Strategy and Action Plan 2006 — 2010 is currently being formulated with the key objective to reduce extreme poverty in Belize by one half by the year 2015. Other objectives and targets will be established to emulate the Millennium Development Goals. For these purposes, Belize uses the United Nations' definition of "poverty" as an income level below that required to sustain a family. As of 2002, the poverty rate in Belize was 33.5%, as measured by the Living Standard Measurement Survey of 2002 conducted by the Central Statistical Office. There has been no statistical poverty rate study performed since 2002.

A second poverty alleviation project, the Southside Poverty Alleviation Project, will concentrate on two main areas, namely infrastructure improvements and socio-economic development on the south side of Belize City. The estimated cost of the project is U.S.$23.5 million to be implemented over a period of four years commencing January 2006. Partial funding, in the form of a concessionary loan of U.S.$6.0 million from an OPEC fund, has already been approved. These monies will be used for the first phase of the four-year project. Negotiations with other multilateral lenders for the financing of the remainder of the project are ongoing.

Media

There are no daily newspaper publications in Belize. Several weekly newspapers are published, including two that are sponsored by Belize's political parties, The Belize Times (PUP) and The Guardian (UDP), and four independent newspapers, The Amandala, The Dangriga Star, The Reporter and The San Pedro Sun. There are several private radio stations in Belize City. In addition, two operators provide nationwide television service and post transcripts of weekday news broadcasts on the internet.

Healthcare

Registered medical personnel as of December 31, 2005 included 251 doctors, 34 dentists, 416 nurses, 240 midwives, 72 pharmacists and 32 opticians. As of December 31, 2005, Belize had approximately 560 hospital beds. Rural healthcare has been expanded by the provision of health centers and mobile clinics, which offer free outpatient treatment. There are seven Government hospitals and three private hospitals in Belize. During 2002, the construction of the Universal Health Services Hospital, financed by the Development Finance Corporation (DFC) and the Belize Bank, was completed and this hospital is currently operational. Commencing in August 2001, Belize instituted the National Health Insurance Pilot Project. The National Health Insurance Pilot Project, currently offered only in the southern portion of Belize City, provides up to 90% of the cost of primary health care coverage to approximately 38,000 participants. In June 2006, the Government commenced the roll-out of the National Health Insurance Program to Belize's two southern districts covering an estimated 57,600 participants. At the same time, the Government has expressed the intention to extend the coverage to the remainder of the country by early 2008.

Infrastructure

Improving Belize's infrastructure is of primary importance to the Government. The Government has focused and is continuing to focus on developing roads, ports, housing, airports, utilities, and healthcare infrastructure. The Government places particular priority on the maintenance and development of roads and ports. Although main roads are paved in most areas of the country, a number of non-graded gravel roads remain and they are difficult to negotiate. In addition, the maintenance of the current depth levels of Belize's ports presents an ongoing challenge to the country's efforts to accommodate container ships.

Roads

Road development and drainage improvement is a primary objective of the Government's plan to increase transport efficiency. In recent years, roads in Belize have suffered from flooding after hurricanes and tropical storms due to poor drainage conditions. Belize City is particularly susceptible to flooding because it is below sea level. The inability to use flooded roads hampers transport and has a negative impact on commerce.

An extensive construction program that started in the early 1980s has greatly improved Belize's road network, which now exceeds 2,565 kilometers in total length. Substantial upgrading of major and rural access roads is currently underway with funds provided by a number of sources including the Caribbean Development Bank, the International Bank for Reconstruction and Development, which is an affiliate of the World Bank group, and bilateral loans and grants from the United Kingdom and the Kuwait Fund. Belize has four major highways, two of which provide border crossings to Guatemala and Mexico. All main towns and villages are linked by roads to the capital, Belmopan, and to Belize City. Private bus services operate to and from all major towns on a daily basis.

The Southern Highway Project, which began in 1997, is Belize's major highway construction project currently underway. The objective of this project was is to extend the Southern Highway 164.8 kilometers, linking the southern districts of Stann Creek and Toledo to Belize's middle districts. The Southern Highway Project is divided into five separately funded sections because of its length. The project was completed in 2005.

The Roads and Municipal Drainage Project for Belize was another major project, and was completed in 2005. It was financed by the International Bank for Reconstruction and Development, which approved a U.S.$13 million loan in September 2000 to help Belize pave many of its gravel roads and improve its water drainage capacity to handle floods. The four objectives of the program were as follows:

- improve a road section connecting the Northern Highway to the Western Highway;
- implement road maintenance by contract;
- support the improvement of the drainage system for selected municipalities; and
- provide technical assistance to the Ministry of Works and Transport.

The project was fully completed in March 2005.

Other current road projects included the Orange Walk Town Bypass Project and the Hummingbird Highway Bridge Project. The Orange Walk Town Bypass Project was designed to improve the road conditions and create new road access in the district of Orange Walk. Financed with a U.S.$10 million loan from the Caribbean Development Bank, the project involved construction of two high-level bridge structures and created seven kilometers of new roadway. This project was completed in 2005. The Hummingbird Highway Bridge Project, which was completed in January 2004, was financed by a U.S.$2.5 million European Union grant. The Government believes this project has improved road access to the southern districts of Belize.

Belize has also negotiated a new project to be funded by the Kuwait Fund and the Organization of Petroleum Exporting Countries, or OPEC, with a loan of approximately U.S.$17.5 million that will create road access from southern Belize to Guatemala. Engineering and design work has been completed and tenders for prequalification of contracts are currently being evaluated. Work is expected to commence in early 2007 once civil works tenders are awarded. Belize has also completed feasibility studies with respect to the Manatee Project, another road project. The Manatee Project, expected to cost between U.S.$22.5 million to U.S.$25 million will create 57.6 kilometers of roadway in the southern district of

Stann Creek. The Government is currently seeking financing for the project from various regional financial institutions.

Ports

The Belize Port Authority was established in 1976 to manage and operate the ports of Belize. Belize City is equipped with a modern, deep-water port able to handle containerized ships. Located approximately 800 meters offshore, the Belize City Port has 67 meters of berths with 5.2 meters of natural depth. The Belize City Port also has a coastal marine facility with 153 meters of low-level berth and a natural depth of 2.4 meters. Nine major shipping lines operate cargo services in and out of the Belize City Port.

There are eight other Government-approved ports of entry. A port of entry and exit was added in June 2006, an airstrip at Savannah in the Stann Creek District for specific flights from and to the Republic of Honduras only.

Among the ports, Commerce Bight Port in the Stann Creek District in the south can accommodate medium-sized vessels required to handle exports of citrus and other products. The Commerce Bight pier extends approximately 150 meters offshore. It was originally constructed with 27.5 meters of berthing face and 5.9 meters of natural depth. In addition, the port facility at Big Creek Port in the Stann Creek District was completed by a private consortium in 1990 to facilitate banana exports and continues to be privately owned. More recently citrus exports have also started to be handled by this port facility. The port has approximately 154 meters of berthing face and 6.7 meters of depth. Other ports and shipping facilities include:

- timber wharves at Libertad and Orange Walk;
- a molasses storage concrete barge of 7,000 tons capacity in the Southern Grennels Channel; and
- mooring buoys adjacent to the Belize City Port with a natural depth of 6.7 meters.

In 2002, Belize completed a dredging and reclamation program to construct an access channel at the pier of the Belize City Port with a depth of approximately 10 meters. In addition, the program dredged the Haulover Creek Basin, increasing the depth to approximately four meters.

Belize completed the privatization of the Belize City Port in 2002. Port of Belize Limited, owned by Belizean nationals, was created to succeed the Belize Port Authority and now owns and operates the Belize City Port. In addition, Port of Belize Limited will also manage and operate the Commerce Bight Port under a long-term lease arrangement with the Belize Port Authority. The Government's decision to lease the Commerce Bight Port is subject to certain parameters set out in Port of Belize Limited's business plan. Through its management of these two ports, Port of Belize Limited will handle approximately 87.5% of the national port business in Belize. As part of the privatization agreement, the Government has retained the right to appoint two out of four directors, one of whom must also be appointed chairman of Port of Belize Limited. The majority shareholder of Port of Belize Limited is Belize Ports Limited, a privately-held Belizean company which owns 99.6% of the outstanding shares of Port of Belize Limited. Port of Belize Limited plans to expand the Belize City Port to, among other things, include both bulk- and container-handling facilities as well as to extend the port's depth.

Cruise Ship Terminal

On April 29, 2004, Port of Belize Limited entered into a joint venture agreement with Carnival Corporation, the world's largest operator of cruise ships, for the construction of a cruise ship terminal and tourist facility at the Belize City Port. The project will cover a 30 acre site, owned by Port of Belize Limited, and involves the construction of a 250 meter pier and the dredging of a channel to accommodate the portside docking of cruise ships, thereby eliminating the need to tender passengers and crew ashore while the ships are in port.

The joint venture agreement has a 20-year term that is renewable for an additional 10 years thereafter. The company to be created pursuant to the joint venture will be called Belize Cruise Terminal Limited and will be owned 50% by Port of Belize Limited and 50% by Carnival Corporation. Carnival Corporation has committed to make an initial U.S.$50 million investment in the project. Port of Belize Limited's capital contribution to Belize Cruise Terminal Limited has been in the form of port real estate.

Port of Belize Limited estimates that the project will result in the creation of 200 jobs during the construction phase and generate 2,000 direct and indirect jobs thereafter. Port of Belize Limited also estimates that the incremental value of the project to the Belizean economy will be U.S.$65 million per year. In 2005 the First Phase of the project involving land reclamation and drainage commenced. Port of Belize Limited has announced that it is expected that the Terminal Facility will be completed by December 2008.

Housing

As of December 31, 2003, 5,757 new houses had been financed and constructed with Government support as part of the Poverty Elimination Plan's housing program through the Ministry of Housing and the Development Finance Corporation (DFC). The key lenders under the housing program include the DFC, the Social Security Board and the Ministry of Housing. Under a mortgage-backed financing program, mortgages owned by the Ministry of Housing, the DFC or the Social Security Board were assigned to collateralize offerings in the capital markets. The Ministry of Housing, the DFC or the Social Security Board, as applicable, then reinvested the proceeds from the relevant offering in the construction of new housing units, mortgage financing and other public investment projects

From September 1998 through December 2003, 3,936 new houses were financed and constructed by the DFC as a part of its housing program. The DFC's residential loan portfolio reached U.S.$55.7 million in 2003, or 34.6% of its loan portfolio. In addition, as of December 31, 2003, the DFC had approximately U.S.$82.0 million invested in housing developments. The DFC is currently seeking to divest a significant portion of the assets held for resale, including real estate.

Following a 2004 diagnostic assessment of the DFC undertaken by the Inter-American Development Bank which indicated that the DFC was experiencing severe liquidity problems due to a combination of a large non-performing loan portfolio and high costs associated with financing a substantial inventory of assets held for sale, the Government of Belize took the decision to suspend new mortgage lending activity, while a decision was being made as to the future plans for the DFC. Consequently, little new housing finance or construction activity was undertaken in 2004 and in 2005.

The Ministry of Housing also sponsored the construction of approximately 1,821 houses for low-income families in the period from 1999 to 2003. These houses were built by private developers with financing provided by the Ministry of Housing. Upon completion, the houses were bought by families with mortgage financing provided by the Social Security Board.

See "Recent Developments" and "The Monetary System—Banking and Financial Institutions—The Development Finance Corporation."

Airports

The Philip Goldson International Airport, located 14 kilometers from Belize City, is served by five carriers:

- American Airlines, which operates direct flights to and from Miami and Dallas;
- Continental Airlines, which operates direct flights to and from Houston and Newark;
- Grupo TACA Airlines, which operates direct flights to and from Houston and San Salvador;
- U.S. Airways, which operate direct flights to and from Charlotte; and
- Delta Airlines, which operates a weekly flight to and from Atlanta.

There are also regional services to several Central American capitals, in addition to two municipal airstrips serving domestic routes.

In early 2004, Belize reached an agreement with the Belize Airport Concession Company, a Belizean entity owned by a consortium of Belizean, United States and United Kingdom based investors, for a 30-year lease and concession pursuant to which Belize Airport Concession Company will finance an expansion of the airport. Phase I of the airport expansion commenced in April 2005 and is scheduled to be completed by 2007 at a projected cost of approximately U.S.$30 million. The Belize Airport Concession Company has also assumed a U.S.$17.5 million external debt obligation that was included in external public sector debt prior to privatization. This U.S.$17.5 million debt obligation is guaranteed by the Government. If, for any reason, the lease terminates prior to the expiration of the scheduled term, the Government would be responsible for this debt obligation. The airport expansion is expected to include the following:

- the extension of the length of the existing runway by 2,300 feet towards the Northern Highway, which will involve re-routing the existing airport access road and which will allow the runway to accommodate 767 and 777 Boeing aircraft arriving from Europe and other places;
- the expansion of the apron area to provide parking space for one additional Boeing 737, or similar sized aircraft; and
- the refurbishment of the existing terminal building and the expansion of the facility by approximately 6,000 square feet.

The cost of the airport expansion will be borne solely by the Belize Airport Concession Company. Pursuant to the agreement between Belize Airport Concession Company and the Government, Belize Airport Concession Company is entitled, throughout the term of the lease, to retain all revenues generated by the airport, including, among other items, departure taxes.

The expansion of the Hector Silva Landing Strip, located inland in Belmopan, became an important Government objective after the Philip Goldson International Airport was adversely affected by flooding due to hurricanes in 2000 and 2001. In 2003, Belize, in conjunction with the United Kingdom government, completed construction to expand and widen the existing airstrip at Hector Silva Landing Strip to accommodate military aircraft. By expanding the landing strip, the Government took the first steps toward reducing the country's dependence on the Philip Goldson International Airport.

Utilities

The Public Utilities Commission (PUC) was created pursuant to the Public Utilities Act of 1999 to assist the regulators of the water and sewage, telecommunications and electricity sectors in implementing and maintaining policies that enhance services and protect consumer interests. The PUC works closely with the Government to assist in the future development of the utilities sector while ensuring consumer protection. In October 2004, the Government of Belize and the Inter-American Development Bank launched a project to strengthen the capacity and effectiveness of the PUC in carrying out its mandate. The project is financed by an IDB grant of U.S.$1.0 million and is expected to be implemented over a period of three years to be completed by end May 2007.

Telecommunications

There are two operating telecommunications companies in Belize, Belize Telecommunications Limited (BTL) and Speednet. A third telecommunications company, International Telecommunications Limited (Intelco) is currently under receivership and its license has been cancelled. BTL operates a direct dialing telephone network linking the most populous areas with villages often being served by a single community telephone. BTL was privatized in stages between 1988 and 1999.

BTL previously retained the exclusive right to provide telecommunication services to the private sector pursuant to a licensing agreement with the Government that expired in December 2002. BTL's monopoly, combined with the relatively small size of Belize's telecommunications market, contributed to comparatively high domestic and international telephone rates. Since December 2002, other telecommunications companies have been granted licenses to enter the Belizean market and compete with BTL. Since the expiration of the BTL licensing agreement, the PUC has issued licenses for provision of all telecom services to both BTL and Speednet, thus allowing Speednet to begin offering services to the private sector. In addition, the Government had issued a license to Intelco, but since Intelco's operations have gone into receivership, the license has since been cancelled. See "Domestic Economy—Principal Sectors of the Economy—Tertiary Sector—Transport and Communications."

The Government has replaced the Belize Telecommunications Act of 1987 with the new Telecommunications Act of 2002. The Telecommunications Act of 2002 gives the PUC greater control than under the prior act over the regulation of telecommunications in Belize. The Telecommunications Act of 2002 also seeks to lower barriers of entry for new competition by including provisions for the interconnection of competing networks. If the PUC determines that effective competition exists in the Belizean telecommunications industry, it will not regulate telecommunications prices. Such prices will be determined by supply and demand in the market. If the PUC determines that effective competition does not exist, such as where the existence of a dominant provider does not allow market forces to set prices, the PUC will reserve the right to create the methodology for determining prices. Since the PUC has determined that effective competition currently does not exist, it has set the methodology for determining prices based on market analysis, income disparity, industry technology, density of population and demand for service. The PUC has not set a methodology for international telephone and internet services. Licenses are required to operate a public telecommunications network and the PUC reserves the right to revoke licenses for a variety of public interest reasons, including preventing anti-competitive practices. In addition, the Telecommunications Act of 2002 prohibits anti-competitive cross-subsidies that allow a dominant provider to subsidize lower prices in highly competitive markets with above-cost prices in other markets.

Electricity

Belize Electricity Limited (BEL), a privately-owned company, is the primary commercial generator, transmitter and distributor of electricity in Belize. Prior to 1992, the Government was the sole owner of the Belize Electricity Board, which was the only source of generating, transmitting and distributing energy in Belize. The electricity sector was privatized pursuant to the Electricity Act of 1992. Upon its sale to the private sector, the Belize Electricity Board was renamed BEL. Fortis, Inc., a privately held Canadian company, is the majority owner of BEL, with 68% of the outstanding shares. The Belize Social Security Board also owns 26.3% of BEL's outstanding shares.

BEL supplies Belize with approximately 63 megawatts of electricity from multiple sources, which include electricity purchases from Comisión Federal de Electricidad (CFE), the Mexican state-owned electricity company, from the Mollejon and Challio hydroelectric facilities in western Belize and from BEL's own diesel-fired generators. In 2005, the power supplied by BEL's diesel generators and hydroelectric facilities accounted for approximately 20.2% and 16.9%, respectively, of BEL's total power supply. In 2005, BEL purchased approximately 62.9% of its power supply from CFE. This dependence on Mexico has exposed Belize to periods of power outages because CFE does not accord Belize the same priority as its Mexican customers. The availability of foreign exchange to BEL in order to meet its payment obligations to CFE is guaranteed by the Government pursuant to BEL's contract with CFE, where the Government undertakes to provide approval for currency conversion without restrictions to meet these obligations. BEL's contract with CFE expires in August 2008. With the commissioning of the Chalillo Dam 7.5 megawatts Challio Hydorelectric Facility in September 2005, dependence on Mexican power is expected to be reduced significantly in the coming years.

BEL purchases all of the fuel used in its diesel generators from foreign fossil fuel suppliers. BEL is currently seeking alternative sources of power due to the risk of price instability from BEL's dependence on foreign fossil fuel suppliers.

Belize is currently pursuing various projects to provide alternative sources of electricity to possibly replace the electricity provided under the contract with CFE and to partially alleviate the country's dependence on foreign fossil fuel suppliers. In 2005 BEL entered into an agreement with a sugar factory in Belize pursuant to which the sugar manufacturer will convert its sugar bagasse into electricity which will be sold to BEL. When completed in 2008, the 13.5 megawatts bagasse plant is expected to proportionately reduce the power supply purchased from CFE. The Government currently has no plans to invest in the sugar facility that will start producing electricity through this conversion of bagasse plant.

Belize Electric Company Limited (BECOL), a wholly-owned subsidiary of BEL, currently owns and operates the Mollejon Dam on the Macal River in the western part of Belize which provides power from the Mollejon plant. In an effort to increase domestic electricity generation of renewable, stable-priced energy, BECOL in 2005 completed the construction of a U.S.$30 million hydroelectric dam, the 7.3 megawatts Chalillo Dam Project, upstream along the Macal River from the existing Mollejon Dam that will double the power output potential from the Mollejon plant from 80 million kilowatt-hours to 160 million kilowatt-hours per year. Construction of the Chalillo Dam began on May 28, 2003 and was commissioned in September 2005. BECOL intends to sell the power produced by the project to BEL for distribution. The project is also designed to provide 7.3 megawatts of new electricity generation capacity to Belize and greater water storage for the existing Mollejon hydroelectric dam to more reliably produce energy from its 25.2 megawatts capacity at lower production costs. The terms pursuant to which BEL was privatized require BEL to pass any lower production costs on to consumers in the form of lower rates. Electricity costs in Belize are relatively high due to the country's relatively low population density, and because the small size of the country renders greater competition in the electricity sector impractical.

However, the Government expects that implementation of the Chalillo Dam Project will eventually result in lower electricity rates in the country. Fortis, Inc. holds 100% of the ordinary shares of BECOL. In addition to the Chalillo Dam Project, a memorandum of understanding has been signed between the private Belizean developer, HydroMaya, and BEL providing for the construction of a dam in the southern region of Belize that could produce up to 3.4 megawatts of electricity. Due to heavy rain in 2006, the commissioning of this facility was rescheduled for mid-December 2006.

In July 2005, BEL released a Request for Proposals for generation additions in 2007 and 2009. In response to this request, BECOL has initiated plans to construct a third 18 megawatts hydroelectric facility on the Macal River in the Vaca area. BECOL has submitted an environmental impact assessment report to the National Environmental Appraisal Committee and, pending approval, may commence construction in early 2007.

Water and Sewage

The Ministry of Natural Resources and Environment and the Ministry of Health share the responsibility for the management and provision of water and sanitation services in Belize. The Government's water and sewage program under the Poverty Elimination Plan seeks to increase the provision of water and sanitation services to its population, particularly in the rural areas of southern and western Belize that have at times been plagued by malaria. The incidence of infectious diseases associated with deficiencies in water supply and sanitation has been a particular concern in these areas. Malaria alone cost the Government more than an estimated U.S.$0.8 million due to an outbreak of over 5,300 cases in 1992. These costs relate to, among other things, elimination efforts and related public health campaigns. Currently, malaria cases in Belize have been virtually eliminated due in part to mosquito spraying efforts and public health campaigns.

Various ministries and departments, specifically the Ministry of Natural Resources, the Ministry of Health, and the Ministry of Tourism and Environment share the responsibility for the management and provision of water and sanitation services. Under the Water Industry Act of 2001, these ministries continue to regulate water and sanitation under the supervision of the PUC. The Water Industry Act of 2001 repealed the Water and Sewage Act of 1971.

The Water Industry Act of 2001 authorized the privatization of the Water and Sewage Authority, a Government-owned entity that provided water and sanitation services in Belize until 2001. In addition, the Water Industry Act of 2001 gave the PUC:

- the power to grant the newly privatized entity a license to operate water and sanitation services; and

- the authority to set water and sanitation service rates in Belize.

Following its privatization in 2001, the Water and Sewage Authority abolished and a new company, Belize Water Services Limited (BWSL), was formed. The initial shareholders of BWSL included Cascal, B.V., a privately held corporation organized in the Netherlands, which had an 82.7% stake, the Social Security Board, which had a 10.0% stake, and the Belizean public, which held the remaining 7.3% stake. The Government retained the ability to appoint the chairman of BWSL's board of directors.

In October 2005, the Government of Belize repurchased from Cascal, B.V. its entire 82.7% shareholding in BWSL. These shares were subsequently offered for sale to the Belizean public but the response was not enthusiastic. The Government currently continues to hold the 82.7% of the issued shares of BWSL.

International Relations

Belize maintains diplomatic relations with almost every nation in the world. It is a member of the United Nations, the Organization of American States, the Inter-American Development Bank, the Sistema de la Integración Centroamericana and the respective agencies of each organization. Belize is also a member of the Association of Caribbean States, CARICOM, the African Caribbean Pacific group of countries, the Caribbean Development Bank, the British Commonwealth, the International Bank for Reconstruction and Development, the International Labor Organization, the International Monetary Fund and several other international agencies.

Belize is also a signatory to the Cotonou Agreement between the European Union and the developing countries of Africa, the Caribbean and the Pacific and is a beneficiary of the Caribbean Basin Economic Recovery Act, and the Caribbean-Canada Trade Agreement. In addition, as a member of the United Nations bloc of developing countries, named the Group of 77, Belize is eligible for the Generalized System of Preferences. See "—Generalized System of Preferences."

Belize receives preferential tariff treatment on most of its products pursuant to, among others, the trade agreements described below.

Association of Caribbean States

The Association of Caribbean States was created by treaty in July 1994. Members of the Association of Caribbean States include the fifteen CARICOM signatories, other non-Commonwealth countries in the Caribbean and several Latin American nations. The Association of Caribbean States was established primarily to further regional economic integration and cooperation in the areas of science and technology, energy, tourism, transport, education and culture, as well as to coordinate the participation of member states in multilateral forums and to undertake concerted action to protect the environment, in particular the Caribbean Sea.

Caribbean Community and Common Market

The Caribbean Community and Common Market (CARICOM) is a regional common market established by the Treaty of Chaguaramas in 1973 to promote the integration and development of the economies of member states, especially the less developed countries, coordinate the foreign policies of the independent member states and engage in functional cooperation in the provision of services such as education, health and transport among its member countries. CARICOM currently has 15 members consisting of the 12 independent English-speaking Caribbean territories, Haiti, Suriname and Montserrat, four associate members, and eight countries that have observer status.

CARICOM's principal activities are in the area of economic integration by means of the creation of a Caribbean Common Market. Members have also established common institutions in the areas of policy formulation and cooperation in the provision of such services as education and health and in such other areas as labor matters, agriculture, transport, communications, tourism and disaster preparedness. The members of CARICOM have amended the Treaty of Chaguaramas to provide for the establishment of the CARICOM Single Market and Economy. The CARICOM Single Market and Economy would allow for the free movement of goods, capital, persons and services throughout the member states. All member states implemented the free movement of certain skilled labor, and achieved full compliance phased in by 2005. All member states began implementation of free movement of service providers in

February 2002 with full implementation by 2005. The Single Market component entered into force on January 1, 2006 and it is expected that the Single Economy component will enter into force two years later, in January 2008.

The CARICOM Single Market and Economy also intends to harmonize fiscal and monetary policies, but initiatives have not been formalized, and no time frame has been established. Central banks of member states are currently reviewing their options with respect to such harmonization and discussing possible parameters and time frames.

Cotonou Agreement

In February 2000, the European Union and the African Caribbean Pacific group of countries concluded negotiations for the 20-year Cotonou Agreement, which provides for:

- duty-free access to the European Union markets for goods exported from countries in the African Caribbean Pacific group (with certain local value-added qualifications);

- a stabilization fund to compensate countries in the African Caribbean Pacific group in the event of reductions in the receipts they derived from the export of their principal basic products;

- financial aid for countries in the African Caribbean Pacific group;

- industrial and technological cooperation aimed at promoting a better international division of labor along lines advantageous to countries in the African Caribbean Pacific group; and

- joint institutions to supervise observance of the agreement and to promote discussion between the groups of countries.

The Cotonou Agreement was signed in Benin on June 23, 2000 during the African Caribbean Pacific group and European Union Council of Ministers Meeting and replaced an earlier similar agreement among the same parties known as the Lomé IV Convention. As of April 1, 2003, the Cotonou Agreement entered into full effect upon ratification by two-thirds of the African Caribbean Pacific group of countries. Under the Cotonou Agreement, Belize enjoys preferential market access to the European Union through a system of product quota and price preferences. This system, however, will be replaced gradually by a series of new economic partnerships among the European Union and the African Caribbean Pacific group of countries in line with the principles of the World Trade Organization, or WTO. According to the terms of the Cotonou Agreement, the economic partnerships are expected to become effective by January 1, 2008.

The Cotonou Agreement provides for an eight-year extension of the special arrangements for exports of bananas, rum and rice from countries in the African Caribbean Pacific group previously provided under the Lomé IV Convention. The Cotonou Agreement also provides economic development support to the tourism industry and provides guaranteed access to European Union markets for certain maximum amounts of Belizean sugar exports. See "External Economy—Foreign Trade—Exports."

The special arrangements for the importation of bananas provided by the Cotonou Agreement and its predecessor the Lomé IV Convention were challenged by the United States and four Latin American banana producers and held by WTO to be inconsistent with WTO rules. In April 2001, the United States and the European Union announced an agreement by which the previous banana arrangements were phased out by 2006. The Belizean banana industry has taken steps to become more competitive with other banana producers in anticipation of the phase-out of these arrangements by increasing investments in research, upgrading the infrastructure of farms, especially in terms of irrigation advancements, and by producing a more disease-resistant variety of banana. Moreover, improved efficiencies in the Belizean banana industry are aimed at overcoming any negative effects of the phase-out. Banana exports represented 8.3% of total exports and 2.7% of GDP in 2003. See "External Economy—Foreign Trade—Exports."

The Caribbean Basin Initiative

The Caribbean Basin Initiative which became effective on January 1, 1984, is a program of economic assistance by the United States to Caribbean countries designed to stimulate economic growth and to present new opportunities for development in the region. Under the Caribbean Basin Initiative, the Caribbean Basin Economic Recovery Act provides for duty-free access of Caribbean products exported to the United States. To enjoy duty-free access, at least 35% of the added value of manufactured articles must be generated in Belize. This percentage requirement can be reduced to 20% as components made in the United States may account for up to 15% of the value-added. The Caribbean Basin Economic Recovery Act was the first means by which the United States extended preferential trade provisions to any region. All exports from Belize (other than specifically excluded products such as garments and textiles) benefit from the reduction or elimination of U.S. tariffs. With the exception of a limited sugar annual quota, the Caribbean Basin Economic Recovery Act does not guarantee any quotas to Caribbean product exports. The U.S. Congress subsequently passed the Caribbean Basin Recovery Expansion Act, or Caribbean Basin Initiative II, in 1990, which improved the conditions of the original agreement by extending the life of the Caribbean Basin Initiative providing limited duty-free treatment for articles that the Caribbean Basin Initiative excluded. See "Domestic Economy—Secondary Sector—Manufacturing—Sugar."

The Caribbean Trade Partnership Act of 2000

The Caribbean Trade Partnership Act of 2000 was enacted by the U.S. Congress in May 2000 as part of the U.S. Trade and Development Act of 2000 and enhances the Caribbean Basin Initiative II by reducing or eliminating U.S. duties on those products not previously covered by the Caribbean Basin Economic Recovery Act. The law is intended to reflect the changing dynamics of regional trade which followed the North American Free Trade Agreement of 1994, or NAFTA, among Canada, Mexico and the United States, and to encourage the full participation of Caribbean countries in efforts to promote regional economic integration, including negotiations for a Free Trade Area of the Americas.

The main benefit of the Caribbean Trade Partnership Act of 2000 is duty-free and quota-free entry for imports into the U.S. of apparel sewn and assembled by Caribbean Basin Initiative countries from U.S. cloth and yarn. This product sector had been excluded from the original Caribbean Basin Initiative Act but was provided to Mexico under NAFTA. As in the case of the Caribbean-Canada Trade Agreement, Belizean exports have generally not yet benefited from the Caribbean Trade Partnership Act because many of products that benefit from a reduction of duties, such as manufactured items and certain textiles are not exported from Belize at this time.

The Caribbean Trade Partnership Act of 2000 program was implemented in October 2000 and will last through the earlier of September 2008 or when the Free Trade Area of the Americas enters into force.

Caribbean-Canada Trade Agreement

The Caribbean-Canada Trade Agreement (CARIBCAN) is an agreement entered into by Canada and the CARICOM countries in 1986. This agreement established an open-ended program for trade, investment and industrial cooperation, and features the unilateral extension by Canada of preferential duty-free access to the Canadian market for many imports from CARICOM countries. The Caribbean-Canada Trade Agreement's basic objectives are to enhance the Caribbean region's existing trade and export earnings, improve its trade and economic development prospects, promote new investment opportunities and encourage enhanced economic integration and cooperation within the region. Many exports that are allowed duty-free access to Canada under the CARIBCAN are, in large part, not exported from Belize. As a result, Belizean exports have generally not yet benefited from duty-free access to Canada under this trade agreement.

Generalized System of Preferences

Under the auspices of the United Nations Conference on Trade and Development, the Generalized System of Preferences was designed to afford developing countries preferential access for a wide range of their exports to the markets of developed countries. The Generalized System of Preferences is an export-promotion tool with the objectives of increasing the export earnings of the developing countries, promoting industrialization in the developing countries and accelerating the rate of their economic growth.

Central American Bank for Economic Integration

In September 2006, the Government of Belize signed an Association Agreement with the Central American Bank for Economic Integration (CABEI), which enables Belize to be incorporated in CABEI as a Non-Founding Beneficiary Member. CABEI is a financial development organization founded by Honduras, Guatemala, El Salvador, Nicaragua and Costa Rica in 1960 for the promotion and implementation of the economic integration of Central America by means of its sectoral investment policy. As a non-founding beneficiary member of CABEI, Belize anticipates that it will be able to access new capital for the public and private sector that would be used for infrastructure, poverty reduction and social development projects.

Guatemala

Belize's relations with Guatemala have been affected by a territorial dispute and Guatemala's claim to the territory of Belize. Belize, which joined the Caribbean Community in 1974, received the support of the United Nations for its independence in the late 1970s. Votes were taken in the Fourth Committee of the United Nations, the committee responsible for monitoring de-colonization, from 1975 to 1980 on the subject of Belizean independence. Every member of the United Nations supported Belizean independence in the 1980 vote except for Guatemala, which abstained. Once Guatemala returned to a democratic form of Government in January 1986, negotiations for a settlement began in earnest. In 1991, Guatemala recognized Belizean independence, though it continued to claim the territory of Belize.

Today, relations have improved and the two countries enjoy closer diplomatic ties. Since July 2000, the two countries have tried to accelerate a settlement of the dispute. Each country appointed a facilitator to make recommendations for the resolution of the dispute. On September 16, 2002, these facilitators agreed on a recommendation that Guatemala will release its claim to Belize's territory in exchange for a slight border realignment that will give Guatemala approximately three existing square miles of land near Garbutt's Falls, which is near Belize's southwest border. Guatemala will also gain certain maritime rights, including fishing and transit rights off the coast of southern Belize. Both major Belize political parties (People's United Party and United Democratic Party) have announced support for the recommendation, as have most civic groups in Belize. In Guatemala, however, recent national elections have delayed this process. The recommendation must be ratified by voters of both countries in simultaneous referenda to become an effective agreement. The date for these referenda has yet to be determined.

Officials from the Organization of American States (OAS) arrived in Belize to make arrangements for the establishment of an OAS office in the "Adjacency Zone," which is within one kilometer of the border between Belize and Guatemala in each country. The goals of this OAS presence include:

- monitoring any transgression by either country of the confidence building measures set forth in the recommendation by the facilitators;
- promoting activities to improve relations among the inhabitants of this Adjacency Zone; and
- providing information to the residents of the Adjacency Zone with regard to the confidence building measures.

On February 7, 2003, Belize, Guatemala and the General Secretariat of the OAS reached an agreement that established a transition process in order to bridge the time period between the presentation of the final proposals of the facilitators on September 16, 2002, and the date when countries will hold the referenda. This transition agreement preserves the recommendation as inviolate until the date of the referenda, which has not yet been scheduled by either country. During this transition process, Belize and Guatemala have agreed to continue to work constructively and in good faith. There have been no major incidents between Belize and Guatemala during the transition process and Belize remains committed to continuing the confidence building measures implemented as part of such transition process. Representatives of the governments of Belize and Guatemala met with the OAS in early May 2004 and again in June 2004 to discuss the relations between the two countries. During these meetings, the parties agreed to maintain in effect the existing confidence building measures under OAS auspices.

In September 2005 at the OAS headquarters in Washington D.C., Belize, Guatemala and the OAS signed an Agreement on a Framework for Negotiations and Confidence Building Measures with the objective of commencing a new round of negotiations designed to reach an equitable solution to the territorial differendum that is general, definitive, honorable and permanent. In accordance with the terms of the Agreement, regular meetings at intervals of no more than 45 days are being held by the parties to reach a solution to the territorial differendum.

Defense

In 1994 the United Kingdom withdrew its garrison of 1,200 army and 300 Royal Air Force personnel, formally handing over defense responsibilities to the Government of Belize. A small British military training school has been maintained. Belize has a defense force, the Belize Defense Force, of approximately 800 members, with approximately 50 in the maritime wing. There is a militia reserve consisting of approximately 700 members. In addition to the military training school, the Belize Defense Force offers jungle warfare training to other nations and has undertaken humanitarian projects in Belize, such as building schools, in cooperation with U.S. army reserves. Defense expenditure for fiscal year 2003/04 was approximately U.S.$8.4 million and budgeted defense expenditure for fiscal year 2004/05 is approximately U.S.$9.3 million.

Environmental Policy

The protection and conservation of the environment through sustainable development form a part of the Poverty Elimination Plan, the goal of which is to raise the level of environmental awareness of the Belizean population and implement the following environmental activities:

- assessing land use and natural resources;
- creating a master plan of protected areas;
- developing a conservation strategy for tourism with heightened environmental public awareness and guidelines for coastal tourism development;
- reducing land-based sources of pollution from points sources, targeting industrial and domestic sources, primarily as they affect marine resources;
- developing and implementing strategic, rational land management plans for urban development;
- developing proper solid waste management by establishing the Solid Waste Management Authority, implementing public awareness programs, constructing a central landfill and rehabilitating existing sites to conform to required standards; and
- implementing measures to manage water resources.

Belize believes that the policies of sound management of natural resources and protection of the environment are of critical importance to its citizens. Recognizing that there must be a balance between economic growth and its impact on the social and physical landscape, Belize has made recent progress in implementing its environmental strategy.

Belize is one of four countries, including Mexico, Guatemala and Honduras, which have signed on to the Meso-American Barrier Reef Project, which is headquartered in Belize. The project was founded by the Global Environmental Facility following the United Nations World Summit on Sustainable Development in 1992 and is administered by the World Bank. The twin goals of the project are:

- to sustain the marine life of Belize's barrier reef, which is the longest in the western hemisphere, by preventing land-based pollution; and
- to preserve the livelihoods of fishermen that harvest the area.

Pursuant to the Coastal Zone Management Act of 1998, the Coastal Zone Management Authority advises the Minister of Agriculture and the Minister of Natural Resources on the development and utilization of coastal zone resources. The Coastal Zone Project, financed by the Global Environmental Facility, seeks to enhance Belize's efforts in this area.

Drug Trafficking

The proximity of Belize to Mexico makes it an attractive transshipment point for drugs destined for the United States. Beginning in 1998, Belize intensified its efforts to reduce drug trafficking through its borders and combat the violent crime caused by drug use and trafficking. Belize has also cooperated with the United States on narcotics control and other international crime issues primarily through the efforts of the Belize Police Force and the Belize Defense Force. For example, a major drug criminal arrested in Belize was convicted in 2004 in a New York court with the cooperation of Belize's police force.

Belize believes that it has been successful in eradicating most cannabis cultivation in the country. Belize does not allow aerial spraying for the eradication of marijuana because of environmental concerns, though it does actively encourage aerial reconnaissance missions. The police and the Belize Defense Force manually eradicate plantings identified during these missions.

In 2004 the Government established the Belize National Coast Guard Service, whose primary responsibility is to maintain a state of readiness in order to function as a maritime specialized force for enforcement of Belize's Maritime Law, resource protection and safety operations at sea. Since September of 2005, the Coast Guard has been in full operation, patrolling the seas for drug trafficking and any other forms of criminal activity.

Since its formation, the Coast Guard Service has received significant financial and technical support under a bilateral cooperation program with the United States Government amounting to date to over U.S.$400,000 in equipment and supplies.

Human Trafficking

In June 2006, the United States State Department Annual Trafficking in Persons Report ranked Belize as a "Tier 3" country which meant that the U.S. government deemed Belize to not be in compliance with the minimum standards for the elimination of trafficking in persons as outlined in domestic U.S. legislation, the Trafficking Victims Protection Act. In early June 2006 Belize was informed of its "Tier 3" ranking and received a 60-day Mini-Plan proposed by the United States for implementation in order to demonstrate that significant efforts were being taken against trafficking in persons. Over the months of June and July 2006, the Government implemented all elements of the Mini-Plan and on September 27, 2006 the United States government determined that the Government of Belize was making significant efforts to comply with the minimum standards as set out in the Trafficking Victims Protection Act. The U.S. government removed Belize from the list of Tier 3 countries, and Belize thereby avoided potential sanctions and opposition to loans or other funding from multilateral financial institutions.

RECENT DEVELOPMENTS

The Economic Crisis

Over the past nine years, the Belizean economy has experienced severe setbacks that have led to a broad-ranging crisis. The proximate causes for the country's current economic difficulties are the end of the debt-financed reconstruction effort, declining terms of trade and fiscal constraints.

The debt-financed reconstruction period followed the hurricanes and tropical storms that hit the country from 1998 through 2002, and was characterized by a rapid rise in public spending, much of which was unbudgeted. Although high spending produced economic growth during recent years, it also left Belize with heavy external debt obligations. Repeated refinancing operations during the past few years have led to a consistent rise in borrowing costs. Continued refinancing operations of this kind, which were, in retrospect, ill-advised, are now no longer economically viable given current debt dynamics. The need to restructure certain public enterprises and assume their external debts has placed a further financial strain on the Government. The Government now spends more than a quarter of its total revenue on interest payments alone.

As a result of these spending pressures, the Government incurred very high deficits between 1999 and 2004; the deficit at the end of this six-year period stood at the equivalent of 8.1% of GDP. As new financing became difficult to obtain and fiscal constraints tightened, the country's economic activity declined. GDP growth slowed from 9.3% in 2003 to 4.6% in 2004, and to 3.3% in 2005. Due to the severe resource constraints, capital expenditure has declined drastically in recent years, reaching the equivalent of 4.1% of GDP in 2005.

Belize's balance-of-payments condition has been made extremely fragile by high world oil prices, declining export prices, and by the rising cost of servicing the external debt. These trade imbalances, coupled with rising cost of servicing the interest due on the public debt, have led to significant current account deficits – the average annual current account deficit during the period 2001 through 2005 was equal to 17.3% of GDP. The bulk of Belize's external financing needs have been met by running down international reserves and rolling over debt falling due at increasing rates of interest. Furthermore, foreign aid outside of hurricane grants has declined. This erosion of international reserves has left the Belizean economy highly vulnerable to both endogenous and exogenous shocks.

The Government has succeeded in stemming the deterioration in the public finances through the introduction of tough revenue- and expenditure-side measures, focusing on significant tax increases and a continued freeze on the public sector wage bill as a percentage of GDP, which measures led to a year-on-year rise of 14.0% in fiscal revenue, and an improvement in the primary balance from –0.6% of GDP in 2004 to 2.4% in 2005, but it continues to face severe resource shortages which will become critical from the fourth quarter of 2006 onward. Current projections, undertaken as part of Belize's 2006 IMF Article IV consultations, indicate that Belize is facing considerable financing shortfalls in the fiscal accounts and the balance-of-payments in 2007 and beyond. Although Belize already receives financial assistance from bilateral and multilateral lenders and partners, bridging the projected residual financing gaps, and returning the country's debt burden to sustainable levels, will require debt relief from private sector creditors.

In an effort to stem the growing fiscal deficits, the Government began implementing a significant tightening of fiscal policy in October 2004. In this same period, the Central Bank tightened liquidity in the banking system on three separate occasions in order to dampen the demand for foreign exchange and thereby ease the pressure on the balance of payments. Even with these austerity measures, however, Belize is projecting significant fiscal deficits over the medium term. Considerable shortfalls in the balance-of-payments are also expected to persist, exacerbated by Belize's very low level of international monetary reserves. Belize's ratio of debt to GDP is just over 90%.

Financing Gaps

Belize is expected to incur substantial public sector and balance of payments financing gaps through 2012. Minimizing the large financing gaps will require burden-sharing by all stakeholders. The Government has determined that in order to close its financing gaps, it will take a combination of the following measures:

- implement the Economic Plan described below,
- seek continued financial support from official sector creditors (in July 2006, Belize received the first U.S.$25 million disbursement from the Government of Venezuela; in December 2006, the Executive Board of the Inter-American Development Bank approved a U.S.$25 million policy based loan), and
- seek commercial creditor support for Government's debt restructuring program.

Economic Plan

In the period 1998 to 2003 the core of Belize's economic plan was to stimulate the economy by a combination of increased Government spending and a 1999 tax reform that lowered overall taxes but broadened the tax base. Much of the increased spending was targeted to the public sector investment program. Between 1992 and 2002, the Government also embarked on a privatization program aimed at improving its fiscal position and improving structural efficiencies in the economy. See "Public Finance—Tax Reform".

While GDP growth over the period increased to an average of 8% per annum, these policies proved to be overexpansionary, pushing public borrowing and the external account to unsustainable levels. At the end of 2004, public and publicly guaranteed debt reached about U.S.$1.0 billion or about 100% of GDP and net international reserves fell to about U.S.$40 million or about 0.8 months of imports.

In the latter half of 2004, against a background of fiscal deficits averaging over 8% of GDP since 2002 and an external debt that had risen to almost 100% of GDP, the Government of Belize embarked on an adjustment process in order to stabilize the fiscal and external debt situation and place public sector finances on a sustainable path. At the same time, in face of persistent high deficits on the current account of the balance of payments, the Government has, as a major objective, the strengthening of the international reserve position so as to protect the fixed exchange rate peg. The adjustment process has been undertaken in two phases.

In the first phase, which was implemented between October 2004 and the end of the fiscal year 2005/06, the objective was to immediately halt and reverse the expansion in the fiscal deficit through a set of short-term fiscal adjustment measures. These included reductions in capital expenditure by 1.5% of GDP and reducing funding allocations for current operations. These short-term fiscal adjustment measures were supported by actions by the Central Bank of Belize to tighten financial sector liquidity and thereby reduce credit creation and the demand for foreign exchange.

The second phase of fiscal adjustment has the objective of reducing the overall deficit to sustainable levels in the medium term and of attaining a sustainable external debt profile. Achievement of these objectives at the level of the fiscal budget require the continuation of strong expenditure controls, the implementation of new revenue measures and the streamlining of budget preparation and monitoring. Also required is the definition of a medium term strategy for structural reforms including:

- strengthening of public expenditure programming and management systems;
- comprehensive reform and modernization of the revenue system, including the implementation of an *ad valorem* general sales tax and the modernization of the Customs Department;
- definition of a debt management strategy to bring sustainability to Belize's external debt profile and strengthen public debt management capacity; and
- strengthening of the legal and administrative framework for financial accountability and oversight.

To date advances have been made in the implementation of the program as evidenced by the achievement of a primary surplus of 2.4% of GDP in fiscal year 2005/06. A target of 3.5% of GDP is set for fiscal year 2006/07 and the target remains above this level into the medium term.

In addition, there was a reduction in the overall fiscal deficit from 8.1% of GDP in fiscal year 2004/05 to 3.4% of GDP in fiscal year 2005/06. The target for the medium term is to achieve and maintain an overall deficit of under 2.5% of GDP.

In 2000, Belize introduced the five-year Poverty Elimination Plan, designed to promote economic growth, social development, public sector efficiency and poverty reduction. The main components of this plan are:

- macroeconomic policy aimed at achieving a sustainable fiscal policy, liberalizing trading, broadening the economic base, reducing tax rates, accelerating land titling and improving the regulatory framework in critical sectors to stimulate private sector participation;
- social policy promoting investment in education, health, land development and housing for the low-income groups, access to micro-credit and the reform of safety net programs to improve their efficiency and effectiveness;
- public sector reform designed to enhance Government financial control and accountability and the quality of public services; and
- environmental policy aimed at preserving Belize's natural resources through the enhancement of land, waste and natural disaster management, the prevention of water pollution and the improvement of road and drainage systems.

Debt Management Strategy

As part of its efforts to cover the projected financing gaps, Belize has embarked on a comprehensive program to restructure its external debt. The Offer described in this offering memorandum is a key part of Belize's debt management strategy.

In August 2006, the Government announced its intention to seek the cooperation of its creditors in a debt restructuring exercise. The following summarizes Belize's proposed treatment of its different types of indebtedness in implementing its debt management program. See “Public Debt” for a list of Belize’s outstanding debt.

Bond Indebtedness

All of the Government’s bonded indebtedness issuances are Eligible Claims under this Offer.

Domestic Commercial Loans and Treasury Bills

The relatively small amount of the Government’s domestic indebtedness has not been made eligible for this restructuring.

Bank Facilities

All of Belize’s direct external commercial loans are Eligible Claims in this Offer.

Guaranteed Claims

The Government has given guarantees of the following projects undertaken by both private sector entities and state-owned enterprises (“*Guaranteed Claims*”):

1. The International Bank of Miami Port Facility Promissory Note Tranches B and C

2. BWS Finance Company Ltd.

3. The International Bank of Miami Loan to Airport Authority

If the Government’s guarantee in respect of any Guaranteed Claim is called after the Commencement Date, the Government’s policy will be to offer to discharge its obligations in respect of that guarantee by the delivery of consideration having a net present value comparable to the New Bonds being offered to holders of Eligible Claims on the Closing Date.

In addition to these Guaranteed Claims, Belize also has contingent exposure under the Belize Mortgage Company 2002-1 mortgage-backed financing program. See “Public Debt—External Public Sector Debt—Central Government Contingent External Liabilities” and “The Monetary System—Banking and Financial Institutions—Plans for the DFC”.

Insured Loans

See “Terms of the Offer—Consideration to Be Received for Eligible Claims Tendered” for the amount the holder of the Insured Loans will receive for each such loan.

Bilateral and Multilateral Claims

Belize has continued to service the claims of its bilateral creditor and multilateral institutions. These creditors are expected to remain net providers of new funds to Belize over the medium term.

Summary

All of the Government’s bond indebtedness, external commercial loans and insured loans are Eligible Claims in this Offer. Treasury bills, domestic commercial loans, and bilateral and multilateral claims are not Eligible Claims. However, Belize may make the Offer available to additional claim holders.

DOMESTIC ECONOMY

For purposes of this section, (1) the amounts and percentages relating to contribution to gross domestic product of Belize are presented in nominal GDP at market prices, and (2) the growth and contraction rates of sectors and sub-sectors of the Belizean economy have been calculated based on real GDP at constant 2000 prices.

General

Belize has a small economy, whose principal sectors are as follows:

- agriculture;
- manufacturing, which primarily includes agro-based products such as sugar and citrus products; and
- services, which includes primarily tourism and public administration.

From 2001 through 2005, the hotel and restaurant sector, the closest proxy measurement for tourism, represented 4.2% of Belize's GDP on an average annual basis. Agriculture, agro-based manufacturing and tourism are the major foreign exchange earning sectors for Belize. During 2005, exports of goods and services from Belize represented approximately 55.6% of GDP, with exports of goods representing 29.1% of GDP. Export goods principally include marine products (including seafood such as shrimp), sugar, citrus products, bananas and small manufacturing.

The United States and the United Kingdom are major trading partners of Belize. During 2005, exports to the United States were U.S.$107.3 million, or 52.1% of total exports, and exports to the United Kingdom were U.S.$45.4 million, or 22.1% of total exports.

The relative strengths of the Belizean economy include a stable judiciary and political system, a high literacy rate and an English-speaking population, an abundance of land, forest and water resources, Belize's proximity to the United States and the country's historically close ties to the United Kingdom. Belize's environmental resources also create substantial opportunities in the nature or ecology-based tourism market. However, Belize also faces many of the challenges associated with a small economy, such as small production volumes, limited economic diversification, limited human resources and high telecommunications, energy and electricity costs. Although historically Belize has not been significantly impacted by hurricanes, during 2000 and 2001 two substantial hurricanes and one tropical storm did adversely affect the Belizean economy, illustrating the vulnerability of Belize to natural disasters. The declining preferred market access available to certain export products such as bananas and sugar under various international arrangements is another challenge for Belize, although Belize expects that the diversification of its export products will lessen the significance of these preferred market access arrangements.

External Factors

Impact of Global Events

The United States is the most important trading partner of Belize. In 2005, the United States purchased 52.1% of Belizean exports and was the country of origin of 64.8% of Belize's stay-over tourists. As a result, economic and other conditions in the United States have historically affected the performance of the Belizean economy. In particular, any downturn in the U.S. economy is likely to have a negative impact on the economy of Belize. While Belize cannot predict what effects events such as these will have on Belize's tourist industry, Belize expects that a downturn in the world economy, future terrorist attacks, military action in response to such attacks, or the anticipation of any such actions or events could have a negative impact on tourism and Belize's economy in general.

In 2005, the United States was the source of 39.1% of all Belizean imports. As a result, any rise or fall in the U.S. Export Price Index (an index compiled by the U.S. Bureau of Labor Statistics) could result in an increase or decrease in prices in Belize. Because the Belize dollar is pegged to the U.S. dollar, any decline in value of the U.S. dollar will result in a decline in the value of the Belize dollar. In the case of a decline in the value of the U.S. dollar relative to other currencies, the cost of imports from countries other than the United States is likely to increase.

Hurricanes and Tropical Storms

During the 19-year period from 1978 to 1997, no hurricanes and only three tropical storms reached Belize. However, between 1998 and 2001, Belize suffered significant damage caused by Hurricanes Keith and Iris and Tropical Storm Chantal.

Recent natural disasters have caused considerable damage to infrastructure and have affected the performance of several economic sectors. In 2000, Hurricane Keith hit San Pedro and Caye Caulker and, in 2001, Tropical Storm Chantal hit the Corozal and Orange Walk Districts, all in the north of the country, while Hurricane Iris hit the Toledo District and the southern part of the Stann Creek District in the south of the country.

Damage resulting from these two hurricanes was responsible for losses equivalent to approximately 33.8% of GDP in 2000 and 18.9% of GDP in 2001. The National Emergency Management Organization calculated these losses based on data relating to hurricane damage following the guidelines established by the United Nations Economic Commission on Latin America and the Caribbean.

No hurricanes or tropical storms have hit Belize since 2001, although the impact of the hurricanes and tropical storms of 2000 and 2001 continue to be felt. Belize undertook extensive reconstruction to repair damage caused by these storms, costing more than U.S.$25.0 million in emergency reconstruction expenditure between the period 2000 and 2003.

As part of a program to refurbish existing infrastructure to reduce exposure to the adverse effects of hurricane activity, Belize obtained, in late 2000, a U.S.$21.3 million facility from the Inter-American Development Bank to modernize hurricane shelters throughout Belize. In addition, in 2001, Belize created by statute an association of engineers whose duties are to assess the condition of existing infrastructure and to issue recommendations to the Ministry of Works with respect to maintenance standards. In 2003, Belize completed a review of existing building and housing codes and has expanded its supervisory role over compliance with such codes. This review has led to the implementation of new housing and building codes.

Belize is currently in discussions with CARICOM regarding the establishment of the Commonwealth Disaster Management Agency—Public Debt Insurance Initiative. It is anticipated that this initiative, if adopted, will provide small CARICOM countries access to insurance coverage from a consortium of insurers which, in the event of a catastrophic event in a country, such as a hurricane, would pay out funds to enable the country to meet a portion of its public debt service payments for three years following the catastrophe. It is anticipated that any insurance payout under this initiative, would depend on the severity and economic impact of the event. Discussions are continuing but the premium costs still need to be determined.

Gross Domestic Product

Overview

Belize generally divides economic activity into three sectors as follows:

- Primary sector—comprises products that do not undergo any transformation, including the activity of extraction of raw materials, and includes the agriculture and forestry sub-sector, the fishing sub-sector and the mining and quarrying sub-sectors.

- Secondary sector—comprises all economic activities directed to the transformation of raw materials into finished products, and includes the manufacturing (including agro-based manufacturing), the construction sub-sector and electricity and water sub-sector. Certain food products, including citrus juice and sugar, are included in the manufacturing sub-sector of the secondary sector as they constitute final products obtained from the processing and conversion of fruits and sugarcane.

- Tertiary sector—comprises all activities directed toward the generation of final services, and includes the wholesale and retail trade sub-sector, the hotel and restaurant sub-sector, the transport and communications sub-sector, the financial intermediation sub-sector, the real estate, rental and business services sub-sector, the general Government services sub-sector, and the community, social, and personal services sub-sectors.

The Belizean economy grew, in real terms, by 3.3% in 2005, as compared to a 4.6% growth in 2004. The growth in 2005 principally reflected expansion in the primary and tertiary sectors, which grew by 2.1% and 6.3%, respectively. The growth in the primary and tertiary sectors more than offset a 0.9% contraction in the secondary sector. The expansion in the primary sector in 2005 was principally attributable to a 6.9% growth in the fishing sub-sector and 2.5% growth in the mining and quarrying sub-sector. The growth in the tertiary sector in 2005 was primarily a result of financial intermediation and real estate services.

During 2005, the tertiary sector continued to be the largest contributor to GDP, accounting for 63.5% of GDP as compared to 61.3% in 2004, with the wholesale and retail trade sub-sector, representing the largest share of GDP among all sub-sectors of the tertiary sector. The secondary sector continued to be the second largest contributor to GDP, accounting for 14.8% of GDP in 2005 as compared to 14.8% in 2004, with the manufacturing sub-sector representing the largest share of GDP among all sub-sectors in the secondary sector. The primary sector's share of GDP was 12.7% in 2005 as compared to 14.7% in 2004, with the agriculture and forestry sub-sector accounting for 8.9% of GDP in 2005 and 9.8% in 2004.

The 2005 growth in output was accomplished with a modest inflation rate of 3.7%. A 3.3% increase in import costs as measured by the U.S. Export Price Index as well as an increase in fuel prices at the pump pressured prices upward. The United States and the CARICOM countries were the sources of 39.1% and 2.4% of Belizean imports, respectively, in 2005.

January 1, 2006 to June 30, 2006 Performance

Excluding the nascent petroleum industry, the Central Statistical Office estimates that real GDP grew by 0.9% for the first half of 2006 compared to the 4.8% achieved for the comparable period of 2005. The Central Bank estimates that the petroleum industry could boost real GDP growth by at least 2.0% per annum beginning in 2006.

Primary sector performance was mixed as an 8.5% expansion in agriculture, hunting and forestry contrasted with a 31.8% contraction in fishing. In agriculture, gains in sugarcane and papaya production overshadowed a contraction in citrus and banana yields. The contraction in the fishing sub-sector can be primarily attributed to a fall in farmed shrimp production due to the decision of some shrimp farmers to shift from two to one harvest cycle per year and to concentrate on the output of jumbo shrimps. The latter strategy on some farms is expected to reduce overall biomass production, but since the jumbo shrimp commands a higher price premium, the profit margins are likely to improve.

In the secondary sector, manufacturing expanded by 2.0% as gains in sugar and garment production offset a significant contraction in citrus juice output. The electricity and water sub-sector expanded by 27.4% principally because local electricity production increased significantly as the Chalillo hydroelectric dam became fully operational during the first half of the year. In the absence of any large-scale construction project, as was the case in 2005 with the construction of the Chalillo hydroelectric dam, construction activity contracted by 7.8%.

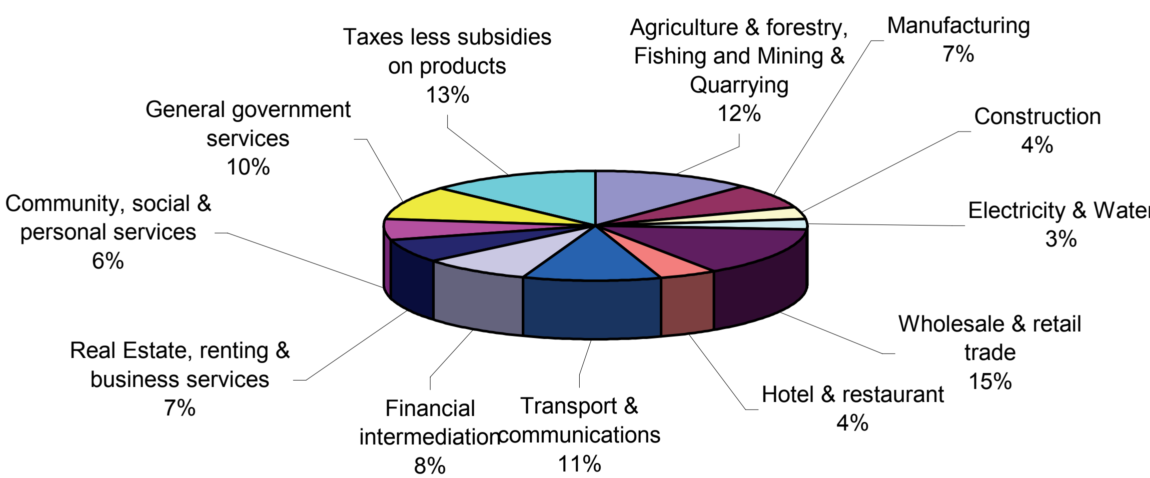
In the tertiary sector, the hotels and restaurants sub-sector contracted by 5.5% and the wholesale and retail trade sub-sector fell by 0.1%. In other areas, the Government services sub-sector contracted by 6.3% as fiscal policies tightened. In contrast, the transport and communication sub-sector expanded by 7.2% due to investments by the two principal telecommunication service providers to upgrade their services.

The general price level as measured by the consumer price index rose by 1.2% over the quarter February 2006 to May 2006, and 4.1% from May 2005 to May 2006 as year on year prices increased across all major commodities. Pressured upward by the higher acquisition costs for diesel and gasoline products, the largest growth in prices occurred in the transport and communication category at 8.9%. This was followed by the rent, water, fuel and power category which increased by 5.1% due primarily to price hikes for electricity, butane and rent. The next largest increase occurred in the food, beverage and tobacco category at 3.0%.

The following table sets forth the distribution of nominal GDP in the Belizean economy, indicating for each sector its percentage contribution to GDP for 2005:

Sectors of the Belizean Economy

(as a % of nominal GDP at market prices)



Source: Central Statistical Office

The following table shows nominal GDP at market prices by economic sectors and as a percent of GDP for the five years ended December 31, 2005:

Sectoral Share of Nominal GDP at Market Prices

	Year ended December 31,									
	2001		**2002**		**2003**		**2004**		**2005**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in millions of U.S.$, except percentages)									
Primary Sector										
Agriculture & forestry	U.S.$ 84.4	9.7%	U.S.$ 86.6	9.3%	U.S.$ 92.7	9.4%	U.S.$ 103.4	9.8%	U.S.$ 98.7	8.9%
Crops	63.7	7.3	62.3	6.7	67.3	6.8	74.9	7.1	71.0	6.4
Livestock products	16.0	1.8	18.8	2.0	20.1	2.0	22.8	2.2	21.2	1.9
Forestry & logging	4.7	0.5	5.5	0.6	5.4	0.5	5.7	0.5	6.5	0.6
Fishing	29.9	3.4	31.7	3.4	49.0	5.0	46.8	4.4	36.0	3.3
Mining & quarrying	4.7	0.5	4.5	0.5	4.6	0.5	4.9	0.5	5.1	0.5
Total Primary Sector	U.S.$ 118.9	13.7%	U.S.$122.8	13.2%	U.S.$ 146.3	14.8%	U.S.$ 155.1	14.7%	U.S.$ 139.9	12.7%
Secondary Sector										
Manufacturing	U.S.$ 77.3	8.9%	U.S.$ 77.0	8.3%	U.S.$ 76.9	7.8%	U.S.$ 82.5	7.8%	U.S.$ 86.5	7.8%
Food products & beverages	59.8	6.9	60.4	6.5	60.0	6.1	63.8	6.0	67.3	6.1
Textiles, clothing & footwear	6.0	0.7	5.9	0.6	6.0	0.6	7.1	0.7	6.5	0.6
Other manufacturing	11.5	1.3	10.8	1.2	10.9	1.1	11.5	1.1	12.7	1.2
Electricity & water	30.6	3.5	32.1	3.4	29.8	3.0	32.4	3.1	35.4	3.2
Construction	41.9	4.8	44.3	4.8	37.7	3.8	41.2	3.9	41.4	3.7
Total Secondary Sector	U.S.$ 149.8	17.2%	U.S.$153.4	16.5%	U.S.$ 144.3	14.6%	U.S.$ 156.0	14.8%	U.S.$ 163.3	14.8%
Tertiary Sector										
Wholesale & retail trade	U.S.$ 144.2	16.6%	U.S.$150.9	16.2%	U.S.$ 152.6	15.4%	U.S.$ 152.3	14.4%	U.S.$ 164.9	14.9%
Hotel & restaurant	33.4	3.8	34.2	3.7	41.8	4.2	48.7	4.6	51.8	4.7
Transport & communications	82.8	9.5	99.6	10.7	102.2	10.4	112.8	10.7	123.4	11.2
Transport & storage	32.8	3.8	42.1	4.5	42.6	4.3	48.3	4.6	51.8	4.7
Post & telecommunications	49.9	5.7	57.5	6.2	59.7	6.0	64.4	6.1	71.6	6.5
Financial intermediation	55.9	6.4	66.7	7.2	81.8	8.3	86.6	8.2	94.1	8.5
Real estate, renting & business services	56.1	6.4	62.5	6.7	64.6	6.5	70.7	6.7	80.1	7.3
Community, social & personal services	52.7	6.0	53.7	5.8	60.2	6.1	68.3	6.5	73.0	6.6
General Government services	87.1	10.0	93.8	10.1	103.1	10.4	107.5	10.2	114.8	10.4
Less: Financial services indirectly measured	27.9	3.2	37.2	4.0	45.6	4.6	47.3	4.5	50.8	4.6
All sectors at basic prices	752.9	86.4	800.3	85.9	851.4	86.2	910.7	86.3	954.5	86.4
Taxes less subsidies on products	118.5	13.6	131.8	14.1	136.2	13.8	144.5	13.7	150.5	13.6
Total Tertiary Sector	U.S.$ 512.1	58.8%	U.S.$561.3	60.2%	U.S.$ 606.4	61.4%	U.S.$ 646.9	61.3%	U.S.$ 702.1	63.5%
Total Nominal GDP at market prices	U.S.$ 871.4	100.0%	U.S.$932.1	100.0%	U.S.$ 987.6	100.0%	U.S.$1,055.2	100.0%	U.S.$ 1,105.0	100.0%

Source: Central Statistical Office

The following table shows the rate of growth of real GDP by economic sectors at constant 2000 prices for the five years ended December 31, 2005:

Growth Rate of Real GDP at Constant 2000 Prices

	Year ended December 31,				
	2001	**2002**	**2003**	**2004**	**2005**
	(percentage change in real GDP at constant 2000 prices)				
Primary Sector					
Agriculture & forestry	(2.0)%	3.3%	15.5%	11.9%	(0.7)%
Crops	(8.2)	(0.4)	20.3	12.6	(1.6)
Livestock products	29.5	15.1	3.8	10.0	0.4
Forestry & logging	16.6	17.0	(5.2)	8.1	11.1
Fishing	4.3	(7.0)	110.3	5.5	6.9
Mining & quarrying	3.4	(5.7)	0.5	4.9	2.5
Total Primary Sector	(0.3)%	0.3%	37.6%	9.4%	2.1%
Secondary Sector					
Manufacturing	(0.6)%	1.5%	(0.5)%	12.3%	0.1%
Food products & beverages	(4.8)	0.1	(0.6)	12.0	1.0
Textiles, clothing & footwear	12.6	2.5	1.8	22.6	(11.8)
Other manufacturing	20.0	9.3	(1.9)	5.3	6.6
Electricity & water	0.4	2.7	8.4	(1.5)	(0.6)
Construction	1.3	3.7	(17.9)	4.6	(3.4)
Total Secondary Sector	0.1%	2.4%	(3.7)%	7.4%	(0.9)%
Tertiary Sector					
Wholesale & retail trade	7.3%	4.0%	1.4%	0.0%	5.6%
Hotel & restaurant	13.5	2.5	14.5	7.8	4.1
Transport & communications	11.8	11.3	8.6	5.0	7.8
Transport & storage	2.1	17.1	1.5	10.6	(3.7)
Post & telecommunications	19.1	7.6	13.5	1.5	15.6
Financial intermediation	(0.2)	26.4	31.5	5.4	12.9
Real estate, renting & business services	13.0	9.7	1.1	5.6	9.6
Community, social & personal services	1.5	3.9	5.0	3.9	1.7
General Government services	5.8	3.9	6.3	1.3	1.3
Total Tertiary Sector	7.2%	8.0%	8.2%	3.3%	6.3%
Less: Financial services indirectly measured	48.0%	40.8%	32.6%	4.1%	12.4%
All sectors at constant 2000 prices	3.5	4.4	9.4	5.2	3.8
Taxes less subsidies on products	15.1	9.3	8.6	1.4	(0.2)
Real GDP at constant 2000 prices	4.9%	5.1%	9.3%	4.6%	3.3%

Source: Central Statistical Office

The following table shows nominal GDP at market prices by expenditure for the five years ended December 31, 2005:

Gross Domestic Product by Expenditure

	Year ended December 31,									
	2001		2002		2003		2004		2005	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in millions of U.S.$ and as a percent of nominal GDP at market prices)									
Private consumption	680.6	78.1	731.8	78.5	764.4	77.4	792.1	75.1	793.7	71.8
Imports: goods & services	602.4	69.1	616.7	66.2	653.0	66.1	619.0	58.7	694.4	62.8
Exports: goods & services	443.5	50.9	490.2	52.6	526.7	53.3	535.0	50.7	611.5	55.3
Government consumption	114.1	13.1	133.4	14.3	144.8	14.7	147.7	14.0	159.3	14.4
Gross capital formation	219.2	25.2	210.7	22.6	187.4	19.0	186.6	17.7	207.4	18.8
Domestic savings	60.3	6.9	84.2	9.0	61.1	6.2	102.6	9.7	124.5	11.3
Net (exports) imports	(158.9)	(18.2)	(126.5)	(13.6)	(126.3)	(12.8)	(84.0)	(8.0)	(82.9)	(7.5)
Nominal GDP market prices	871.4	100.0	932.1	100.0	987.6	100.0	1,055.2	100.0	1,105.0	100.0

Sources: Central Statistical Office; Central Bank of Belize

Principal Sectors of the Economy

Belize classifies its GDP activities into the three following major sectors: (1) the primary sector, with agriculture and forestry contributing the largest share of GDP; (2) the secondary sector, with manufacturing (including agro-based manufacturing) contributing the largest share of GDP; and (3) the tertiary sector, with the wholesale and retail trade sub-sector contributing the largest share of GDP.

Primary Sector

Agriculture and Forestry

Agriculture and forestry was the fourth largest contributor to GDP in 2005, accounting for U.S.$98.7 million, or 8.9% of GDP, as compared to U.S.$103.4 million, or 9.8% of GDP, in 2004. During 2005, agriculture and forestry contracted at a rate of 0.7%, as compared to a growth of 11.9% in 2004. The contraction in the agriculture and forestry sub-sector was attributed to a downturn in crop production caused by drought.

The agriculture and forestry sub-sector includes:

- the crop segment, including sugarcane, bananas, citrus fruits, papayas, and other agricultural products such as grains and vegetables;
- the livestock product segment, including beef, poultry, pork, milk, honey and eggs; and
- the forestry and logging segment.

The following table shows the production of selected agricultural products for each of the four years in the period ending December 31, 2005:

Agricultural Production

	Year ended December 31,				
	2001	**2002**	**2003**	**2004**	**2005**
	(in thousands of pounds, unless otherwise indicated)				
Crops					
Bananas[(1)]	2,608	2,369	4,043	4,346	4,037
Sugarcane[(2)]	1,063	1,175	1,076	1,173	913
Citrus fruits[(1)]	6,924	5,417	5,138	7,266	7,257
Papayas	14,153	24,133	36,522	55,607	63,106
Corn	93,278	84,652	90,245	77,402	104,144
Rice	26,722	24,139	28,114	23,538	39,153
Red kidney beans	14,665	5,730	11,215	7,691	7,622
Livestock Products					
Beef	3,233	4,066	4,896	5,859	5,900
Pork	2,403	2,149	2,280	1,719	2,353
Poultry	27,499	30,801	29,958	30,741	30,489
Milk	5,230	7,796	7,568	7,975	8,347
Honey	93	105	117	83	69
Eggs[(3)]	2,881	2,153	2,575	2,851	2,409

(1) Banana and citrus fruit production volume is presented in thousands of boxes.

(2) Sugarcane production volume is presented in thousands of long tons.

(3) Egg production volume is presented in thousands of dozens.

Source: Central Statistical Office, Citrus Products of Belize Ltd., Belize Sugar Industry Ltd.

Bananas. Bananas, a major agricultural export product, accounted for U.S.$25.5 million, or 2.3% of GDP, in 2005, as compared to U.S.$26.5 million, or 2.5% of GDP, in 2004. During 2005, production of bananas dropped by 7.1% to 4.0 million boxes, as compared to 4.3 million boxes in 2004. This decrease in 2005 was mainly attributable to unfavorable weather at the start of the year and lower yields from some farms that were facing financial difficulties. Banana production for the first half of 2006 fell again, as yields declined by 1.5% to 1.9 million boxes primarily due to unfavorable growing conditions during the first part of the year and growers reining in farm investments due to uncertainties regarding the impact of the new EU banana import regime that was implemented in 2006. After a sluggish first quarter production, yields significantly improved during the second quarter of 2006, narrowing the production deficit up to June 2006 to 1.5%. Should this production momentum be maintained, indications are that the industry may achieve its forecast of 4.2 million boxes for 2006.

During 2001, the European Union (EU) decided to conform its banana import regime to WTO principles. African, Caribbean and Pacific Group of States (ACP) countries were given a transitional period from 2001 through 2005 to improve their competitiveness. See "External Economy—Foreign Trade—Exports". Belize has since undertaken initiatives designed to improve the competitiveness of Belizean bananas. From June 2001 through December 2001, the banana import quota for Latin America was 2,553,000 tons, while the import quota for ACP countries was 850,000 tons. From January 2002 through December 2005, import quotas for Latin American countries and ACP countries were adjusted to 2,653,000 tons and 750,000 tons, respectively.

In 2006, a hybrid quota and tariff system was implemented for EU banana imports. The ACP duty-free quota was set at 775,000 tonnes per annum, which is lower than known ACP production capacity. The most favored nation tariff on non-ACP bananas was set at €176 per tonne of banana, a rate that is currently being challenged as injurious to Latin American banana producers. Under the new rules, the ACP quota is divided into two month delivery tranches. ACP bananas that are delivered during a tranche which exceeds the set duty-free quota amount for that tranche is subject to the €176 tariff. The duty-free quota in a delivery tranche is filled on a first come, first served basis. It is unknown what the impact of the new regime will be on returns to the domestic industry, as it is unknown what share of export sales will be subject to the import tariff. Nonetheless, in anticipation of a more competitive banana regime, Belize's EU banana importer has consistently negotiated lower annual average prices per box of fruit and instituted more stringent quality standards since 2000. In 2000, an average box price was U.S.$9.20; by 2005, this had fallen to U.S.$6.20, a reduction of 32.6% over the six-year period. During the same period, with EU grant assistance, the industry has made investments in irrigation, drainage and other production practices and reduced costs of production by some 20.0%. See "External Economy—Foreign Trade—Exports".

Sugarcane. Almost all sugarcane in Belize is produced by individual farmers (the local sugar processor produces less than 5.0% of total production) for the production of sugar and other by-products of sugarcane, such as molasses. The sugarcane harvest season begins on December 1 and ends on July 1 of the following year. Sugar exports accounted for U.S.$34.9 million, or 3.2% of GDP, in 2005, as compared to U.S.$40.8 million, or 3.9% of GDP, in 2004. During 2005, sugarcane production declined by 22.2% as compared to a 9.0% expansion in 2004, primarily as a result of drought conditions during the critical growing period of the crop which resulted in lower overall yields. On the other hand, sugarcane production for the first half of 2006 as compared to the same period of 2005 grew by 25.5% in response to good rainfall during the growing period of the crop and favorable dry weather during its peak-harvesting period, which runs from January to May.

Over the five-year period from 2001 to 2005, sugarcane prices bottomed at U.S.$19.68 per long ton in 2002 and then consistently rose to reach a high of U.S.$27.10 per long ton in 2005. The main factors accounting for the favorable price movements were the consistent appreciation of the euro versus the U.S. dollar (sales to the EU are quoted in euros) and the success of the sugar processor in shifting away from selling any sugar to the volatile world market. All sugar sales residual to the preferential markets were redirected to the more stable and higher priced regional markets in CARICOM, the Caribbean and Canada since 2004.

Citrus Fruits. The primary citrus fruits grown in Belize are oranges and grapefruits. Growers sell substantially all their production to domestic fruit processors for the production of concentrate juices, not-from-concentrate juices and citrus pulp. The citrus fruit season runs from October 1 to July 1 of the following year.

Citrus fruits accounted for U.S.$12.4 million, or 1.1% of GDP, in 2005, as compared to U.S.$13.5 million, or 1.3% of GDP, in 2004. During 2005, the citrus fruit industry contracted by 8.2%. The contraction in 2005 principally resulted from a minimal 0.1% drop in citrus fruit production to 7.3 million boxes. On the other hand, citrus fruit production increased to 7.3 million boxes in 2004 from 5.1 million boxes in 2003 as a result of a bumper citrus crop that principally manifested itself in the last months of 2004. The surge in yields was attributable to favorable harvest weather and the increased usage of fertilizer and other field inputs. In addition, the implementation of a program to control the Mexican fruit fly, which causes fruit drop, further boosted grapefruit output.

Citrus deliveries for the first half of 2006 as compared to the same period of 2005, declined by 10.9% to 5.6 million boxes as production returned to normal levels after the bumper crop of late 2004 and in the first half of 2005.

Other Crops. Other agricultural crops include the production of minor agricultural products, such as papayas and other fruits, grains, vegetables and livestock. Other agricultural crops represented U.S.$29.3 million, or 2.7% of GDP in 2005, as compared to U.S.$26.4 million, or 2.5% of GDP, in 2004.

Production of basic grains, vegetables and fruit was mixed. Grains generally performed well. A 12.6% expansion in acreage and improved yields from mechanized corn boosted overall production by 33.6% from 11.4 million pounds in 2004 to 104.1 million pounds in 2005. On the other hand, sorghum declined by 17.0% principally because of a contraction in harvested acreage particularly in the Corozal District where farmers shifted acreage to red kidney beans and papaya. Significant improvements in yields from mechanized and irrigated rice fields boosted overall production by 70.1% to 39.2 million pounds. Soybean production increased by 7.0% due to an improvement in yields as harvested acreage was halved to only 300 acres. Bean production rose by 12.5% to 16.8 million pounds as a decline in blackeye peas was offset by increases in red kidney, black and other miscellaneous varieties.

Grains (other than red kidney beans) have been traditionally sold in the domestic market. However, due to increased production levels, Belize has also been exporting grains to neighboring countries. During 2005, red kidney bean export volume totaled approximately 7.7 million pounds, principally to Jamaica.

Due to unfavorably dry weather, production of most vegetables was down, with the notable exception of hot pepper, Irish potato, onion and broccoli. High demand for hot pepper in the U.S. spurred production of this crop. Increased output of Irish potato reflected an expansion in harvested acreage, while onion and broccoli benefited from more use of irrigation. Root crop production mostly increased with the exception of cassava and sweet potato.

Papaya production increased significantly by 13.5% to 63.1 million pounds in 2005 from 55.6 million pounds in 2004 due to an increase in yields. Approximately 1,403 acres were under papaya cultivation in 2005, with 941 acres having harvestable trees and 462 acres containing young non-producing trees.

Papaya production rose at an opportune time since output of two competitors for the U.S. market was down. Brazilian production was disrupted by heavy rains and by favorable coffee prices that influenced several Brazilian growers to shift to planting coffee instead. Mexican papaya production was also affected by unstable weather patterns. Belize's share of papaya exports to the U.S. market consequently increased from 18.9% to 20.8%.

Papaya production for the first half of 2006 rose by 7.3% to 34.4 million pounds from 32.1 million pounds for the comparative period of 2005. This gain resulted from a small increase in the producing acreage.

Livestock Products. Livestock production delivered mixed results in 2005. Beef production remained virtually the same at 5.9 million pounds. On the other hand, output of pork rose by 36.9% to 2.4 million pounds compared to 1.7 million pounds in 2004. Poultry output totaled 30.5 million pounds in 2005 as compared to 30.7 million pounds in 2004, a contraction of approximately 0.8%, while egg production totaled 2.4 million dozen in 2005 and 2.9 million dozens in 2004, a contraction of approximately 15.5%. During 2005, output of milk measured 8.3 million gallons as compared to 8.0 million gallons in 2004, an increase of approximately 4.7%. Honey production declined in 2005 to 69.0

thousand pounds from 83.0 thousand pounds in 2004, a decrease of approximately 16.9%. Livestock is primarily consumed in the domestic market.

Forestry and Logging. Forestry and logging accounted for U.S.$6.5 million, or 0.6% of GDP, in 2005, as compared to U.S.$5.7 million, or 0.5% of GDP, in 2004. During 2005, forestry and logging grew at a rate of 11.1%, which was largely attributable to the continuation of efforts to harvest pine trees damaged by the pine bark beetle.

A substantial part of forestry and logging products are used domestically. However, Belize does export some timber. During 2005, 2004 and 2003, timber export values totaled U.S.$1.3 million, U.S.$1.5 million and U.S.$1.8 million, respectively. The modest decrease in timber export value during 2005 was principally the result of a 29.0% reduction in sawn wood export volume to 0.7 million board feet as mahogany remained on the endangered species list and logging continued to be restricted to forests that have been certified as managed in a sustainable manner.

Fishing. Fishing comprises lobster, conch, finned fish and shrimp farming. The fishing sub-sector experienced an average annual growth of 24.0% between 2001 and 2005. This growth has been principally the result of a 170.3% increase in shrimp production. The production of farmed shrimp has grown from 6.9 million pounds, valued at U.S$23.4 million, in 2001 to 18.8 million pounds, valued at U.S.$33.9 million, in 2005. During 2005, a substantial amount of the fish catch was exported to the United States.

The following table shows the export volume and values of the fishing products for the five years ended December 31, 2005 and the six month periods ended June 30, 2005 and June 30, 2006:

Fishing Exports

	Year ended December 31,					Six months ended,	
	2001	**2002**	**2003**	**2004**	**2005**	**June 30, 2005**	**June 30, 2006**
Export Volume[(1)]							
Shrimp	6,876.2	6,631.2	16,051.8	16,999.0	18,757.0	8,320.6	5,481.1
Lobster	504.3	529.0	536.3	537.9	510.0	149.8	135.0
Conch	682.0	419.1	449.7	596.1	524.1	302.2	390.2
Other	11.0	37.8	25.2	253.8	310.9	187.8	137.2
Total	8,073.5	7,617.1	17,063.0	18,386.8	20,102.0	8,960.4	6,143.5
Export Values[(2)]							
Shrimp[(3)]	U.S.$ 23.4	U.S.$ 26.3	U.S.$ 46.4	U.S.$ 42.6	U.S.$34.3	U.S.$ 15.2	U.S.$ 8.2
Lobster	6.2	7.0	6.8	7.6	7.3	2.1	2.2
Conch	2.5	1.5	1.9	2.9	3.6	1.9	2.5
Other	0.0	0.1	0.03	0.6	0.6	0.3	0.3
Total	U.S.$ 33.2	U.S.$ 34.9	U.S.$ 55.1	U.S.$ 53.7	U.S.$ 45.7	U.S.$ 19.6	U.S.$ 13.2

(1) Export volume is presented in thousands of pounds.

(2) Export value is presented in millions of U.S. dollars.

(3) Reflects value of shipments and not sales.

Source: Central Statistical Office

Fishing was the second largest product in the primary sector in 2005, accounting for U.S.$36.0 million, or 3.3% of GDP in 2005, as compared to U.S.$46.8 million, or 4.4% of GDP, in 2004. During 2005, the fishing sub-sector grew at a rate of 6.9%, following growth of 5.5% during 2004. The growth in 2005 was primarily a result of:

- An increase in farmed shrimp production by 4.3% to 25.4 million pounds in 2005 from 24.4 million pounds in 2004. Following a similar trend, the wild capture of conch increased by 2.0% to 0.6 million pounds as natural reproductive patterns hit a cyclical peak. Production of farmed tilapia also expanded by 21.9% as a major farm began commercial production in 2004. These production gains comfortably offset a 12.4% decline in the wild capture of lobster which also reproduces in cyclical patterns.

- An increase in total marine export volume to 20.1 million pounds in 2005 from 18.4 million pounds in 2004 was principally due to greater output from aquacultural activities. Shrimp export volume increased to 18.8 million pounds in 2005 from 17.0 million pounds in 2004 due to a surge in farmed shrimp production as the wild capture of shrimp declined. Farmed tilapia export volume increased from 0.25 million pounds in 2004 to 0.31 million pounds in 2005 with commercial harvesting in full swing from the beginning of the year. Plans are in progress to triple the productive capacity of tilapia in 2006, the impact of which should begin to be seen by 2008.

In order to facilitate the exports of marine products to the EU, during 2001 and 2002 the Government enacted a series of regulations authorized under law designed to bring its quality control standards for marine products in compliance with EU requirements. The implementation of these quality measures began in 2002 and is currently ongoing. The 2003 expansion in the sub-sector was attributable to larger production volumes of farmed shrimp and a rise in total marine export volume.

During the first half of 2006, production of marine products declined with exports down by 31.4% to 6.1 million pounds from 9.0 million pounds during the same period of 2005. This was mostly due to a 34.1% reduction in farmed shrimp production as most shrimp producers shifted from two to one harvest cycle per year. This strategy emphasizes the output of jumbo-sized shrimp that command a higher price premium than the smaller sizes.

Mining and Quarrying

For more than three decades, on and offshore exploratory drilling for oil was conducted by various oil companies. Although these efforts were unsuccessful, the presence of commercial oil deposits in the neighbouring countries of Mexico and Guatemala indicated that the prospects for finding oil in Belize were positive.

In June 2005, Belize Natural Energy Limited, a consortium of local and foreign investors, was able to tap into an oil deposit of limited size in the Spanish Lookout area that yielded a promising flow of very high quality crude oil – also known in the industry as ‘sweet crude’. Subsequently, another well was dug approximately one mile away from the first site. By year-end, each well was yielding an average of 900 barrels per day. Encouraged by the flows from the first two wells, the company continued the production testing phase by drilling three more wells during the first half of 2006.

Oil

After a long history of unsuccessful oil explorations, in 2005 a company owned by Irish and U.S. investors (BNE) made the first commercial oil discovery in western Belize.

In January 2006, exports of crude oil commenced. Further drilling during the first half of the 2006 has led to an average daily output of 2,700 barrels daily and the declaration of the oil field as commercially viable. Export shipments since April of 2006 have averaged two monthly shipments of approximately 40,000 barrels or 80,000 barrels monthly. Other oil companies have been issued licenses to commence exploratory drillings in 2006. Belize does not have an oil refinery and currently there is no plan to build an oil pipeline. Currently almost all crude oil is exported to neighboring countries in Central America and the Caribbean. At the current rate of production, annual output is estimated to peak at one million barrels in 2007. Thereafter, annual production is expected to decline at a rate of about 10% per year through 2015, and production costs are expected to increase as the field is depleted. The net contribution of the oil production sector to economic growth is estimated to be 4.3% in 2006 and 0.8% in 2007. As production declines in the years thereafter, the contribution to growth will turn negative, ranging from –0.6% in 2008 to –0.3% in 2015. In November 2006, the National Assembly passed a tax regime for the sector. The Government's total revenue from oil production is projected to peak at just under 2% of GDP in 2008 and gradually fall to ½% of GDP by 2015.

Secondary Sector

Manufacturing

Belize's principal manufacturing products include processed agro-based products, such as sugar, molasses, citrus juices, pulp and other products. Belize includes agro-based products in the secondary sector because they are derived from the processing of agricultural raw materials, such as sugarcane, oranges and grapefruits.

The manufacturing sub-sector was the fifth-largest contributor to GDP in 2005, accounting for U.S.$86.5 million, or 7.8% of GDP, compared to U.S.$82.5 million, or 7.8% of GDP, in 2004. During 2005, manufacturing increased by 0.1%, in comparison with 12.3% during 2004. The flattening of growth occurred as the record-breaking output of citrus juices, citrus by-products and rum was almost outweighed by declines in the production of sugar, molasses, soft drinks and beer.

The table below sets forth production data with respect to certain manufacturing products for the five years ended December 31, 2005:

Manufacturing Production

	Year ended December 31,				
	2001	2002	2003	2004	2005
	(in thousands of gallons, unless otherwise indicated)				
Food Products and Beverages					
Sugar[(1)]	107,209	111,775	105,192	120,049	96,048
Citrus juices[(2)]	36,054	28,019	29,050	38,424	41,787
Concentrate	35,134	26,847	27,469	36,779	41,058
Not from concentrate	920	1,172	1,581	1,645	729
Molasses[(3)]	35,753	41,477	43,733	41,032	37,038
Citrus pulp[(4)]	2,165	487	376	1,262	2,201
Rum[(5)]	13,110	14,972	17,040	23,534	34,293
Soft drinks	5,277	5,475	5,690	5,474	4,929
Beer	2,385	2,388	2,313	2,156	1,891
Textiles, Clothing and Footwear					
Garments[(6)]	1,173	985	1,074	1,158	612
Cigarettes[(7)]	88	84	86	84	78
Fertilizer[(8)]	24,509	27,775	30,866	26,899	26,874

(1) Sugar and molasses production volume is presented in long tons.

(2) Citrus juices volume are in thousand of pound solids.

(3) Molasses volume is in long tons.
(4) Citrus pulp production volume is presented in thousands of pounds.
(5) Rum production volume is presented in imperial gallons.
(6) Garment production volume is presented in thousands of units.
(7) Cigarette production volume is presented in millions of units.
(8) Fertilizer production volume is presented in thousands of tons.

Source: Central Statistical Office; Central Bank of Belize

During 2005 the total value of exported manufactured goods was U.S.$194.6 million, with citrus juice shipments accounting for 19.9% of total exports, or U.S.$38.8 million, followed by exports of sugar and garments, whose 2005 export values accounted for 17.9% and 8.7% of total exports of manufactured goods, respectively, or U.S.$34.9 million, and U.S.$17.0 million, respectively.

The following table shows export values with respect to selected manufactured products for the five years ended December 31, 2005:

Selected Manufactured Products Exports

	Year ended December 31,				
	2001	**2002**	**2003**	**2004**	**2005**
Export Volumes(1)					
Citrus juices(2)	39,763	25,925	26,911	28,090	35,747
Concentrate	37,184	25,285	26,267	27,806	35,519
Not-from concentrate	2,579	640	644	283	227
Sugar(3)	95,512	103,284	98,570	112,136	88,132
Molasses(3)	31,228	36,482	37,753	32,706	33,336
Citrus pulp(4)	2,075	708	481	332	2,548
Garments(5)	3,174	3,293	3,184	3,909	3,440
Export Values			*(in millions of U.S.$)*		
Citrus juices(6)	43.5	28.8	29.0	23.5	38.8
Concentrate	38.0	27.1	27.5	22.9	38.3
Not-from concentrate	5.5	1.7	1.5	0.6	0.5
Sugar	29.7	33.0	35.6	40.8	34.9
Molasses	0.8	1.3	1.2	0.9	1.4
Citrus pulp	0.7	0.2	0.1	0.1	0.8
Garments	15.5	15.3	15.4	18.6	17.0

(1) Export volume with respect to a specific product may be higher than production volume in a given year as it may include exports of output produced during prior years.
(2) Citrus juice export volume is presented in thousands of pound solids.
(3) Sugar and molasses export volume is presented in long tons.
(4) Citrus pulp export volume is presented in thousands of pounds.
(5) Garment export volume is presented in thousands of pounds.
(6) Reflects value of sales, not shipments.

Source: Central Bank of Belize; Central Statistical Office

Citrus Juices. Citrus juice products include orange and grapefruit not-from-concentrate juices and orange and grapefruit concentrates. During 2005, citrus juices were the most important product in the manufacturing sub-sector in terms of export values. The volume of citrus juice production increased in 2005 by 8.8% to 41.8 million pound solids from 38.4 million pound solids in 2004 and the aggregate amount of citrus juice export value increased by 65.1% to U.S.$38.8 million in 2005, as compared to U.S.$23.5 million in 2004. Belize attributes the 8.8% increase in citrus juice production in 2005 to a record-breaking bumper crop and the best juice out-turn per box of fruit experienced to date. This performance of the crop was attributed to favorable weather and agronomic conditions, increased fertilizer and agro-chemical usage and, in the case of grapefruit, the continued implementation of a Mexican fruit fly control program, which reduced fruit drop. Other motivational factors may have been the implementation of the pound solid payment system which rewards high quality production as well as a renewed sense of involvement and ownership by growers following the purchase of the processing plant by the growers' association. Belize attributes the 65.1% rise in the aggregate value of citrus juice exports in 2005 to an increase in the aggregate export volume of citrus juices by 27.7% to 35.5 million pound solids and to strong international prices arising from supply constraints caused by hurricane damage and disease in Florida and Cuba.

With an emphasis on the more lucrative concentrate product, the production of not-from-concentrate juices declined by 55.7% to approximately 0.7 million pound solids in 2005 from 1.6 million pound solids in 2004, while the production of concentrate juices increased by 11.6% to approximately 41.1 million pound solids in 2005 from 36.8 million pound solids in 2004.

For the first half of 2006, citrus juice production fell by 16.5% to 31.3 million pound solids due to the fall in deliveries and a lower average pound solids yield per box. The production of concentrates declined by 15.8% to 31.2 million pound solids while not-from-concentrate juices output was minimal and amounted to only 0.08 million pound solids.

Sugar. During 2005, sugar was the second most important product in the manufacturing sub-sector in terms of export value. Sugar production fell by 20.0% in 2005 to 96,048 long tons from 120,049 long tons in 2004, while the aggregate value of sugar exports fell by approximately 14.5% to U.S.$34.9 million in 2005 from U.S.$40.8 million in 2004, particularly due to lower sales to Europe and CARICOM. The fall in sugar production in 2005 was due to the drought conditions during the critical growing period of the crop that lowered overall yields.

During 2005, Belizean sugar producers sold a substantial part of all sugar produced in Belize in the export market. The EU and the United States are Belize's major sugar export markets, accounting for 61.9% and 12.4%, respectively, of sugar export values during 2005. Under the Cotonou Agreement, Belize's current sugar export quota to the EU amounts to approximately 40,000 long tons per year. Under the Caribbean Basin Initiative, Belize currently enjoys a sugar quota allocation to the United States of approximately 11,000 long tons per year. See "Belize—International Relations—The Caribbean Basin Initiative".

Sugar production for the first half of 2006 increased by 17.8% to 101,354 long tons with sugarcane deliveries rising during the first half of the year as compared to the same period of 2005.

Molasses. Molasses is a by-product of the sugar manufacturing process and is exported primarily for animal feed and rum production. With the decline in processing volume, molasses production fell by 9.7% to 37,038 long tons in 2005 from 41,032 long tons in 2004. Molasses production fell by 6.2% to 41,032 long tons in 2004 from 43,733 long tons in 2003. Molasses exports were more profitable in 2005 as total export volume of 33,336 long tons resulted in an export value of U.S.$1.4 million, while lower export volume of 32,706 long tons in 2004 resulted in an export value of only U.S.$0.9 million. The rise in export value was the result of an increase in the price of molasses to U.S.$82.78 per long ton in 2005 from U.S.$40.44 in 2004 due to tightened world supplies. Molasses production for the first half of 2006 increased by 12.7% to 36,635 long tons relative to the first half of 2005.

Citrus Pulp. Pulp is the fiber remaining in fruit after the removal of its liquid content; it is used generally for animal feed and as fertilizer. The year 2005 was the sixth consecutive year in which pulp was produced in Belize for commercial use, with output increasing by 74.4% to 2.2 million pounds from 1.3 million pounds in 2004. For the first half of 2006, pulp production increased by 16.9% to 2.1 million pounds as the processor continued to emphasize output of by-products to maximize the industry's returns.

Beverages. In 2005, rum production increased by 45.7% while soft drink production fell by 9.9%. Beer production also fell by 12.3% in 2005. With respect to soft drinks and beer, the fall in production could be linked to a rise in excise duties that may have lowered domestic consumption and caused an escalation in the contraband trade in these products.

Textiles, Clothing and Footwear. In 2005, garment production declined by 47.1% to 0.6 million units from 1.2 million units in 2004, while the export value of garments declined by only 8.6% to U.S.$17.0 million from U.S.$18.6 million in 2004. Export volume, on the other hand fell from 3.9 million pounds in 2004 to 3.4 million pounds in 2005.

In contrast to the previous year's performance, output of garments during the first half of 2006 increased by 14.5% in volume to 2.0 million pounds and 15.2% in value to U.S.$10.1 million when compared to the first half of 2005.

Other Manufacturing Products. Other manufactured products include batteries, flour, cigarettes and fertilizers. In 2005, cigarette and fertilizer production declined by 6.6% and 0.1%, respectively. The fall in cigarette production may also have been linked to the rise in excise duties that may have lowered domestic consumption.

Construction

Construction was the second largest industry in the secondary sector in 2005, accounting for U.S.$41.4 million, or 3.7% of GDP, as compared to U.S.$41.2 million, or 3.9% of GDP, in 2004. Construction growth was slower in 2005 because large projects such as the Chalillo hydroelectric facility came to a gradual close and the Government curtailed outlays on capital projects.

Electricity and Water

The electricity and water sector comprises electricity generation and water production activities. Electricity and water was the third largest industry in the secondary sector in 2005, accounting for U.S.$35.4 million, or 3.2% of GDP, as compared to U.S.$32.4 million, or 3.1% of GDP, in 2004. During 2005, this sub-sector contracted by 0.6%, following a decline of 1.5% in 2004. In 2005, the water and sewerage company was renationalized as the Government bought back the majority shares from a private investor, Cascal B.V.

Tertiary Sector

Tourism is a significant contributor to the tertiary sector of the Belizean economy. The impact of tourism is most significant in the wholesale and retail trade, restaurant and hotel and transport and communications sub-sectors.

Wholesale and Retail Trade

The wholesale and retail trade sub-sector was the largest contributor to GDP of all sub-sectors in the Belizean economy in 2005, accounting for U.S.$164.9 million, or 14.9% of GDP as compared to

U.S.$152.3 million, or 14.4% of GDP, in 2004. During 2005, this sub-sector grew by 5.6%, in contrast to 2004 when it recorded no growth. This growth was primarily the result of increased activities in the retail trade sector, including the impact of stay-over tourists and cruise passengers.

Transport and Communications

Transport and communications was the second largest contributor to the tertiary sector in 2005, accounting for U.S.$123.4 million, or 11.2% of GDP, as compared to U.S.$112.8 million, or 10.7% of GDP, in 2004. During 2005, further investments and heightened competition in telecommunications contributed to a 7.8% growth, as compared to 5.0% during 2004.

Transport and Storage

Transport and storage includes the transportation of passengers and merchandise by air, land and sea and storage of goods and merchandise in Belize. Transport and storage totaled U.S.$51.8 million, or 4.7% of GDP, in 2005 as compared to U.S.$48.3 million, or 4.6% of GDP, in 2004. During 2005, transport and storage contracted by 3.7%, in contrast to 2004 when it grew by 10.6%. The slowdown in the rate of growth in transport and storage in 2005 was principally attributable to the slight fall in tourism arrivals to the country, in particular cruise ship arrivals.

Post and Telecommunications

Post and telecommunications accounted for U.S.$71.6 million, or 6.5% of GDP, in 2005 as compared to U.S.$64.4 million, or 6.1% of GDP, in 2004. During 2005, post and telecommunications grew by 15.6%, as compared to 1.5% in growth 2004.

The growth in post and telecommunications was primarily due to investments by Belize Telecommunications Limited (BTL) and new service provider Speednet Communications Limited, to expand the coverage of cellular and broadband services.

The level of penetration of telephone service by BTL in Belize grew from 53,808 telephone lines in 2001 to 132,554 telephone lines in 2005. Speednet subscribers numbered 21,453 at the end of 2005. Internet access increased significantly in recent years through the introduction of DSL and wireless services by BTL and some 13 licensed Internet Service Providers (ISPs) that were approved by the PUC from 2003 to 2005.

The following table shows the number of telephone subscribers provided by BTL for each of the five years ended March 31, 2005:

Telephone Lines

	Fiscal Year ended March 31,				
	2001	**2002**	**2003**	**2004**	**2005**
Fixed Lines	36,996	35,230	31,364	31,385	34,799
Cellular Subscribers	16,812	39,155	51,729	60,376	97,755
Total lines	53,808	74,385	83,093	91,761	132,554

Source: Belize Telecommunications Limited

On December 9, 2003, the Government purchased from Carlisle Holdings Ltd, a majority shareholding in BTL (the "*Carlisle Shares*"), representing about 51% of the issued share capital of BTL. On March 22, 2004, the Government of Belize sold to Innovative Communications Company (ICC) the Carlisle Shares together with the shares previously held by Government and certain public statutory bodies. As a result of ICC's failure to meet the payment terms, on February 9, 2005 the Government retrieved the Carlisle Shares from ICC. Subsequently, the Government resold the bulk of the Carlisle Shares to the Carlisle Group of companies and a small percentage to the Belizean public through an offering memorandum. At present, neither the Government nor any public statutory body holds any of the BTL shares.

There are presently two telecommunications companies in Belize that are licensed to provide the full range of telecommunication services, BTL and Speednet. Speednet was granted a license in August 2003. A third company, Intelco, had also been granted a license in 2002 to provide full telecommunication services, but in 2005, the PUC revoked Intelco's license as the Company failed to meet a number of conditions of the license and had also entered into receivership.

Until the end of 2002, BTL enjoyed an exclusive licensing agreement for the provision of telecommunication services to the private sector. See "Belize—Utilities—Telecommunications". Over the past two years BTL has invested in (1) a connection to the ARCOS-1 (American Region Caribbean Optical-ring System), (2) a fiber optic cable connection, and (3) a GSM (Global System for Mobile Communication) digital cellular network. Speednet rolled out its cellular service after investing in a code division multiple access (CDMA) wireless system in March 2005.

Since 2002 an Intelco established system has been providing internal telecommunication-only service to certain Government ministries and departments.

Hotel and Restaurant

The hotel and restaurant sub-sector accounted for U.S.$51.8 million, or 4.7% of GDP, in 2005, as compared to U.S.$48.7 million, or 4.6% of GDP, in 2004. During 2005, the hotel and restaurant sub-sector grew by only 4.1%, as compared to 7.8% in 2004 because of a slowdown in stay-over tourist arrivals as well as a contraction in cruise ship arrivals.

Tourism

Although not a separate sector or sub-sector of the Belizean economy, tourism is a significant contributor to the three sub-sectors of the tertiary sector discussed above.

During 2005, total visitor arrivals decreased by 4.0% as compared to 2004. This included a 3.0% increase in the number of stay-over visitors to 227,037 from 220,359 in 2004, which was offset by a 6.0% decrease in cruise passengers to 720,298 visitors from 766,292 in 2004. Cruise ship arrivals in 2005 declined with a reduction in the number of port calls and visiting ships, as an unusually active hurricane season forced the major cruise lines to cancel port calls and shorten cruise itineraries.

The number of cruise ship port calls into Belize declined to 370 port calls in 2005, a decrease of 8.9% from 406 port calls in 2004. On the other hand, stay-over visitor arrivals increased by 3.0% in 2005 to 227,037 from 220,359 in 2004. This growth in stay-over visitor arrivals was primarily attributable to an increase in air capacity to the country, as the number of flights from the U.S. rose during the year. Additionally, the departure points within the U.S. have also been also diversified, thereby improving the country's accessibility to a wider American market.

The tourism industry is the principal earner of foreign exchange for Belize and makes a significant contribution to employment. Transportation and travel accounted for 38.0% and 36.0% of Belize's total exports of goods and services in 2005 and 2004, respectively. In 2005 and 2004, the accommodation industry alone employed approximately 12,865 and 11,062 persons, respectively. Total visitor accommodation capacity has also has grown by 36.2%, from 4,106 rooms in 2000 to 5,593 rooms in 2005.

The following table sets forth statistics relating to the tourism sector for each of the five years in the period ending December 31, 2005:

Key Tourism Indicators

	Year ended December 31,				
	2001	**2002**	**2003**	**2004**	**2005**
Stay-over Visitor Arrivals					
United States	107,717	104,302	125,596	138,205	147,123
Canada	9,205	9,562	8,548	10,795	12,344
United Kingdom	8,007	8,480	7,980	9,566	8,013
Other European	19,667	15,951	17,098	21,566	22,145
Other Countries	33,009	40,657	39,653	40,226	37,412
Total	177,416	178,952	197,675	220,359	227,037
Cruise Ship Passengers	40,898	271,737	488,917	766,292	720,298
Total Arrivals	218,314	450,689	686,592	986,651	947,335
Number of Cruise Ships	48	200	315	406	370
Hotel Occupancy Rates (%)	44.8	40.1	41.3	40.7	40.7
Average Length of Stay (days)	7.6	7.6	7.6	7.6	7.6

Source: Central Bank of Belize; Belize Tourism Board

Based on data compiled by the Belize Tourism Board (BTB), during the first half of 2006, visitor arrivals totaled 475,638 visitors, a 16.8% fall when compared to the corresponding period of 2005. Of the total visitors for the first half of 2006, 108,072 were stay-over visitors arriving through the airport and 339,359 were cruise passengers, representing an increase of 4.7% and a fall of 23.2%, respectively, as compared to the same period of 2005.

From January 2006 through June 2006, the number of port calls made into Belize totaled 171, as compared to 370 calls during the whole of 2005 and 406 calls during the whole of 2004. During 2005, the BTB spent approximately U.S.$2.6 million in tourism marketing activities, including international publicity, brochures, public relations, trade shows and other promotional efforts, of which approximately U.S.$2.3 million was spent in the United States.

The two major categories of tourist attractions in Belize are:

- marine sporting activities, such as diving, snorkeling, fishing, boating, sailing and sea kayaking, at Belize's barrier reef and at three major offshore atolls, each offering differing underwater coral formations and a variety of flora, fish and marine creatures. In addition, Belizean beaches, including the beach at Placencia in the Stann Creek District and the beach at San Pedro on the Ambergris Caye, have vacationing resorts serving tourists interested in water sports and marine life; and

- natural, archeological and cultural attractions, principally Maya archeological sites such as temples, palaces, cave systems and pyramids, as well as national parks and other natural and cultural sites. While exploring the Maya culture and other natural attractions, tourists also participate in other sports such as canoeing, horseback riding and hiking.

Tourism Data

During 2005, the Philip Goldson International Airport was the major tourist entry point of stay-over visitors, accounting for 77.5% of total stay-over visitor arrivals. Land border and seaport arrivals comprised the remaining 19.3% and 3.2%, respectively. During 2005, the United States and Europe, Belize's two largest tourist markets, accounted for 64.8% and 13.3%, respectively, of total stay-over visitors.

In 2005 and 2004, the average hotel room occupancy remained relatively stable at approximately 41%. During 2005, the Belizean tourist industry embarked on a cooperative online marketing effort for over 160 small hotels (which offer rooms for U.S.$60 per night or less) called the Toucan Trail. Fully supported by the Belize Tourism Board, this program aims to promote socially-responsible, environmentally-sound, sustainable tourism that benefit local communities and visitors as well. With respect to infrastructure, the re-surfacing of the Caye Caulker airstrip was completed in 2005 and a project to expand the runway at the Phillip Goldson International Airport was started. Major hotel or resort development included the construction of 11 condominiums in the Placencia area and the inauguration of the Golden Princess casino at the Santa Elena northern border. In other developments, legislation relating to the operation of tour operators and tour guides was passed.

Every three years, a tourist survey is conducted at the International Airport and at the borders of Mexico and Guatemala in order to determine the daily tourist expenditure of stay-over visitors and cruise passengers. Based on surveys conducted in 2000 and 2003, estimates of current stay-over visitor expenditure per day and cruise passenger expenditure per day are U.S.$85.44 and U.S.$44.00, respectively. In addition, the aggregate amount of tourist expenditure was estimated at U.S.$208.0 million in 2005, as compared to U.S.$162.3 million during 2004.

Economic and other conditions in the United States and other countries have a strong impact on the Belizean tourism industry. Other factors that may affect the tourism industry include the availability of direct flights to and from the country and developments in other competing tourist destinations, including Mexico, the Dominican Republic, Florida, Cuba and other Caribbean destinations.

Tourism Projects

A joint venture agreement between Carnival Corporation and the Port of Belize Limited for the construction of a cruise ship terminal and tourist facility at the Belize City Port (the "*Project*") was finalized in January 2005 with the passage of legislation granting the Project certain tax incentives.

Carnival Corporation's initial investment in the Project is estimated to be U.S.$50 million and it is estimated that the Project will result in the creation of approximately 200 jobs during the construction phase and 2,000 direct and indirect jobs thereafter. Port of Belize Limited estimates that the incremental value of the Project to the Belizean economy will be U.S.$65 million per year. Groundbreaking has already commenced and the civil works are expected to be completed by the end of 2008.

In late 2004 the Marine Parade Boulevard Project in Belize City was completed at a cost of U.S.$9.2 million. The new Boulevard, which extends for approximately three quarters of a mile along the Belize City shoreline, facilitates the movement of buses and cruise passengers to and from their point of entry in Belize City and improves the general ambience of the area.

In addition, there have recently been substantial investments in infrastructure and amenities at various Mayan sites throughout the country to accommodate the increased number of day visitors originating from cruise ship arrivals.

Belize Tourism Board

The BTB is the key tourism executive agency of the Ministry of Tourism and is dedicated to the promotion and development of the Belizean tourism industry. The BTB was created under the Belize Tourism Board Act 1990, or the Tourism Act, as a strategic partnership between the public and private sectors for the development, marketing and implementation of tourism programs. The BTB is a quasi-government entity, with autonomy over the use of any revenues it receives in the exercise of its duties. BTB obtains its financing from Government grants as well as funds provided from time to time by the National Assembly, revenues from advertisements and any other funds that it collects under the authority of the Tourism Act. The duties of the BTB include:

- the development, promotion and advertisement of the tourism industry;
- the issuance of regulations, with the approval of the Minister of Tourism, for (1) the promotion and control of the tourism industry, (2) the registration of hotels, (3) the maintenance of statistical tourist information, and (4) the training, certification, registration and establishment of standards applicable to the various sectors of the tourism industry, including tour guides, dive guides, tour operators, travel agents, transport entities, nightclubs and related entertainment and hospitality places;
- the levying of tariffs, rates, fees and charges for any of the above purposes; and
- the imposition of penalties for the breach of any tourism regulations.

During 2000, Belize created the Border Management Agency, with a mandate to improve the infrastructure at the northern and western land borders.

During 2005, the Belize Tourism Board:

- continued its marketing efforts in the U.S. and European markets;
- initiated a cooperative online marketing effort for over 160 small hotels; and
- made efforts to improve the level of skill, safety and quality of service offered by the domestic providers of tourism services.

General Government Services

The general Government services sub-sector of the tertiary sector includes the central Government's provision of health and education services and as well as expenditures for other Government services. General Government was the third largest contributor to the tertiary sector in 2005 and 2004, accounting for U.S.$114.8 million, or 10.4% of GDP, in 2005, as compared to U.S.$107.5 million, or 10.2% of GDP, in 2004. During 2004 and 2005, general Government services expanded at an annual rate of 1.3%.

The Government's compensation system provides for annual salary increases based on a performance appraisal system, and grants a salary increase if the employee's performance is rated as "fair". In the past substantially all Government employees in Belize received annual salary increases under this system. However, a more rigorous application of the performance appraisal has recently been instituted and it is anticipated that the granting of future salary increases will be done on a more selective merit-based process. The rate of the annual salary increase depends on the degree of skill required for the applicable position but average between 2.0% to 3.0%.

Central Government health services was the second largest contributor to the general Government sub-sector in 2005, accounting for U.S.$19.1 million, or 1.7% of GDP, as compared to U.S.$16.8 million, or 1.6% of GDP, in 2004. During 2005, health services grew at a rate of 1.2%, as compared to a rate of 6.7% during 2004. The growth in central Government health services was primarily attributable to the upgrade and expansion of primary health care provision facilities partially funded under the health sector reform project. In 2002, a national health insurance plan was implemented in Belize City. In June 2006, the Government launched the roll out of the primary health care program under the National Health Insurance to the two southern districts and at the same time announced the intention to expand coverage to the rest of the country by the beginning of 2008.

Education was the third largest component of the general Government sub-sector in 2005, accounting for U.S.$14.3 million, or 1.3% of GDP, as compared to U.S.$13.1 million, or 1.2% of GDP, in 2004. During 2005, education grew at a rate of 1.1%, as compared to a rate of 3.4% in 2004. The growth over the last few years was primarily attributable to the creation of new educational centers and the grant of annual salary increases to schoolteachers and administrative personnel. The University of Belize, in particular, has grown significantly since its inception in 2000, with the establishment of campuses throughout the country. The Government currently guarantees full education at the primary school level, and it assumes the responsibility to pay all of teachers' salaries at that level. In addition, the Government pays 70% of all teachers' salaries at the secondary and tertiary levels of education.

Other Government services include local Government services, social security funds, and other central Government services. Other Government services was the largest component of the general Government sub-sector in 2005 and 2004, accounting for U.S.$71.9 million, or 6.5% of GDP, in 2005 as compared to U.S.$68.7 million, and also 6.5% of GDP, in 2004. During 2005, other Government services grew by 1.1%, as compared to a 0.2% contraction in 2004.

Community, Social, and Personal Services

Community, social and personal services include education and health services provided by the private sector. Community, social, and personal services totaled U.S.$73.0 million, or 6.6% of GDP, in 2005, as compared to U.S.$68.3 million, or 6.5% of GDP, in 2004. During 2005, this sub-sector grew by 1.7%, as compared to 3.9% growth in 2004. Generally, the growth in this sub-sector is linked to an increase in population.

Financial Intermediation

Financial intermediation was the fourth-largest service sub-sector in the tertiary sector in 2005, accounting for U.S.$94.1 million, or 8.5% of GDP, as compared to U.S.$86.6 million, or 8.2% of GDP, in 2004. The financial intermediation sub-sector is comprised of activities of commercial banks, international banks operating in Belize, the Central Bank and insurance and pension funding. During 2005, the financial intermediation sub-sector grew at a rate of 12.9%, as compared to a rate of 5.4% in 2004. This sub-sector's contribution to GDP is measured as interest receivable less interest payable plus commissions and fees explicitly charged. Thus, the financial intermediation sub-sector's performance will be generally reflective of the profitability of financial intermediation activities.

Real Estate, Renting, and Business Services

Real estate principally includes building leases. Business services comprise professional services, such as the services of consultants, attorneys and accountants. The real estate, renting and business services sub-sector was the fifth-largest contributor to the tertiary sector in 2005, accounting for U.S.$80.1 million, or 7.3% of GDP, as compared to U.S.$70.7 million, or 6.7% of GDP, in 2004. During 2005, real estate and business services grew by 9.6%, as compared to 5.6% in 2004. Generally, the growth in this sub-sector is linked to growth in households and business activities.

Privatization

Belize privatized certain utilities and infrastructure services as part of a program to reduce the Government's role in providing these essential services. The program began in 1988 with the divestment of public telecommunications services and included the privatization of the telecommunications, electricity, water services, port and airport sectors. The Belize water services sector and ports sector were privatized in March 2001 and March 2002, respectively, while the Government printery was privatized in 2003. Prior to the privatization of these entities, the Government had guaranteed portions of the debt (or certain external obligations) incurred by these entities, which continued to be guaranteed by the Government after privatization. See "Public Debt—External Public Sector Debt—Central Government Contingent External Liabilities."

The following table summarizes certain major entities privatized and the proceeds received by the Government since 1992:

Entity	Year of Privatization	Percentage Sold	Proceeds
			(in millions of U.S.$)
Belize Telecommunications Ltd.	1988	45.0	U.S.$ 17.4
	1992	48.0	15.0
	1999	7.0	3.8
Belize Electricity Ltd.	1992	49.0	14.2
	1999	51.0	20.3
Belize Water Services Ltd.	2001	100.0	30.0
Port of Belize Ltd.	2002	100.0	20.0
Government Printery	2003	100.0	1.2
Total proceeds			U.S.$ 121.9

Source: Central Bank of Belize

In addition the Government has privatized the management of the prison and granted a lease and concession to a private company to manage the Philip Goldson International Airport. See "Belize—Infrastructure—Airports".

In October 2005, the Government repurchased 82.7% of shareholding in Belize Water Services Ltd. from Cascal B.V. During 2005, the Government through an extended legal process recovered and subsequently re-sold some 52% of the shareholding in Belize Telecommunications Ltd.

The proceeds of these privatizations have been used primarily to fund capital projects of the Government.

Inflation

The inflation rate in Belize averaged 2.5% from 2000 to 2005 and exhibited a gradual upward trend due in part to the rise in petroleum prices. During 2005, Belize's inflation rate increased to 3.7% from 3.1% in 2004. In 2005, the largest price increases occurred in the following categories of the consumer price index:

- transport and communications, in which prices rose by 5.7%;
- food, beverage and tobacco, in which prices rose by 4.7%; and
- rent, water, fuel and power, in which prices rose by 4.2%.

A combination of external and domestic factors pushed the cost of living to a six-year high. Exercising a domino effect on prices elsewhere in the economy, energy costs went up significantly as crude oil prices spiked in response to the rapid growth in world oil demand, disruptions in major oil producers such as Iraq, Nigeria and Venezuela, and damage to oil rigs from severe storms in the U.S. Gulf coast. High international freight rates along with a 3.3% increase in the cost of imported goods (as measured by the U.S. export price index up to October 1, 2005) contributed to the increase in the cost of imports. On the domestic front, cost push factors included tax increases implemented in the first part of the year and a rise in utility costs. The overall effect was a 3.7% rise in the consumer price index, with average prices in all categories of goods and services rising, except the clothing and footwear category whose price level fell by 0.1%.

The following table shows the average annual change in the consumer price index for the five years ended December 31, 2005 and for the twelve month periods ending May 31, 2005 and May 31, 2006:

Change in Consumer Price Index

	Year ended December 31,					Twelve month period ended May 31,	
	2001	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**
	(expressed as a percentage)						
Food, Beverage and Tobacco	0.5	1.1	2.6	2.5	4.7	4.7	3.0
Clothing and Footwear	(3.5)	(1.0)	0.8	0.4	(0.1)	(0.2)	1.0
Rent, Water, Fuel and Power	2.1	(1.1)	3.7	5.2	4.2	4.8	5.1
Household, Goods and Maintenance	(0.9)	0.3	0.2	0.1	0.7	0.2	1.1
Medical Care	1.9	2.3	0.9	1.0	1.8	0.6	2.2
Transport and Communication	5.3	9.7	5.2	5.5	5.7	5.3	8.9
Recreation, Education and Culture	(0.4)	3.4	(0.4)	1.3	0.8	0.8	0.8
Personal Care	0.3	0.8	0.2	(0.9)	0.9	1.0	1.2
Average, All Items	1.1	2.2	2.6	3.1	3.7	3.7	4.1

Source: Central Statistical Office

The transport and communication services category had the biggest increase of 5.7% mostly due to an increase in the price of fuel at the pump and higher airfares. Higher prices of some basic foodstuffs and increases in the excise taxes on local cigarettes, soft drinks, beer and rum contributed to the 4.7% increase in the food, beverages and tobacco category. The rent, water, fuel and power category rose by 4.2% with an increase in the rates for water and sewer services and electricity and also higher butane and cooking oil costs.

Increases in the cost of medical care, personal care, recreation, education and culture, along with the household goods and maintenance categories were more modest at 1.8%, 0.9%, 0.8% and 0.7%, respectively.

From May 2005 to May 2006 the general price level rose by 4.1% with across the board increases in all categories of goods and services. Pressured by increased acquisition costs for diesel and gasoline products, the largest growth in prices occurred in the transport and communication sector at 8.9%. The 5.1% expansion of prices within the rent, water, fuel and power category was primarily due to price hikes for electricity, butane and rent of 17.4%, 9.4% and 3.0%, respectively. The next largest increase in prices occurred in the food, beverage and tobacco sector at 3.0%, as a result of a general rise in the cost of basic foodstuffs coupled with a rise in "sin taxes" that pushed the price of local cigarettes, rum and beer upwards by 15.5%, 12.4% and 6.4%, respectively.

Categories with a high import content, such as personal care, household goods and maintenance, along with the clothing and footwear categories experienced modest price increases of 1.2%, 1.1% and 1.0%, respectively. The cost of services, namely in the medical care and recreation, education and culture categories increased by 2.2% and 0.8%, respectively with the increase in business tax for professional services.

Employment and Labor

General

In Belize, information on employment and labor is obtained from an annual survey conducted by the Central Statistical Office in April of each year when employment activities should be at its highest level.

In 2005, the average unemployment rate in Belize was 11.0%, compared with 11.6% in 2004 and 12.9% in 2003. This fall in unemployment over the three-year period is principally due to an increase in employment in the services sector, in particular tourism related activities.

The unemployment rate in Belize during the past five years has ranged from a low of 9.1% in 2001 to a high of 12.9% in 2003. During the five-year period ended December 31, 2005, the Belizean labor force increased by 17.4%, while the population increased by 13.6%.

Between 2004 and 2005, the labor force expanded by 2.1% to 110,786 persons. The relatively robust growth in real sector activities increased job creation by 2.8% to 98,589 persons in 2005 up from 95,911 in 2004. Consequently, the rate of unemployment contracted from 11.6% in 2004 to 11.0% in 2005. The distribution of the workforce by sector in 2005 did not change significantly compared to 2004, with services accounting for the largest share at 62.3% of all employed persons.

In 2005, in the primary sector, modest employment gains in sugar and domestic agriculture were partly offset by lower employment in the citrus and banana export industries. Unlike previous years, there was only one major citrus crop and the timing of the labor survey in April coincided with the winding down of this harvest. In the case of bananas, the job losses directly reflected the contraction in crop yields. Notwithstanding the negligible job gains, agriculture maintained its position as the largest source of employment, accommodating some 18.9% of the employed labor force.

Within the secondary sector, job growth in utilities and construction was nearly fully offset by a decline in manufacturing jobs. Job losses in the latter were concentrated in beverage and food product manufacturing and may be attributed to the fall in the domestic production of key items such as soft drinks and beer.

With a 16.3% increase in workers, tourism was the main catalyst for job creation in the tertiary sector, holding its position as the fourth largest employer. Employment within the third largest job category, community, social and personal services, expanded by 11.5% to 15,084. Employment in Government services also rose by 1.5% while jobs in all other service categories declined. While the wholesale, retail trade and repair category experienced a 1.7% employment decline, it still remained the second largest job market with 16.2% of the employed population. Other industries with varying amounts of job losses included financial intermediation, real estate, renting, business activities, transportation and communication.

The following table shows certain labor force and employment data for the five years ended April 30, 2005:

Labor Force and Employment

	Position at April 30,				
	2001	**2002**	**2003**	**2004**	**2005**
	(in thousands of persons, except percentages)				
Total Population	255.3	262.7	271.1	281.1	289.9
Labor Force	94.4	94.2	102.4	108.5	110.8
Employed	85.9	84.7	89.2	95.9	98.6
Unemployed	8.6	9.5	13.2	12.6	12.2
Unemployment Rate (%)	9.1	10.0	12.9	11.6	11.0
Labor Force Participation Rate (%)	59.3	57.3	60.0	60.3	59.4

Source: Central Statistical Office

The following table breaks down the employment labor force per sector of economic activity:

Employed Labor Force by Economic Sector

	Position at April 30,				
	2001	**2002**	**2003**	**2004**	**2005**
Agriculture, Forestry & Fishing	21,382	20,506	20,104	21,721	21,962
Mining and Quarrying	346	211	360	401	211
Manufacturing	5,978	6,220	6,724	7,607	7,210
Electricity & Water	1027	648	778	768	934
Construction	7,371	7,698	7,489	6,595	6,884
Trade, Restaurant & Hotels	22,500	23,332	24,116	27,289	28,809
Transport	3,490	3,037	3,298	3,683	3,553
Financing & Real Estate	3,083	3,002	3,259	4,062	3,678
Public Administration	11,307	8,981	10,309	9,885	10,033
Education, Health & Other Services	10,499	11,426	10,822	13,531	15,084
Activities not classified elsewhere	205	169	1,963	369	231
Total, all Sectors	87,188	85,230	89,222	95,911	98,589

Source: Central Statistical Office

Information collected from the Central Statistical Office's annual labor force survey in 2006 indicates that nominal median income (before taxes) of the employed labor force was U.S.$4,680, a 9.6% increase over 2005. Approximately 77.2% of employed persons responded to the income question. Since 2001, nominal median income has grown by an annual average of 3.2%, marginally below the average growth rate of per capita GDP.

Labor Income

	Year ended December 31,					
	2001	**2002**	**2003**	**2004**	**2005**	**2006**
Employed labor force	87,188	85,230	89,222	95,911	98,589	102,233
Response rate	84.8%	87.8%	74.5%	77.7%	83.2%	77.2%
Median income (U.S.$)	4,014	4,290	4,164	4,224	4,272	4,680
Per capita GDP (U.S.$)	3,329.7	3,413	3,548.4	3,643	3,812	n.a.

Source: Central Statistical Office

Pensions

Belize has a Government Pension Plan for public sector workers and a Social Security Pension Fund for private sector workers.

The Government Pension Plan is a non-contributory plan in which the Government allocates a portion of the budget to public sector retirees. The retirement age under this plan is 55.

The Social Security Pension Fund is a contributory retirement fund for private sector workers managed by the Belize Social Security Board. Retirement benefits become available at the age of 65 under this plan.

As of July 1, 2003, the rate of contributions for the Social Security Pension Fund was increased from 7% to 8% of insurable earnings and the ceiling of insurable earnings was increased from U.S.$160 to U.S.$320 per week. A 2004 actuarial review of Social Security Pension Fund concluded that this increased contribution rate and increased ceiling of insurable earnings should sustain the Social Security Pension Fund for approximately ten to fourteen years. In the event that there is a temporary insufficiency of funds to meet the liabilities of the Social Security Pension Fund, the Belize Social Security Board must apply to the National Assembly to obtain funds to cover such insufficiency.

The Belize Social Security Act established the Social Security Investment Committee, which is responsible for directing the investment of assets under management in the Social Security Pension Fund that are in excess of current needs. Primary criteria used by the Investment Committee in making investments include the generation of new jobs, as well as the diversification of the aggregate investment portfolio and minimization of financial exposure. Factors used by the Investment Committee in determining the terms of an investment include:

- the industry in which the company operates;
- the company's growth potential;
- major economic and social trends which may affect the company;
- the company's historical stock price;

- the company's management; and

- the company's financial statements.

As a general policy, the Social Security Board seeks to obtain at least an 8% return on loans to public, quasi-government and non-profit organizations and will not extend credit to the private sector at interest rates less than the current prime rate in Belize. With respect to equity investments, the Social Security Board seeks low risk investments with high yield returns. As a general policy, the Social Security Board requires a minimum return on equity investments equal to an independently established actuarial requirement, which is currently 7%.

At December 31, 2005, the value of the Social Security Board's total investment portfolio equaled U.S.$138.7 million, 100% of which was invested in private entities. Its largest investments were made to companies in the following sectors:

- agriculture (approximately U.S.$15.2 million);

- housing (approximately U.S.$35.7 million); and

- utilities (approximately U.S.$24.5 million).

As of December 31, 2005, rates of return on the Social Security Board's investments range from 5.5% to 12.0%.

Governance Issues – Belize Social Security Board Investments

In September 2004, in response to adverse public speculation and comment on the management of the Social Security Fund, the Senate of Belize appointed a Special Select Committee to review the operations and investments of the Belize Social Security Board and management of the Social Security Fund for the period 1999-2004 and to report back to the Senate with its findings.

In July 2006, after a number of public hearings and the completion of a Special Investigation Audit, the Committee submitted its Report to the Senate. The Committee found that there was negligence and recklessness in the management of the Board's investment and loan portfolios resulting in financial losses to the public purse.

The Committee recommended that the Minister responsible for the Social Security Board pursue appropriate action to recover such losses and further recommended that all persons who were members of the Board of Directors of the Belize Social Security Board, including the General Manager, should no longer hold public office. In addition, the Committee recommended a number of legislative changes aimed at preventing a recurrence of such incidents in the future.

The Government has since removed both the Chairman and the General Manager of the Belize Social Security Board and has drafted several amendments to the Social Security Act aimed at making the Board's investment process more transparent and accountable. The Government is currently seeking the views of its social partners on the draft legislation and has made a public commitment to submit the amending legislation to the House of Representatives early in 2007.

EXTERNAL ECONOMY

Balance of Payments

Balance of payments data reflect the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of two accounts:

- the current account, which comprises:
  - net exports of goods and services (the difference in value of exports minus imports);
  - net income payments;
  - net current transfers; and
- the capital and financial account, which is the difference between capital and financial inflows and capital and financial outflows.

Belize's balance of payments is dependent on international economic developments as well as domestic economic policies and programs. In 2005, the balance of payments recorded a surplus of U.S.$18.0 million after recording a deficit of U.S.$31.3 million in 2004. The 2005 balance of payments surplus was largely due to an increase in travel receipts and financial inflows. In 2005, the current account deficit expanded by 4.5% to U.S.$158.6 million from a deficit of U.S.$151.7 million in 2004. Belize has run a current account deficit for each of the past five years, largely due to the merchandise trade deficit. The current account deficit increased in 2005 due to a widening of the merchandise trade deficit as import growth significantly outpaced that of exports. For the six month period ending June 30, 2006, the current account recorded a small surplus of U.S.$1.7 million. This was due to a narrowing in the merchandise trade deficit as exports grew faster than imports as a result of inventories being run down due to the introduction of a general sales tax, a 33.4% growth in travel receipts and an increase in inward remittances. Although data is not complete for the second half of 2006, the current account appears likely to be in deficit and result in current account deficit for the year of 2006, in line with historical trend.

The IMF's October 2006 Article IV Report may be found at:

http://www.imf.org/external/pubs/cat/longres.cfm?sk=20022.0

The following table shows Belize's balance of payments and international reserves for the five years ended December 31, 2005 and for the six month periods ended June 30, 2005 and June 30, 2006:

Balance of Payments

	Year ended December 31,					Six months ended June 30,	
	2001	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**
	(in millions of U.S.$)						
Current Account							
Goods Balance							
Exports[(1)(2)]	U.S.$ 269.1	U.S.$ 309.7	U.S.$ 315.5	U.S.$ 307.5	U.S.$ 322.3	U.S.$ 161.0	U.S.$ 206.4
Imports[(3)]	478.1	496.9	522.3	480.7	556.2	267.3	291.6
Total Goods Balance	U.S.$ (209.0)	U.S.$ (187.2)	U.S.$(206.8)	U.S.$(173.2)	U.S.$(234.0)	U.S.$(106.3)	U.S.$ (85.2)
Services Balance							
Transport	(24.0)	(19.7)	(17.6)	(17.2)	(20.4)	(6.9)	(10.4)
Travel	69.2	77.5	103.9	125.5	162.5	88.1	117.5
Other Services	0.3	(11.8)	13.6	(19.3)	(6.7)	(11.4)	14.6
Total Services Balance	U.S.$ 45.5	U.S.$ 46.0	U.S.$ 72.7	U.S.$ 88.9	U.S.$ 135.4	U.S.$ 69.8	U.S.$ 121.7
Goods and Services Balance	(163.4)	(141.2)	(134.1)	(84.3)	(98.5)	(36.5)	36.5
Income							
Compensation of Employees	(2.7)	(2.3)	(3.0)	(3.8)	(2.1)	(1.9)	(0.8)
Investment Income	(64.4)	(65.2)	(83.7)	(109.5)	(109.2)	(53.7)	(66.7)
Total Income	U.S.$ (67.0)	U.S.$ (67.5)	U.S.$ (86.7)	U.S.$(113.3)	U.S.$(111.3)	U.S.$ (55.7)	U.S.$ (67.5)
Transfers							
Official Transfers	0.3	7.4	(2.3)	8.1	3.1	(1.5)	(0.4)
Private Transfers	39.2	35.9	43.2	37.9	48.1	22.5	33.2
Total Transfers	U.S.$ 39.5	U.S.$ 43.3	U.S.$ 40.9	U.S.$ 45.9	U.S.$ 51.2	U.S.$ 21.0	U.S.$ 32.7
Total Current Account	U.S.$ (191.0)	U.S.$ (165.3)	U.S.$(179.9)	U.S.$(151.7)	U.S.$(158.6)	U.S.$ (71.2)	U.S.$ 1.7
Capital Transfers	14.6	16.4	6.6	9.8	3.0	2.0	5.4
Financial Account							
Foreign Direct Investment	61.2	25.4	(11.3)	111.4	125.1	76.6	46.2
Portfolio Investment	(19.4)	124.0	72.4	71.3	12.4	62.1	(15.3)
Financial Derivatives	0.0	0.8	0.7	0.5	(5.3)	(5.3)	0.0
Other Investment	122.8	1.2	113.2	(71.2)	41.6	(6.8)	(19.0)
Total Financial Account	U.S.$ 164.6	U.S.$ 151.5	U.S.$ 175.0	U.S.$ 112.1	U.S.$ 173.8	U.S.$ 126.6	U.S.$ 12.0
Total Capital and Financial Account	U.S.$ 179.2	U.S.$ 167.9	U.S.$ 181.7	U.S.$ 122.0	U.S.$ 176.8	U.S.$ 128.6	U.S.$ 17.4
Errors and Omissions	9.0	(8.0)	(31.9)	(1.6)	(0.2)	1.8	(14.9)
Overall Balance of Payments	U.S.$ (2.7)	U.S.$ (5.4)	U.S.$ (30.1)	U.S.$ (31.3)	U.S.$ 18.0	U.S.$ 59.3	U.S.$ 4.2
Increase (Decrease) in Reserves[(4)]	(2.7)	(5.4)	(30.1)	(31.3)	18.0	59.3	4.2
Gross International Reserves[(4)]	120.1	114.7	84.6	53.3	71.3	112.6	75.5

(1) Exported goods include free-zone exports and goods procured in ports.

(2) For purposes of the balance of payments, based on recommendations contained in the IMF's Balance of Payments Manual, exported goods are not recorded as sold until a change of ownership occurs. The Central Statistical Office trade data, which is based on information collected from the Customs Department, reflect the value of the exported goods at the time the goods are shipped and not when the goods are sold.

(3) Based on recommendations contained in the Fifth Edition of the IMF's Balance of Payments Manual, imported goods are recorded at their market value at the customs frontier of the economy from which they are exported and include free-zone imports and goods procured in ports.

(4) Official International Reserves (which includes the foreign currency holdings of central Government) held by or for the account of the Central Bank. The IMF Belize: 2006 Article IV Consultation – Staff Report released in October 2006 only lists the foreign asset holdings of the Central Bank and excludes the foreign currency holdings of central Government.

Source: Central Bank of Belize

Overview of Current Account

The chief components of the current account within the balance of payments consist of the goods balance, the services balance, the income account and current transfers.

Belize historically has had a deficit in its goods balance, which has been offset in part by surpluses in its services balance. The deficit in the goods balance increased by 35.1% to U.S.$234.0 million in 2005 from U.S.$173.2 million in 2004, as imports outpaced exports. For the purposes of this paragraph, (1) exports include gross sales from the Commercial Free Zone and goods procured in ports, and (2) imports are recorded at their market value at the customs frontier of the economy from which they are exported and include Commercial Free Zone imports (i.e., goods that enter Belize that are forwarded to the Commercial Free Zone). See "—Foreign Trade—Commercial Free Zone". The value of exports rose by 4.8% to U.S.$322.3 million in 2005 from U.S.$307.5 million in 2004, while the value of imports rose by 15.7% to U.S.$556.2 million in 2005 from U.S.$480.7 million in 2004. For the six month period ended June 30, 2006, the merchandise deficit contracted by 19.8% as a 28.2% growth in export earnings to U.S.$206.4 million exceeded a 9.1% rise in imports to U.S.$291.6 million.

The rise in export values in 2005 as compared to 2004 is largely a result of the strong performance of citrus products. The relatively high level of import values in 2005 in comparison to 2004 reflects higher imports of electricity, steep hikes in international fuel prices and imports related to tourism consumption. The rise in export value for the six months ending June 30, 2006 as compared to the same period of 2005 resulted mostly from higher domestic export earnings generated from sugar, citrus and the advent of petroleum exports. The rise in gross imports was largely attributed to the rise in domestic imports. See "Belize—Infrastructure", "Domestic Economy—General" and "Domestic Economy—Principal Sectors of the Economy".

The surplus in the services balance increased by 52.3% to U.S.$135.4 million in 2005 from U.S.$88.9 million in 2004. The primary reason for the increase in the surplus of the services balance was due to a noticeable growth in tourism expenditures, notwithstanding a decline in cruise ship arrivals. The number of cruise ship visitors who came onshore decreased by 6.0% from 766,292 in 2004 to 720,298 in 2005, while the number of stay-over visitors rose by 3.0% to 227,036 in 2005 from 220,359 in 2004. The surge in inflows from tourism, however, was partially offset by an increase in payment for international transportation services due to higher freight costs. Net outflows in other services declined by 65.3% to U.S.$6.7 million in 2005 from a net outflow of U.S.$19.3 million in 2004, reflecting higher inflows to the Government from permits/visa fees and a rise in inflows to foreign embassies and military units in Belize, which more than offset the Government's payments for insurance services, financial fees, and legal fees associated with international bond placements. Revenues from business and tourist travel, net of amounts spent by Belizeans traveling abroad, increased by 29.5% to U.S.$162.5 million in 2005 from U.S.$125.5 million in 2004. For the six-month period ended June 30, 2006, the surplus in the services balance surged by 74.4% to U.S.$121.7 million in June 2006 from U.S.$69.8 million in June 2006. The increase was largely due to a 33.4% increase in net travel receipts attributable to a modest increase in stay-over arrivals coupled with an expansion in goods and services available for tourist consumption which offset the 6.0% decline in cruise ship passengers. In addition, other services recorded a net inflow of U.S.$14.6 million through the end of June 2006 compared to net outflows of U.S.$11.4 million at the end of June 2005 due mostly to expenses incurred on insurance and financial fees associated with the international bond issues in March of 2005.

The income account measures income flows into and out of Belize, including the payment of interest on external debt. In a reversal from the previous year, the net outflow on the income account in 2005 declined by 1.8% to U.S.$111.3 million from U.S.$113.3 million in 2004, primarily because of a reduction in payments for foreign workers and lower outflows for investment income. Net outflows from investment income declined marginally from U.S.$109.5 million in 2004 to U.S.$109.2 million in 2005 due mainly to a reduction in the level of profit repatriation and reinvested earnings and a modest increase in the Central Bank's interest earnings which outweighed the higher interest payments on the external debt. Outflows from compensation of employees decreased by 44.7% to U.S.$2.1 million in 2005 from U.S.$3.8 million in 2004 due to a decline in payments to seasonal, agricultural workers and increased earnings of resident workers associated with a U.S. Embassy construction project. For the six month period ended June 30, 2006, net outflows on the income account rose to U.S.$67.5 million from U.S.$55.7 million, when compared to the same period of 2005, reflecting a 24.2% growth in outflows on investment income arising mostly from higher reinvested earnings. Interest payments by the public sector also rose by 2.8% to U.S.$33.3 million.

Transfers are real resources or financial items provided at no cost, and they include money sent to people in Belize by Belizeans working abroad (which are commonly known as remittances) and, to a lesser degree, grants made to the Government. Grants are made both in cash and in kind. There was a net inflow of transfers in 2005 of U.S.$51.2 million that represented an increase of 11.5% as compared to a net inflow of transfers of U.S.$45.9 million in 2004. This increase in net transfer inflows was primarily due to a 26.9% increase in private transfers that more than offset a 61.7% decline in transfers made to the Government. Private transfers include both transfers by Belizeans living abroad and payments made by foreign insurers to residents of Belize. The increase in net inflow of private transfers was primarily due to growth in family remittances and higher inflows to credit unions, insurance companies, and non-profit organizations. For the six month period ended June 30, 2006, net inward transfers registered strong growth of 55.7% to U.S.$32.7 million, up from U.S.$21.0 million in the same period of 2005.

Overview of Capital and Financial Account

The chief components of the capital and financial account within the balance of payments consist of capital transfers (which reflects primarily debt relief and assets transferred to or from the country by persons migrating to or from Belize), foreign direct investment, portfolio investment (primarily capital markets issuances), financial derivatives and other investment (primarily commercial bank loans and holdings of foreign currency). Belize attracted significant inflows from financial transactions and direct foreign investment from 2001 through 2005. During this period, Belize's capital and financial account registered annual surpluses.

The greatest single change in Belize's balance of payments in 2005 compared to 2004 was a significant increase in the surplus on the financial account. This surplus increased by 55.0% to U.S.$173.8 million in 2005 from U.S.$112.1 million in 2004 due to (1) a rise in foreign direct investment, and (2) an increase in Government borrowing for balance of payments support.

Notwithstanding the Government's buy back of the Belize Water Services Limited, foreign direct investment rose by 12.3% to U.S.$125.1 million in 2005 from U.S.$111.4 million in 2004 primarily because of the Government's sale of Belize Telecommunications Limited (BTL) shares, tourism projects such as the construction and expansion of casinos at the northern border and various hotels, the Chalillo Dam construction and oil exploration and development. Portfolio investment net inflows fell by 82.6% to U.S.$12.4 million in 2005 from net inflows of U.S.$71.3 million in 2004 as the effect of external borrowing on the financial surplus was reduced given the offsetting impact of disbursements and debt repayments.

External disbursements to the Government in 2005 amounted to U.S.$213.9 million (of which, face value U.S.$136.7 million were proceeds from the Belize Sovereign Investments I (Cayman) Limited Loan due 2015 and the Belize Sovereign Investments II (Cayman) Limited Loan due 2010), while public sector amortization payments amounted to U.S.$150.1 million as, among other transactions, the Salomon

Smith Barney Notes due 2005 and the Capital Market Financial Services Re-Profile Notes due 2004 were retired. Financial derivatives, consisting of the U.S. dollar to yen currency swap contract resulted in a net outlay of U.S.$5.3 million due to an unfavorable exchange rate movement. Other investment transactions shifted from net outflows of U.S.$71.2 million in 2004 to net inflows of U.S.$41.6 million in 2005 as loan disbursements to the private and Government sectors outweighed loan repayments and prepayments. In 2005, the Government and the Central Bank made loan repayments amounting to U.S.$27.4 million and U.S.$1.3 million, respectively.

The increase in inflows from the financial account outweighed the expansion in the current account deficit, causing gross international reserves to increase by 33.8% to U.S.$71.3 million at December 31, 2005, from U.S.$53.3 million at December 31, 2004.

Over the six month period ended June 30, 2006, the surplus in the capital account more than doubled to U.S.$5.4 million mostly because of debt relief under the United Kingdom Debt Initiative Program that amounted to U.S.$4.6 million. On the other hand, the financial account surplus recorded a sharp contraction from U.S.$126.6 million for the first six months of 2005 to U.S.$12.0 million in the comparable period of 2006. The contraction was partly due to a 39.7% drop in foreign direct investment to U.S.$46.2 million compared to U.S.$76.6 million in the same period of 2005. (Foreign direct investment through June 30, 2005 included the sale of BTL shares which was not repeated in 2006.) With no bond proceeds in 2006, portfolio investment recorded net outflows of U.S.$15.3 million compared to net inflows of U.S.$62.1 million in 2005 – another factor leading to the more modest surplus on the financial account during the first half of 2006 relative to 2005. With a tighter fiscal policy in place this year, public sector debt disbursements were lower, amounting to U.S.$18.3 million, while public sector amortization amounted to U.S.$35.9 million, of which U.S.$4.4 million consisted of mortgage securitization repayments. The preceding resulted in net outflows for public sector debt servicing, in contrast to 2005 when loan disbursements exceeded loan repayments.

Net official international reserves held by or for the account of the Central Bank increased by 34.7% to U.S.$69.9 million at December 31, 2005 from U.S.$51.9 million at December 31, 2004. Gross official international reserves at December 31, 2005 were U.S.$71.3 million. The increase in net international reserves in 2005 was due to external borrowing (of which the proceeds from the Belize Sovereign Investments I (Cayman) Limited Loan due 2015 and Belize Sovereign Investments II (Cayman) Limited Loan due 2010 issuances constituted the largest portion), proceeds from the sale of BTL shares and receipts from sugar export earnings. At June 30, 2006, gross international reserves stood at U.S.$75.5 million, of which $40 million would be useable, which was equivalent to seven weeks of imports. See "Public Debt—External Public Sector Debt" and "Public Finance—Public Sector Budget".

Foreign Trade

Belize has an open economy, with total merchandise trade representing 79.5% of GDP in 2005, of which imports constituted 50.3% of GDP.

Total merchandise trade (exports plus imports) between Belize and its foreign trade partners in 2005 increased by 11.5% to U.S.$878.5 million, as compared to U.S.$788.2 million in 2004. The merchandise trade deficit expanded by 35.1% in 2005 to U.S.$234.0 million, as compared to U.S.$173.2 million in 2004, due largely to a 15.7% increase in the value of imports that outpaced a 4.8% increase in exports. The rise in imports was attributable to a U.S.$63.1 million and U.S.$12.4 million increase in imports for domestic consumption and the Commercial Free Zone, respectively.

The following table shows the performance of merchandise trade for the five years ended December 31, 2005 and for the six month periods ended June 30, 2005 and June 30, 2006:

Merchandise Trade[(1)(2)]

Year ended December 31,	Imports	% Change	Exports	% Change	Trade Surplus (Deficit)
	(in millions of U.S.$, except percentages)				
2001	U.S.$478.1	(0.1)%	U.S.$269.1	(4.5)%	(209.0)
2002	496.9	3.9	309.7	15.1	(187.2)
2003	522.3	5.1	315.5	1.9	(206.8)
2004	480.7	(8.0)	307.5	(2.6)	(173.2)
2005	556.2	15.7	322.3	4.8	(234.0)
January 1 – June 30, 2005	267.3	n/a	161.0	n/a	(106.3)
January 1 – June 30, 2006	291.6	9.1	206.4	28.2	(85.2)

(1) Exported goods include gross sales in the Commercial Free Zone and goods procured in ports.

(2) All trade numbers are free on board (fob) values.

Sources: Central Bank of Belize; Central Statistical Office

Trading Partners

The United States and the United Kingdom are Belize's main trading partners. The United States has been the largest consumer of Belizean exports over the past five years and in 2005 purchased 52.1% of all Belizean exports. Accordingly, any downturn in the U.S. economy could have a negative impact on Belize's exports. The United States has also been the primary source of imports for each of the past five years and was the source of 39.1% of Belizean imports in 2005. As a result, any rise or fall in the U.S. export price index could result in an increase or decrease in prices in Belize.

Exports

Exports of agricultural and agro-based manufacturing products represented the most significant Belizean exports between 2001 and 2005. Total exports during 2005 increased by 4.8% to U.S.$322.3 million from U.S.$307.5 million in 2004, primarily due to a 3.9% increase in Commercial Free Zone gross sales from U.S.$109.4 million in 2004 to U.S.$113.7 million in 2005 and a 4.1% increase in domestic exports from U.S.$187.0 million in 2004 to U.S.$194.7 million in 2005. For the six month period ended June 30, 2006, exports of agricultural and agro-based manufacturing products increased by 17.9% to U.S.$116.4 million from U.S.$98.7 million. The increase was largely due to a 76.6% rise in earnings from sugar and a 27.6% increase in citrus juices receipts. The first half of 2006 also recorded the first petroleum exports from the recent oil discovery, amounting to U.S.$16.3 million.

The following table shows Belize's value of exports by sector for the five years ended December 31, 2005 and for the six month periods ended June 30, 2005 and June 30, 2006:

Value of Exports (fob)[1]

	Year ended December 31,					Six months ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
	(in millions of U.S.$)						
Agriculture/Agro Manufacturing							
Sugar	U.S.$ 29.7	U.S.$ 33.0	U.S.$ 35.6	U.S.$ 40.8	U.S.$ 34.9	U.S.$ 21.8	U.S.$ 38.5
Citrus Juices	43.5	28.8	29.2	23.6	38.8	25.7	32.8
Molasses	0.8	1.3	1.2	0.9	1.4	2.0	1.3
Banana	21.4	16.8	26.3	26.5	25.5	13.1	13.6
Marine	33.2	34.9	55.1	53.7	45.8	19.6	13.2
Non-Traditional Exports	11.9	14.9	15.3	21.5	30.0	16.5	17.0
Total	U.S.$ 140.5	U.S.$ 129.7	U.S.$ 162.7	U.S.$ 167.0	U.S.$ 176.4	U.S.$ 98.7	U.S.$ 116.4
Manufacturing							
Garments	15.5	15.3	15.4	18.6	17.0	8.8	10.1
Petroleum	0.0	0.0	0.0	0.0	0.0	0.0	16.3
Timber	1.2	1.3	1.8	1.5	1.3	0.5	0.3
Total	U.S.$ 16.7	U.S.$ 16.6	U.S.$ 17.2	U.S.$ 20.1	U.S.$ 18.3	U.S.$ 9.3	U.S.$ 26.7
Total Domestic Exports	U.S.$ 157.2	U.S.$ 146.3	U.S.$ 179.9	U.S.$ 187.1	U.S.$ 194.7	U.S.$ 108.0	U.S.$ 143.1
Commercial Free Zone Sales[2]	99.7	149.3	118.4	109.4	113.7	50.0	58.4
Re-Exports [3]	10.6	13.9	17.3	10.2	12.4	3.4	4.9
Other Adjustments[4]	1.6	0.2	(0.2)	0.8	1.5	(0.4)	0.0
Total Exports	U.S.$ 269.1	U.S.$ 309.7	U.S.$ 315.5	U.S.$ 307.5	U.S.$ 322.3	U.S.$ 161.0	U.S.$ 206.4

(1) For purposes of the balance of payments, based on recommendations contained in the IMF's Balance of Payments Manual, exported goods are not recorded as sold until a change of ownership occurs. The Central Statistical Office trade data, which is based on information collected from the Customs department, reflect the value of the exported goods at the time the goods are shipped and not when the goods are sold.

(2) Reflects goods that are imported into the Commercial Free Zone and sold to non-residents.

(3) Reflects goods that are imported into Belize and then re-exported to other countries.

(4) Reflects post office exports and valuation adjustments.

Sources: Central Statistical Office, Central Bank of Belize

The following table shows the destination of Belizean exports for the five years ended December 31, 2005 and for the six month periods ended June 30, 2005 and June 30, 2006:

Exports (fob) by Destination [1]

	Year ended December 31,										Six months ended June 30,			
	2001		2002		2003		2004		2005		2005		2006	
	(in millions of U.S.$, except percentages)													
United States	U.S.$ 84.7	52.5%	U.S. $84.1	53.1%	U.S.$105.8	55.5%	U.S.$131.1	58.8%	U.S. $107.3	52.1%	U.S. $71.1	55.9%	U.S.$58.7	37.3%
United Kingdom	39.4	24.4	39.0	24.6	46.8	24.5	40.3	18.1	45.4	22.1	22.1	17.4	45.4	28.9
Mexico	1.0	0.6	1.9	1.2	2.8	1.5	2.8	1.3	8.8	4.3	7.7	6.0	8.8	5.6
CARICOM	10.9	6.8	11.2	7.1	17.5	9.2	23.3	10.4	23.7	11.5	14.9	11.7	23.7	15.1
Other Countries	25.3	15.7	22.1	14.0	17.8	9.3	25.6	11.4	20.7	10.0	11.5	9.0	20.7	13.1
Total	U.S. $161.3	100.0%	U.S. $158.3	100.0%	U.S.$190.7	100.0%	U.S.$223.1	100.0%	U.S. $206.0	100.0%	U.S.$127.2	100.0%	U.S.$157.3	100.0%

(1) Excludes Commercial Free Zone sales and includes citrus shipments, not actual sales.

Source: Central Statistical Office

The Belizean sugar and banana industries and, less significantly, citrus product suppliers enjoyed preferential trade arrangements with respect to exports to the EU pursuant to the Cotonou Agreement. The future of these preferential trade arrangements is important to Belize, as the EU is the only region with which Belize has consistently maintained a trade surplus. The Cotonou Agreement also provides guaranteed access to EU markets for certain maximum amounts of Belizean sugar and banana exports.

The special arrangements for the importation of bananas provided by the Cotonou Agreement and its predecessor, the Lomé IV Convention, have been challenged by the United States and four Latin American banana producers. The WTO has ruled that these preferential access arrangements for African, Caribbean and Pacific Group of State (ACP) bananas unfairly restrict banana-producing Central and Latin American countries' access to the European market. In April 2001, the United States and the EU announced an agreement by which the special banana arrangements would be gradually phased out by 2006. In January 2006, the EU banana import regime shifted to a hybrid of the tariff only and quota regime. The effective tariff rate was set at €176 per tonne of bananas from "Most Favored Nation" countries. The ACP group, of which Belize is a member, will continue to benefit from a duty free quota totaling 775,000 tonnes per annum that is lower than known ACP production capacity. Access to the quota is on a "first come, first served" basis in five tranches. A tranche consists of a two month delivery period. If deliveries during a tranche exceed the allowed ACP import volume, then the surplus ACP import volume will be subject to the tariff of €176 per tonne. Volumes especially at risk of being subject to the tariff would be imports during the latter part of the two month delivery period. High volume ACP producers such as West Africa and the Dominican Republic stand to gain the most from this new arrangement since any tariff payable would be divided over a larger volume of export boxes compared to a smaller volume producer like Belize. For Belize, a shift to delivering only in the early part of the tranche (before the duty-free amounts are exhausted) is impractical. Belize's banana harvest cycle does not allow this, and the marketer has consistent commitments during the year. See "Belize—International Relations—Cotonou Agreement".

Prior to the implementation of the new EU banana regime, the Belizean banana industry took steps to improve field productivity and decrease production costs to enhance its competitiveness in anticipation of the phase-out of the special arrangements under the Cotonou Agreement. The Belizean banana industry accounted for approximately 13.1% of domestic export earnings in 2005. Grant funds from the EU have been used to improve field drainage and irrigation as well as to introduce uniform-sized seedlings into the plantations. A portion of the funds was also used to upgrade the access road leading to the port. Through March 31, 2006, approximately U.S.$6.8 million of the grant funds have been disbursed, including U.S.$2.1 million in 2001, U.S.$1.8 million in 2002, U.S.$1.5 million in 2003, U.S.$0.8 million in 2004, and U.S.$0.5 million in 2005.

On November 2, 2005, the European Agricultural Council agreed on the measures to reform the EU sugar regime. The major elements of the reform that are of interest to ACP countries include:

- a 36.0% price cut over four years on the intervention (minimum guarantee) price for raw sugar beginning on July 1, 2006;

- abolition of the intervention price system after a four-year phase out period and the replacement of the intervention price by a reference price;

- the merging of "A" and "B" quotas into a single production quota;

- extension of the sugar quota system, until the 2014/15 quota year with no review clause; and

- an assistance scheme for ACP countries that traditionally export to the EU limited to €40 million for 2006.

Belize's sugar quota allocation to the EU under this protocol arrangement stands at 42,000 metric tons. An analysis of the 36.0% price cut indicates that the industry will suffer a cumulative loss of U.S.$16.0 million over the next four years and an annual loss of U.S.$9.0 million from 2010. Further losses will stem from the discontinuation of Belize's Special Preferential Sugar (SPS) quota allocation in 2006 due to the Everything But Arms Initiative. To survive, the industry is developing an adaptation plan, which will include clearly defined projects geared towards improving industry productivity and competitiveness.

Imports

In 2005, major imports into Belize consisted primarily of:

- machinery and transport equipment;
- mineral, fuel and lubricants;
- manufactured goods; and
- food and livestock.

The following table shows the value of Belize's gross imports by end-users for the five years ended December 31, 2005 and for the six month periods ended June 30, 2005 and June 30, 2006:

Value of Gross Imports (1)

	Year ended December 31,					Six months ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
				(in millions of U.S.$)			
Consumer Goods							
Food & Beverages	U.S.$ 45.0	U.S.$ 43.3	U.S.$ 44.6	U.S.$ 44.2	U.S.$ 49.0	U.S.$ 22.3	U.S.$ 22.8
Transport Equipment(2)	5.0	7.8	4.9	6.6	7.1	4.0	3.3
Durables	12.2	11.6	13.2	16.9	23.5	10.6	8.8
Semi-Durables	15.1	15.3	16.6	16.5	17.8	7.4	9.8
Non-Durables	23.7	25.4	39.9	24.8	28.1	13.4	14.9
Total	U.S.$ 101.0	U.S.$ 103.5	U.S.$ 119.2	U.S.$ 109.0	U.S.$ 125.5	U.S.$ 57.6	U.S.$ 59.7
Intermediate Goods							
Agricultural Raw Materials	U.S.$ 9.2	U.S.$ 7.2	U.S.$ 8.7	U.S.$ 6.9	U.S.$ 9.3	U.S.$ 2.7	U.S.$ 4.7
Industrial Supplies	139.8	128.3	123.3	105.5	126.7	67.8	58.8
Fuels & Lubricants(3)	47.7	42.9	59.0	68.9	91.1	44.1	44.6
of which Electricity	8.4	11.9	14.2	14.8	20.2	10.7	9.3
Parts & Accessories	25.4	23.0	23.6	22.5	22.3	11.7	12.4
Total	U.S.$ 222.1	U.S.$ 201.4	U.S.$ 214.5	U.S.$ 203.9	U.S.$ 249.3	U.S.$ 126.4	U.S.$ 120.5
Capital Goods							
Transport Equipment(2)	U.S.$ 21.3	U.S.$ 23.5	U.S.$ 17.3	U.S.$ 12.8	U.S.$ 12.8	U.S.$ 6.0	U.S.$ 8.4
Non-Transport Capital Goods	49.0	39.6	43.1	33.4	47.5	23.9	23.4
Total	U.S.$ 70.3	U.S.$ 63.1	U.S.$ 60.4	U.S.$ 46.2	U.S.$ 60.3	U.S.$ 29.9	U.S.$ 31.8
Other Goods N.E.C.(4)							
Fuel(3)	U.S.$ 1.0	U.S.$ 4.9	U.S.$ 1.9	U.S.$ 23.2	U.S.$ 12.7	U.S.$ 0.4	U.S.$ 14.1
Passenger Motor Cars	12.9	11.0	12.3	9.8	9.2	4.6	4.9
Other Goods	112.1	152.6	157.9	136.7	156.1	76.2	91.9
Total	U.S.$ 126.0	U.S.$ 168.5	U.S.$ 172.1	U.S.$ 169.7	U.S.$ 178.0	U.S.$ 81.1	U.S.$ 111.0
Total Gross Imports	U.S.$ 519.4	U.S.$ 536.4	U.S.$ 566.3	U.S.$ 528.8	U.S.$ 613.1	U.S.$ 295.0	U.S.$ 323.0
of which Commercial Free Zone direct imports	66.6	110.6	90.3	78.3	91.9	44.1	43.3

(1) Imports are c.i.f., which differ in presentation from the import values presented in the balance of payments.

(2) Consumer goods transport equipment includes items such as bicycles and pleasure boats whereas capital goods transport equipment includes items such as trucks.

(3) Intermediate goods fuels include items such as diesel fuel or kerosene whereas other goods N.E.C. fuel largely includes gasoline.

(4) "N.E.C." means not elsewhere classified.

Source: Central Statistical Office

Total gross imports (including cost, insurance and freight or "c.i.f.") increased by 15.9% to U.S.$613.1 million in 2005 from U.S.$528.8 million in 2004. The rise in goods imports (c.i.f.) during 2005 was prompted by the expansion of intermediate, consumer and capital goods. Imports of intermediate goods increased by 22.3% to U.S.$249.3 million in 2005 compared to U.S.$203.9 million in 2004. Imports of consumer goods increased by 15.1% to U.S.$125.5 million in 2005 compared to U.S.$109.0 million in 2004. Imports of capital goods increased by 30.5% from U.S.$46.2 million in 2004 to U.S.$60.3 million 2004. Imports of other goods, which includes, among other things, fuel and passenger automobiles, increased by 4.9% to U.S.$178.0 million in 2005 from U.S.$169.7 million in 2004.

The imports of intermediate goods increased as a result of a 32.2% rise in imports of fuel and lubricants and a 20.1% increase in imports of industrial supplies. Fuel and lubricants rose primarily because of an increase in the average acquisition cost of fuel and a 36.5% increase in the importation of electricity. On the other hand, a large part of the growth in consumer goods was attributable to imports of high-end jewelry, watches and luxury items targeted at the tourist market. The growth in non-transport capital imports reflected investment goods for telecommunications and miscellaneous tourist oriented service industries.

For the six month period ended June 30, 2006, gross imports (c.i.f.) increased by 9.5% to U.S.$323.0 million from U.S.$295.0 million in June 2005. The increase was mostly in imports for export processing zone companies undertaking expansion projects (shown mainly in the category other goods (not elsewhere classified)) followed by consumer goods and capital goods.

The following table shows the origin of Belize's imports for the five years ended December 31, 2005 and for the six month period ending June 30, 2005 and June 30, 2006:

Imports by Origin (fob)

	Year ended December 31,										Six month period ended June 30,			
	2001		2002		2003		2004		2005		2005		2006	
	(in millions of U.S.$, except percentages)													
U.S.	U.S. $214.1	44.8%	U.S. $204.7	41.2%	U.S. $214.2	41.0%	U.S. $181.0	37.6%	U.S. $207.3	37.3%	U.S.$ 99.5	37.2%	U.S.$116.0	39.8%
Mexico	50.7	10.6	49.9	10.0	54.3	10.4	61.7	12.8	76.3	13.7	31.8	11.9	32.8	11.3
United Kingdom	14.7	3.1	15.2	3.1	16.2	3.1	10.9	2.3	12.4	2.2	4.3	1.6	3.2	1.1
CARICOM	19.7	4.1	14.9	3.0	14.4	2.8	11.9	2.5	13.7	2.5	5.8	2.3	5.4	1.9
Other countries	178.7	37.4	212.3	42.7	223.0	42.7	215.3	44.8	246.6	44.3	125.9	47.1	134.1	46.0
Total	U.S. $478.1	100.0%	U.S. $496.9	100%	U.S. $522.3	100.0%	U.S. $480.7	100.0%	U.S. $556.2	100%	U.S.$ 267.3	100%	U.S.$291.6	100%
of which imports to Commercial Free Zone	66.6	13.9%	110.6	22.3%	90.3	17.3%	78.3	16.3%	91.9	16.5%	44.1	16.5%	43.3	14.8%

Source: Central Statistical Office

Commercial Free Zone

The Corozal Commercial Free Zone of Belize comprises approximately 295 acres of land at the northern border of Belize and the southeastern border of Mexico, of which 180 acres are in various stages of development. The Corozal Commercial Free Zone was initially geared toward light manufacturing; however, the popularity of the Corozal Commercial Free Zone increased with the retail sale of fuel to Mexican customers living in the adjoining border city of Chetumal, which has about 238,520 inhabitants. As of December 31, 2005, there were 196 companies active and operating in the Corozal Commercial Free Zone. Fuel sales represented approximately 2.8% of all Corozal Commercial Free Zone sales in 2005. Liquor, perfume, cosmetics, cigarettes, apparel, footwear, hardware, tins, electronics, toys and grocery items may also be purchased in the Corozal Commercial Free Zone.

Belize classifies goods that are imported into the Corozal Commercial Free Zone and sold to non-residents as Corozal Commercial Free Zone sales. Belize classifies goods that are imported into Belize and then re-exported to other countries as re-exports. The value of Commercial Free Zone sales in 2005 was approximately U.S.$113.7 million as compared to approximately U.S.$109.4 million in 2004 and the value of re-exports in 2005 was approximately U.S.$12.4 million as compared to U.S.$10.1 million in 2004. Belize also estimates that approximately 10 to 12 thousand Mexicans enter the Corozal Commercial Free Zone daily to shop in retail establishments.

The greatest benefit Belize derives from the Corozal Commercial Free Zone is in the form of employment. As of December 31, 2005, approximately 1,215 Belizeans were employed in the Corozal Commercial Free Zone, with an additional significant amount of indirect employment created for persons providing ancillary services. Because Belize purchases the goods sold in the Corozal Commercial Free Zone abroad, Corozal Commercial Free Zone sales do not represent a significant source of net foreign exchange earnings for Belize. In 2005, the Commercial Free Zone Act of 1994 was repealed and replaced by the Free Zones Act of 1995. The latter provided for the establishment of a National Free Zone Authority (NFZA) to oversee all free zones operating in the country and to promote the creation of more free zones in the country. In addition, a 2002 amendment to the International Banking Act allows international banks to conduct full banking business with Commercial Free Zone companies.

Export Processing Zones

Export processing zones are a creation of the Export Processing Zone Act of 1990, which established geographic areas in Belize free from import and export licenses, duties and taxes under certain conditions. An amendment to the International Banking Act (formerly known as the Offshore Bank Act) in 2002 allows international banks to conduct banking business directly with Belizean export processing zone companies. Since the 2002 Amendment, international banks have been able to offer the export zone processors competitive interest rates. Export processing zones were created to benefit Belizean exporters of products that are manufactured from imported raw materials. The export processing zones were established to boost exports, increase the value added in Belize on manufactured goods and create employment. In 2004, an amendment to the Export Processing Zone Act was passed to strengthen the regulatory framework for export processing zones.

No import licenses are required for imports by an export processing zone business into an export processing zone. All imports into an export processing zone, including capital equipment, service and utility vehicles, intermediate goods and supplies and raw materials are exempt from customs, tariffs, and taxes. Quotas or prohibitions on imports of an export processing zone business into an export processing zone do not apply, except that firearms, military equipment and illegal drugs may not be imported into an export processing zone. Import licenses are required for imports from an export processing zone into the customs territory of Belize and all standard customs, duties and taxes apply. Similarly, no export licenses are necessary for exports of an export processing zone business out of an export processing zone that leave Belize. Exports out of an export processing zone are exempt from all customs duties and taxes. In addition, export processing zone businesses are exempt from all income, withholding, capital gains and any new corporate taxes. Any dividends paid by an export processing zone business are also exempt from taxes.

International Reserves

The policy of the Government, consistent with the general practice of the countries comprising the Caribbean Community and Common Market (CARICOM), is to aim to maintain gross official international reserves equivalent to the value of 12 weeks of imports.

Net official international reserves held by or for the account of the Central Bank increased by 34.7% to U.S.$69.9 million at December 31, 2005 from U.S.$51.9 million at December 31, 2004. Gross official international reserves at December 31, 2005 were U.S.$71.3 million. The increase in net international reserves in 2005 was due to external borrowing (of which the proceeds from the Belize Sovereign Investments I (Cayman) Limited Loan due 2015 and Belize Sovereign Investments II (Cayman) Limited Loan due 2010 issuances constituted the largest portion), proceeds from the sale of BTL shares and receipts from sugar export earnings. See "Public Debt—External Public Sector Debt" and "Public Finance—Public Sector Budget".

Belize includes deposits of the central Government at the Central Bank in its definition of Net and Gross Official Reserves. Please see table explanation of reserve aggregates under "The Monetary System—Foreign Exchange and International Reserves".

Gross official international reserves held by or for the account of the Central Bank decreased by 32.9% to U.S.$75.5 million at June 30, 2006, from U.S.$112.6 million at June 30, 2005. The decline was primarily due to external debt servicing coupled with the increase in payments for oil imports caused by the rise in oil prices. See "The Monetary System—Foreign Exchange and International Reserves".

PUBLIC FINANCE

Public Sector Budget

The Government of Belize includes all ministries, departments and agencies whose activities form part of the budgetary operation of the central administration. The operations of state-owned enterprises, including the Development Finance Corporation (DFC), are therefore excluded from the Government budget.

Overview

Belize's fiscal year runs from April 1 of each year to March 31 of the following year. Pursuant to the Constitution, the Minister of Finance is responsible for preparing estimates of revenue and expenditure before the close of the previous fiscal year and submitting those estimates to the National Assembly prior to the commencement of the fiscal year to which they relate. The Ministry of Finance, in conjunction with other ministries and departments, prepares a draft budget, which must be approved by the cabinet prior to its submission to the National Assembly. Final approval by the National Assembly is usually granted by March of each fiscal year.

Budget Policy

Revenue

The budget distinguishes between current revenue, capital revenue and grants. The largest component of current revenue is tax revenue. The Government derives revenues from a mix of direct and indirect taxes, including levies and taxes on incomes and profits, property, goods and services and imports. Total tax revenue in fiscal year 2005/06 equaled U.S.$237.4 million. Non-tax revenues are a less significant source of current revenue and include revenues from licenses, rents and royalties and fees. Capital revenue comprises revenues from sales of specific fixed assets. In fiscal years 2002/03 and 2003/04 the principal component of Belize's capital revenues has been the proceeds of sales of privatized companies. However, in subsequent years these proceeds were treated as a financing item rather than capital revenue.

Belize receives grants (in cash and in kind) from various governments and multilateral organizations. Belize uses these grants to reduce its overall budget deficit and, in particular, to finance capital improvement projects. Belize received U.S.$11.5 million in grants in fiscal year 2005/06, as compared with U.S.$7.3 million in fiscal year 2004/05.

In fiscal year 2005/06, the largest providers of grants were:

- the Republic of China (Taiwan) (U.S.$5.4 million);
- the United Kingdom (U.S.$4.6 million); and
- the Caribbean Development Bank (U.S.$0.1 million).

Expenditure

The budget also distinguishes between current expenditure and capital expenditure. Current expenditures include wages and salaries, pensions, goods and services, debt service costs (domestic and external) and transfers. Capital expenditures include acquisitions of property, capital formation and capital transfers. Capital expenditure is further broken down into Capital II and Capital III expenditures, which are expenditures that are funded by local and foreign sources, respectively. Capital III projects tend to be larger and require greater amounts of financing than Capital II projects.

In fiscal year 2001/02, a significant portion of capital expenditure was allocated to the Emergency Relief Fund (ERF), which represented, essentially, the reconstruction works undertaken after Hurricane Keith and Hurricane Iris. ERF expenditures decreased significantly from U.S.$18.5 million in fiscal year 2001/02 to U.S.$8.3 million in fiscal year 2002/03. ERF expenditures were completely eliminated in fiscal year 2003/04 as the various hurricane reconstruction projects were completed during fiscal year 2002/03.

The major criteria used in determining allocation levels for current expenditure are expenditure ceilings based on Belize's economic policy, Belize's priorities for the fiscal year, and commitments arising from the continuation of programs, projects and policies previously authorized by the cabinet. Such commitments include interest and amortization on public debt, a statutory obligation that is paid first, as well as salaries and pensions, and expenditures on goods and services, which includes public utilities. The major criteria used in deciding allocation levels for capital expenditure are current year projections for public investment, multilateral/bilateral programs and the implementation status of projects.

Deficits and Surpluses

The Government has incurred an overall budget deficit for each of the five fiscal years 2001/02 through 2005/06, during which period the overall budget deficit (including grants) averaged 7.6% of GDP. The Government's overall budget deficit (including grants) decreased from U.S.$101.0 million in fiscal year 2001/02 to U.S.$37.4 million in fiscal year 2005/06. This deficit decrease since fiscal year 2001/02 has been mainly the result of sharp cutbacks in capital expenditure combined with improved performance of tax revenue. Capital expenditures declined by 26.3% from U.S.$61.3 million in fiscal year 2004/05 to U.S.$45.2 million in fiscal year 2005/06, primarily as a result of a slowdown in road construction and housing construction activity. For fiscal year 2005/06, the overall budget deficit (including grants) amounted to 3.3% of GDP, as compared to a deficit amounting to 8.1% of GDP for fiscal year 2004/05.

The Government posted current surpluses for each of the fiscal years 2001/02 through 2003/04. Current deficits were posted in fiscal years 2004/05 and 2005/06 due to the rising outlays for interest payments.

Consolidated Fund

Belize's Constitution recognizes the existence of a Consolidated Revenue Fund into which substantially all revenues are to be paid to meet the Government's expenditures and obligations. The Constitution further provides that debt obligations of the Government, including the interest and amortization payments in respect of that debt, and the costs, charges and expenses incidental to the management of that debt (including any sinking funds established for the repayment of any debt) must be charged to the Consolidated Revenue Fund. Payments of principal and interest on the New Bonds will be paid from the Consolidated Revenue Fund.

Audit and Review

Under the Constitution, Belize's public finances must be audited annually by the Auditor General (who heads the independent audit department of the Government). The Auditor General's report must be submitted to the Public Accounts Committee, a committee of the National Assembly. The chairman of the Public Accounts Committee is required to be a member of the opposition party. The Public Accounts Committee is permitted to hold public hearings on the Government's accounts. In addition, the IMF and the Caribbean Development Bank also review the Government's public finances.

The following table shows Belize's fiscal results for fiscal year 2001/02 through fiscal year 2005/06 and the fiscal year 2006/07 budget:

Central Government Revenue and Expenditure

	Fiscal Year ended March 31,					
	2002	**2003**	**2004**	**2005**	**2006**	**2007***
	(in millions of U.S.$, except percentages)					
Current Revenue:						
Tax Revenue						
Income and Profits	U.S.$ 38.6	U.S.$ 39.5	U.S.$ 44.6	U.S.$ 50.0	U.S.$ 64.7	U.S.$ 67.5
Property	1.3	1.2	3.5	2.3	2.8	3.1
Goods and Services	54.3	56.7	59.7	70.5	81.2	101.1
Int'l Trade	69.2	82.5	82.1	85.3	88.7	85.2
Other Taxes	0.0	0.0	0.0	0.0	0.0	0.0
Total Tax Revenue	U.S.$ 163.4	U.S.$ 179.9	U.S.$ 189.9	U.S.$ 208.1	U.S.$ 237.4	U.S.$ 257.0
Non-Tax Revenue(1)	38.2	23.2	22.6	20.1	27.5	24.5
Total Current Revenue	U.S.$ 201.6	U.S.$ 203.1	U.S.$ 212.5	U.S.$ 228.4	U.S.$ 264.9	U.S.$ 281.5
Current Expenditure:						
Wages and Salaries	U.S.$ 81.4	U.S.$ 86.4	U.S.$ 95.4	U.S.$ 106.3	U.S.$ 111.4	U.S.$ 111.8
Pensions	11.8	12.8	13.3	16.1	20.1	19.9
Goods and Services	31.3	32.3	36.7	39.3	47.4	51.6
Interest Payments on Debt	25.8	36.6	49.5	87.9	74.9	72.8
Subsidies and Current Transfers	12.9	12.8	14.4	16.8	18.5	24.8
Total Current Expenditure	U.S.$ 163.2	U.S.$ 180.9	U.S.$ 209.4	U.S.$ 266.5	U.S.$ 272.2	U.S.$ 280.8
Current Balance	U.S.$ 38.4	U.S.$ 22.2	U.S.$ 3.1	U.S.$ (38.1)	U.S.$ (7.3)	U.S.$ 0.7
As percent of GDP	4.4%	2.4%	0.3%	(3.6)%	(0.7)%	N/A
Capital Revenue	U.S.$ 8.0	U.S.$ 17.6	U.S.$ 16.3	U.S.$ 5.7	U.S.$ 3.6	U.S.$ 3.6
Capital Expenditure:						
Capital II Expenditure	U.S.$ 63.3	U.S.$ 49.4	U.S.$ 32.6	U.S.$ 23.7	U.S.$ 27.2	U.S.$ 27.1
Capital III Expenditure	74.7	68.3	45.0	37.6	13.9	24.4
of which ERF Expenditure(2)	18.5	8.3	0.0	0.0	0.0	0.0
Capital Transfers(3)	18.5	8.4	22.0	0.0	4.0	1.6
Total Capital Expenditure	U.S.$ 156.5	U.S.$ 126.1	U.S.$ 99.6	U.S.$ 61.3	U.S.$ 45.2	U.S.$ 53.1
Overall Balance (before Grants)(4)	U.S.$(110.1)	U.S.$ (86.3)	U.S.$ (80.2)	U.S.$ (93.8)	U.S.$ (48.9)	U.S.$ (48.9)
Grants	9.1	9.4	11.9	7.3	11.5	14.3
Overall Balance (after Grants)	U.S.$(101.0)	U.S.$ (76.9)	U.S.$ (68.3)	U.S.$ (86.5)	U.S.$ (37.4)	U.S.$ (34.6)
As percent of GDP	(11.6)%	(8.3)%	(6.9)%	(8.2)%	(3.4)%	N/A
Overall Balance excluding ERF(5)	(82.5)	(68.6)	(68.3)	(86.5)	(37.4)	(34.6)
As percent of GDP	(9.4)%	(7.4)%	(6.9)%	(8.1)%	(3.3)%	N/A
Financing:						
Privatization Proceeds(6)	n/a	n/a	n/a	U.S.$ 14.5	U.S.$ 32.5	N/A
Domestic Financing:						
Central Bank	U.S.$ 46.7	U.S.$ 26.7	U.S.$ (4.7)	U.S.$ (82.9)	U.S.$ 125.0	N/A
Commercial Banks	(1.8)	(8.4)	(9.9)	(4.7)	9.8	
Privatization DFC Debt Refinancing Payments(6)	0.0	(73.6)	(67.2)	(65.0)	0.0	N/A
Non-Bank	(0.9)	(0.4)	(1.1)	(0.7)	(1.5)	N/A
Total Domestic Financing	U.S.$ 44.0	U.S.$ (55.7)	U.S.$ (82.9)	U.S.$(153.4)	U.S.$ 133.3	N/A
External Financing:						
Disbursements	73.4	220.2	270.0	343.3	58.1	N/A
Amortization	(31.1)	(72.8)	(51.6)	(123.9)	(163.6)	N/A
Sinking Fund and JCF(7)	(7.0)	(24.2)	(14.1)	(0.6)	0.0	N/A
Total External Financing	U.S.$ 35.3	U.S.$ 123.2	U.S.$ 204.2	U.S.$ 218.8	U.S.$(105.4)	N/A
Other	21.7	23.7	(40.0)	21.1	1.8	N/A
Total Financing	U.S.$ 101.0	U.S.$ 91.2	U.S.$ 81.3	U.S.$ 101.0	U.S. $62.2	U.S.$ 34.6

* Budgeted. The fiscal year 2006/07 budget does not take into account any reduction in debt servicing costs that may result from this Offer.

(1) Includes revenues from licenses, rents and royalties and fees.
(2) ERF refers to the Emergency Relief Fund, essentially hurricane reconstruction costs.
(3) Transfers to state-owned enterprises.
(4) The overall balance after grants is targeted to be 3.0% of GDP depending on the rate of implementation of externally funded projects.
(5) Includes prepayment penalties.
(6) Privatization proceeds for fiscal years 2002/03 and 2003/04 were recorded as capital revenue. Thereafter, they were recorded as a financing item rather than as capital revenue.
(7) The sinking fund represents amounts, usually held in foreign financial institutions, set aside for the repayment of specific liabilities. The JCF refers to the Joint Consolidated Fund, which represents amounts required to be set aside to cover deposit accounts that the public may have with the Belizean treasury.

Source: Ministry of Finance

Fiscal Year 2005/06 Revenue and Expenditure

Overview

Belize posted a fiscal deficit of U.S.$37.4 million in fiscal year 2005/06, or 3.3% of GDP, as compared to a fiscal deficit of U.S.$86.5 million in fiscal year 2004/05, or 8.1% of GDP. In fiscal year 2005/06, total capital expenditures decreased by 26.3% to U.S.$45.2 million from U.S.$61.3 million in fiscal year 2004/05.

The overall deficit of U.S.$37.4 million in fiscal year 2005/06 was financed primarily by domestic sources, as the Government relied heavily on financing from the Central Bank. As disbursements of U.S.$58.1 million were exceeded by amortization payments of U.S.$163.6 million, foreign source financings recorded an outflow of U.S.$105.4 million in fiscal year 2005/06.

Revenue

Revenue and grants for fiscal year 2005/06 totaled U.S.$280.0 million, or 25.3% of GDP, a 16.0% increase over total revenue and grants collected in fiscal year 2004/05.

Current revenue rose 16.0% to U.S.$264.9 million, or 24.0% of GDP, in fiscal year 2005/06 from U.S.$228.4 million, or 21.6%, of GDP in fiscal year 2004/05. The increase in current revenue was primarily due to strong performance in taxes on goods and services, in particular the sales tax and revenue replacement duties. Tax revenues rose by 14.1% in fiscal year 2005/06 to U.S.$237.4 million from U.S.$208.1 million in fiscal year 2004/05. Any stimulus to the economy in Belize tends to have an immediate impact on the level of imports, which in turns raises the level of revenue derived from customs duties. All the other major categories of tax revenue also recorded increases except property tax revenues, which remained level. In addition to improved collections of import duties and excise duties the increase in 2005/06 tax revenue also reflected higher income and business tax rates. See "—Tax Reform".

Capital revenue decreased by 36.8% to U.S.$3.6 million, or 0.3% of GDP, in fiscal year 2005/06 from U.S.$5.7 million, or 0.5% of GDP, in fiscal year 2004/05. Prior to fiscal year 2004/05 Belize recorded the revenues from privatization transactions as capital revenue. The capital revenues posted in fiscal year 2002/01, fiscal year 2001/02 and fiscal year 2000/01 primarily represent proceeds from the privatizations of the Belize Port Authority, Belize Water Services Ltd. and Belize Electricity Ltd.

Expenditures

Total expenditure for fiscal year 2005/06 was U.S.$317.4 million, or 28.7% of GDP, a 3.2% decrease from U.S.$327.8 million in fiscal year 2004/05. Current expenditure accounted for U.S.$272.2 million, or 85.8% of total expenditure in fiscal year 2005/06, while capital expenditure accounted for U.S.$45.2 million, or 14.2% of total expenditure in fiscal year 2005/06.

Current expenditure in fiscal year 2005/06 totaled U.S.$272.2 million, an increase of 2.1% from U.S.$266.5 million in fiscal year 2004/05, primarily as a result of higher outlays on wages and salaries, which totaled U.S.$111.4 million, and goods and services, which totaled U.S.$47.4 million. Though all other major categories of current expenditures increased marginally in fiscal year 2005/06 when compared to the previous fiscal year, the largest component of current expenditure was wages and salaries, which represented 35.1% of Belize's total expenditures in fiscal year 2005/06, compared to 32.4% in fiscal year 2004/05.

Wages and salaries consumed 39.8% of total revenue and grants in 2005/06 compared to 44.0% in fiscal year 2004/05. Belize's expenditure on wages and salaries tends to be relatively high in relation to GDP given the need to maintain full sovereign government operations, and to deliver government services, in a small country with a low population density.

Interest expenditure decreased to U.S.$74.9, or 23.6% of total expenditure, in fiscal year 2005/06 compared to U.S.$87.9 million, or 26.8% of total expenditures, in fiscal year 2004/05. The decrease in interest expenditure from 2004/05 reflects a return to a more even interest profile after a sharp rise in fiscal year 2004/2005 associated with a debt refinancing transaction. Interest expenditure consumed 26.8% of total revenue and grants in fiscal year 2005/06 compared to 37.5% in fiscal year 2004/05.

In fiscal year 2005/06, capital expenditures decreased by 26.3% to U.S.$45.2 million, or 4.1% of GDP, from U.S.$61.3 million, or 5.8% of GDP, in 2004/05. This decrease was primarily the result of a slow down in road and housing construction. There was also a decline in Capital III expenditures of 63.0% to U.S.$13.9 million in 2005/06 from U.S.$37.6 million in 2004/05.

Fiscal Year 2006/07 Budget

The fiscal year 2006/07 budget is consistent with Belize's overall macroeconomic program, which has as its primary goals the promotion of sustained economic growth and poverty reduction and does not take into account any reduction in debt servicing costs that may result from this Offer. The overall deficit for fiscal year 2006/07 is budgeted to decrease to U.S.$34.6 million from the U.S.$37.4 million deficit, posted in fiscal year 2005/06. Budgeted current revenue for fiscal year 2006/07 totals U.S.$281.5 million. Belize projects that more than 90.0% of total revenue in fiscal year 2006/07 will be received from tax revenue, which is budgeted to increase by 8.3% over fiscal year 2005/06, primarily as a result of:

- the introduction of an *ad valorem* general sales tax to replace the sales tax; and
- improvements in Customs administration.

Budgeted expenditure for fiscal year 2006/07 totals U.S.$333.9 million, an increase of 5.2% from fiscal year 2005/06 due largely to moderate increases in current expenditure on goods and services as well as an increase in capital expenditure on foreign financed projects. The fiscal year 2006/07 expenditure budget is comprised of U.S.$280.8 million for current expenditure and U.S.$53.1 million for capital expenditure, of which U.S.$27.1 million is for Capital II expenditure and U.S.$24.4 million is for Capital III expenditure.

Of the current expenditure budget, U.S.$111.8 million is allocated to wages and salaries and U.S.$72.8 million is allocated to interest expenditure.

The budgeted fiscal year 2006/07 deficit of U.S.$34.6 million is expected to be financed primarily by foreign sources, including loans from multilateral development institutions and, to a limited extent, commercial loans. Foreign source financings are expected to be U.S.$31.6 million in fiscal year 2006/07 with budgeted disbursements of U.S.$88.1 million exceeding budgeted amortization payments of U.S.$56.5 million.

Tax Reform

In 1999, Belize introduced a number of reforms the objective of which is to simplify the calculation of tax liability, reduce overall tax rates, broaden the tax base, improve the effectiveness of tax administration and tax collection, and control tax evasion. In late 2000, Belize enacted a tax reform bill, which limits the discretionary tax exemption that the executive arm of the Government can approve. In the fiscal year 2005/2006 the Government implemented a set of measures to increase revenues including increases in excise taxes (on beer, soft drinks, tobacco and alcohol) and sales tax. In early 2005, the Government appointed a broad-based Tax Reform Committee that recommended the re-introduction of a value added type tax and steps to modernize the Customs Administration. In July 2006 a new general sales tax was introduced to replace the sales tax and a project to modernize the Customs administration has recently been approved by the Cabinet.

Individual Income Tax

Prior to 1999, Belize taxed individual income at a graduated marginal rate ranging from 15% to 45% and a number of deductions were available. In 1999, a flat tax and income threshold replaced the graduated rate structure. As a result, all individual income in Belize in excess of Bz.$20,000 per year is taxed at a rate of 25%.

Amendments to the Income Tax Act

In June 2006 the Government of Belize introduced legislation in the National Assembly to amend the Income and Business Tax Act to provide for the application of an income tax regime (as opposed to the current business tax regime) on companies involved in petroleum operations. The amendment provides for a special income tax rate of 40% on the chargeable income of such companies after making all allowable deductions for expenses. The bill was adopted by the House of Representatives and Senate in November 2006. It is estimated that, based on current and projected productions levels, this tax should yield additional tax revenue of about 1.0% of GDP in 2006 and peak at 1.2% of GDP in 2007 and gradually fall to 0.5% of GDP by 2015.

Business Tax

As a result of the 1999 reforms, all businesses in Belize are now taxed on the basis of gross receipts rather than profits. The rates vary according to type of business. As a result of the 2005 amendment, the tax on gross receipts of most categories of business activities was increased from a rate of 1.25% to 1.75%, with the rates going as high as 15.0% for licensed financial institutions. The gross receipts tax on professional activities also increased from a rate of 4.0% to 6.0%.

Sales Tax

The 1999 reforms abolished the 15.0% value added tax, or VAT, and replaced it with an 8.0% tax on the sale of all goods, whether produced locally or imported into the country. The sales tax was applied to a variety of goods that were previously exempt under the VAT regime. Also, unlike the VAT, the sales tax also applied to the provision of services. In 2005 the general rate of the tax was increased to 9% while the rate on rate on alcohol, tobacco and fuel was increased to 14%. Sales of alcohol, tobacco and fuel were taxed at a rate of 12.0%. This tax was repealed in July 2006 and replaced by a new general sales tax.

General Sales Tax

In July 2006, the general sales tax, a new broad-based, value added type tax, replaced the sales tax. The general sales tax contains many of the features of a typical value added tax including an in-put, out-put tax mechanism, invoicing mechanisms, and zero tax on a limited number of basic commodities. The tax is essentially a consumption tax and is designed to bring greater buoyancy to the tax revenue and to eliminate the negative effects of cascading. The general sales tax carries a uniform tax rate of 10% on taxable items and a zero-rate on a limited number of goods. In addition, certain supplies and imports are exempted from the tax in which case the input taxes are not recoverable. It is anticipated that the receipts under this tax will be at least equal to those collected under the repealed sales tax. At the time of introduction of the general sales tax, two additional minor taxes (an entertainment tax and a stamp duty tax on receipts) were also repealed.

Land Tax

In January 2004, the National Assembly amended the land tax laws to provide standard schedules for the assessment of the annual tax on the declared unimproved value of land outside of towns, to provide a more expeditious procedure for the recovery of the tax, and to strengthen the penalties for violations of the Land Tax Act of 2000. Under the amendments, which became effective in April 2004, the amount of the land tax is set using standard schedules, which are based upon acreage, location of the land and use rather than on the appraised value of the individual parcel of land. Prior to the implementation of the revised land tax law, the value of land was assessed on an individual basis, which resulted in delays in the tax collection process. Pursuant to the standard schedules, there are various categories of specified land values, including agricultural, suburban, beaches and cayes and village lots on which the unimproved land tax is imposed in distinct Districts in Belize—namely, Corozal and Orange Walk, Cayo, Belize, Stann Creek and Toledo. The tax is 1% per annum on the declared unimproved value of land, which ranges from U.S.$25 per acre to U.S.$5,000 per acre. When taxes are paid by the due date, a discount of the equivalent of 5% of the tax is granted to the taxpayer.

In respect to valuations of land, without prejudice to a landowner's right to object to the valuation, a landowner is required to pay the declared value prior to the hearing. Only after a valuation is altered as the result of an objection and amended would the landowner be refunded any amounts paid in excess.

Taxes on International Trade

Import Duties

All goods imported into Belize are subject to import duties that are calculated on the basis of the cost, insurance and freight, or c.i.f., value of the import. In 2000, Belize implemented the fourth and final stage of the CARICOM Common External Tariff, which sets duties within a range of 0.0% to 20.0%. In late 2000, Belize abolished the discretionary authority of the Ministry of Finance to waive import duties.

Revenue Replacement Duties

The revenue replacement duty is applied to certain categories of goods to compensate for the revenue loss associated with the removal or reduction of import duties that were effected by the creation of CARICOM. Most revenues generated by the revenue replacement duty result from the tax being applied to petroleum imports.

Environmental Tax

In February 2005, Belize increased the 1.0% tax on the c.i.f. value of all imports deemed to be environmentally sensitive to 3.0%. Proceeds of the tax are designated for solid waste disposal projects and are shared between the central Government and municipalities.

Social Tax

In 2005, Belize issued a revised social fee order which imposed a tax of 10.0% on fuel, 6.0% on whiskey, brandy, beverage, rum, gin, cigarettes, beer and stout, and 1.5% on all other goods imported into a commercial free zone. Proceeds of this tax are designated for spending on social programs.

Anti-Land Speculation Tax

In 2001, Belize introduced a tax of 5.0% on the unimproved value of all tracts of land larger than 300 acres determined by the Ministry of Natural Resources as being held idle. The goal of the tax is to encourage the productive use of land.

PUBLIC DEBT

General

The Constitution requires that any public sector debt payable from any amount deposited into Belize's consolidated fund be approved by the National Assembly. Belize's consolidated fund comprises all Government revenues. Generally, any public sector debt proposed to be paid from Belize's consolidated fund is submitted for approval by the National Assembly in conjunction with the National Assembly's approval of Belize's annual budget. Belize also may seek the approval of other public sector debt that is not initially included in Belize's annual budget by submitting a supplemental approval request to the National Assembly. There is no constitutional prohibition on Government default with respect to any public sector debt.

Belize's public sector debt consists of domestic public sector debt and external public sector debt. In addition, Belize has guaranteed certain secured debt obligations issued by the Development Finance Corporation (DFC) and certain privatized entities, as described under "—External Public Sector Debt—Central Government Contingent External Liabilities". The amounts of Belize's guarantees (i.e., contingent external liabilities) are separately presented under "—External Public Sector Debt—Central Government Contingent External Liabilities." The DFC's unsecured Government-guaranteed debts are discussed in the section "The Monetary System—Banking and Financial Institutions—The Development Finance Corporation". The guarantees represent obligations in respect of which the Government could, in the future, be required to make substantial payments in addition to its domestic and external public sector debt service obligations. Since November 2004, about U.S.$3.2 million has been paid by the Government to cover mortgage payment shortfalls. Payments of approximately U.S.$400,000 per quarter are expected to continue until 2012.

The figures, ratios and percentages presented in this section do not include the principal amount of any guarantees granted by Belize to any public or private sector entity.

Domestic Public Sector Debt

General

The Government's domestic public sector debt consists of overdrafts, treasury bills, treasury notes, defense bonds, debentures and loans as well as obligations to the Belizean Social Security Board. The remaining public sector debt consists of debt incurred by the DFC and debt incurred by the non-financial public sector, such as the Belize Airport Authority and the Belize Water Service Ltd. The Central Bank has no domestic debt. The Government is limited by the Central Bank Act to incurring overdrafts up to a maximum aggregate amount of U.S.$25.0 million, or 20.0% of current revenue collected in the previous fiscal year, whichever is greater. In addition, the Government's issuance of treasury bills and treasury notes is limited by the Treasury Bill Act to maximum aggregate amounts of U.S.$50.0 million and U.S.$37.5 million, respectively. Outstanding balances of treasury bills and treasury notes are generally rolled over upon maturity.

The following table shows the domestic public sector debt for the five years ended December 31, 2005 and for the six month period ended June 30, 2006:

Domestic Public Sector Debt

	Year ended December 31,					Six months ended June 30,
	2001	**2002**	**2003**	**2004**	**2005**	**2006**
			(in millions of U.S.$)			
Central Government[1]	U.S.$ 104.4	U.S.$ 86.1	U.S.$ 128.9	U.S.$ 139.3	U.S.$ 139.7	U.S.$ 163.2
Overdraft (of which is):	32.8	0.8	38.5	46.0	48.2	72.7
Central Bank	32.7	0.0	37.1	41.3	44.8	72.6
Commercial Banks	0.1	0.8	1.4	4.7	3.4	0.1
Treasury Bills	35.0	50.0	50.0	50.0	50.0	50.0
Treasury Notes	12.0	12.0	12.0	12.0	12.0	12.0
Defense Bonds	7.5	7.5	7.5	7.5	7.5	7.5
Debentures	3.1	0.0	0.0	0.0	0.0	0.0
DFC (Debt Restructuring)	4.7	4.4	4.2	4.0	3.7	3.6
Belize Social Security Board Housing Loan	0.4	0.4	0.3	0.3	0.3	0.3
Debt for Nature Swap	7.3	6.7	6.2	5.7	5.1	4.8
Cohune Walk Housing Loan	1.7	1.6	1.5	1.4	1.2	1.1
Belize Bank Limited Marine Parade	0.0	2.5	7.5	12.0	10.9	10.4
Guardian Life	0.0	0.0	0.5	0.5	0.5	0.5
Caye Caulker Airstrip Loan – Atlantic Bank Limited	0.0	0.0	0.0	0.0	0.4	0.2
Non-Financial Public Sector	4.9	4.7	4.3	0.9	16.9	11.5
Financial Public Sector DFC[2]	19.4	21.4	25.0	23.1	18.4	16.1
Total Domestic Public Sector Debt	U.S.$ 128.7	U.S.$112.2	U.S.$ 157.5	U.S.$ 163.3	U.S.$ 175.0	U.S.$ 190.8

(1) As of June 30, 2006, (1) treasury bills represented U.S.$50.0 million, or 30.6%, of total Government domestic debt, (2) overdrafts represented U.S.$72.7 million, or 29.8%, of total Government domestic debt and (3) treasury notes represented U.S.$12.0 million, or 9.3%, of total Government domestic debt.

(2) Loans contracted by Central Bank and the central Government externally, onlent to DFC were not reported in the domestic debt, but are recorded as external debt of Central Bank and the Government.

Source: Central Bank of Belize

As of June 30, 2006, Belize's domestic public sector debt was U.S.$190.8 million, or 17.3% of GDP, as compared to U.S.$175.0 million, or 15.8% of GDP, as of December 31, 2005.

During 2005, the amount of overdraft financing received by the Government from the Central Bank increased by 8.5% to U.S.$44.8 million, or 19.6% of current revenue of the previous fiscal year, as compared to U.S.$41.3 million, or 19.4% of the current revenue of the previous fiscal year, in 2004. As of June 31, 2006, the total outstanding amount of Central Bank overdraft financing was U.S.$72.6 million, or 27.4% of current revenue of fiscal year 2005/06. In addition, the Government acquired a

U.S$0.4 million loan from a local commercial bank to upgrade the Caye Caulker Airstrip. Any incurrence of domestic public sector debt is guaranteed by the central Government.

The DFC's domestic debt decreased to U.S.$18.4 million in 2005 from U.S.$23.1 million in 2004. During 2005, the remaining principal balance on the U.S.$48.5 million loan and the U.S.$46.5 million loan obtained by the DFC from the Government for debt refinancing in 2002 and 2003 were transferred back to the Government as part of the ongoing liquidation of the DFC. In addition, the DFC made payments during 2005 of approximately U.S.$2.5 million on a U.S.$10.0 million loan granted to the DFC by the Central Bank in 2000.

Domestic Public Sector Debt Amortization

During 2005, the aggregate amount of central Government principal repayments on its domestic debt totaled U.S.$2.2 million, including payments:

- to Belize Bank Limited, with respect to loans incurred for infrastructure development;
- to the DFC, in connection with debt restructuring loans;
- under the Belize/U.S. Debt for Nature swap;
- to the Belize Social Security Board for housing loans;
- to Reconstruction and Development for the Cohune Walk housing project; and
- to Atlantic Bank Limited for the Caye Caulker Airstrip loan.

The following table shows the amortization schedule for domestic public sector debt outstanding as of December 31, 2005 for the five years ending December 31, 2010:

Domestic Public Sector Debt Amortization Schedule

	Year ended December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
	(in millions of U.S.$)				
Central Government[1]	U.S.$ 2.5	U.S.$ 2.6	U.S.$ 2.6	U.S.$ 2.6	U.S.$ 2.8
Non-Financial Public Sector	0.3	0.3	0.3	0.1	0.0
Financial Public Sector DFC	0.4	1.0	1.1	1.1	1.2
Total Domestic Public Sector	U.S.$ 3.2	U.S.$ 3.9	U.S.$ 4.0	U.S.$ 3.8	U.S.$ 4.0

(1) Assumes rollover of treasury notes, treasury bills and overdrafts.

Source: Central Bank of Belize

Following the withdrawal of British defense forces in 1994, Belize issued defense bonds in the aggregate principal amount of Bz.$15.0 million to finance the military. U.S.$5.0 million of these bonds were rolled over in 2005, maturing in 2015 and the remaining U.S.$2.5 million will mature in 2009. These bonds are supported by sinking funds equal to the outstanding principal amount due at maturity. The remaining domestic public sector debt, other than overdrafts, treasury bills and treasury notes, will mature within five years. Outstanding balances of overdrafts, treasury bills and treasury notes are rolled over. Treasury bills mature within 90 days and treasury notes range from one to five years in maturity.

Domestic Public Sector Debt Interest

Belize's domestic public sector debt carries fixed interest rates ranging from 3% to 12%. None of Belize's domestic debt is subject to variable interest rates.

The following table shows the interest schedule for domestic public sector debt that is projected to be outstanding as of December 31, 2006 for the five years ending December 31, 2010:

Domestic Public Sector Debt Interest Payment Schedule

	Year ended December 31,			
	2007	**2008**	**2009**	**2010**
	(in millions of U.S.$)			
Central Government(1)	U.S.$ 6.4	U.S.$ 4.1	U.S.$ 2.9	U.S.$ 3.0
Non-Financial Public Sector	0.0	0.0	0.0	0.0
Financial Public Sector DFC	0.9	0.7	0.5	0.5
Total Domestic Public Sector	U.S.$ 7.3	U.S.$ 4.8	U.S.$ 3.4	U.S.$ 3.5

(1) Does not include interest payments on overdrafts, as it may not be possible to anticipate the amount of overdrafts that the central Government will incur in future years. The interest rate on overdrafts is calculated on a monthly basis and is currently 11.0%.

Source: Central Bank of Belize

During 2005, the central Government made aggregate interest payments of U.S.$9.4 million on its domestic public sector debt, including:

- approximately U.S.$4.5 million associated with overdraft balances;
- U.S.$1.3 million on treasury bills and U.S.$1.2 million on treasury notes;
- U.S.$0.6 million on defense bonds; and
- an aggregate of approximately U.S.$1.8 million on several small loans.

External Public Sector Debt

General

As of December 31, 2005, the combined external public sector debt and publicly guaranteed external debt, amounted to U.S.$1,009.8 million or an estimated 91.4% of GDP compared to U.S.$964.8 million or 91.4% of GDP as of December 31, 2004.

Of the total public sector external debt of U.S.$924.6 million as of December 31, 2005, 94.6% was attributable to the central Government, and the remainder was attributable to the financial public sector (3.0%) and the non-financial public sector (2.4%). Of the total public sector guaranteed debt of U.S.$85.2 million as at December 31, 2005, approximately 38.8% was attributable to DFC's securitized debt and multilateral debt, while the remaining 61.2% was attributable to privatized public enterprises.

The total public sector external debt (excluding guaranteed debt) of U.S.$924.6 million was comprised of 38.5% in international (external) bonds, 22.4% in multilateral debt, 17.1% in bilateral debt, and 21.9% in debt due to commercial banks and special purpose vehicles.

Interest rates on the multilateral and bilateral credits range from 2.0% to 7.0% while interest rates on commercial credits and bonds range from 4.9% to 11.0%. The average remaining life on the multilateral and bilateral credits is approximately eight years while the average remaining life on the commercial credits and bonds is approximately five years.

Principal repayments on public sector external debt for the each year from 2006 until 2010 are estimated to be U.S.$73.9 million in 2006, U.S.$149.6 million in 2007, U.S.$69.0 million in 2008, U.S.$66.2 in 2009 and U.S.$90.1 million in 2010. Interest payments over the same period of time are estimated at U.S.$75.9 million in 2006, U.S.$67.7 million in 2007, U.S.$55.8 million in 2008, U.S.$55.8 in 2009 and U.S.$48.7 million in 2010. Both principal and interest forecasts above assume that creditors of the RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2004 – 2014 exercise their put option agreement in 2007.

During 2004, the Government completed the refinancing of certain public sector external loans, namely U.S.$76.1 million with the Royal Bank of Trinidad and Tobago (RBTT) of which U.S.$65.0 million was in respect of mortgage-backed debt obligations of the DFC. In addition, U.S.$78.0 million in short-term loans with The International Bank of Miami was refinanced by the issuance of new notes to regional investors. These notes were repaid in full during 2005.

During 2005, the Government completed a private placement of U.S.$136.7 million on the international market. Additionally, the Republic of China (Taiwan) disbursed U.S.$32.0 million for budgetary support and to facilitate the partial repurchase of the Belize Water Services Ltd. (BWSL). The balance owing for the repurchase of BWSL was issued in the form of promissory notes totaling U.S.$9.9 million to BWS Finance Ltd. The outstanding balance of U.S.$6.2 million for infrastructure works completed by Johnston International was also paid by a short-term promissory note. Throughout 2005, the Caribbean Development Bank disbursed U.S.$9.2 million to finance projects, which was designated for technical and vocational training, health sector reform, southern highway rehabilitation, disaster management, and the Orange Walk Bypass. The Inter-American Development Bank also provided U.S.$3.1 million for hurricane rehabilitation, land management, and tourism development projects.

From January to June 2006, external public sector debt disbursements totaled approximately U.S.$18.2 million, while principal payments totaled U.S.$30.5 million. All of this debt was incurred by central Government, which included:

- U.S.$2.3 million from multilateral agencies, including U.S.$0.8 million from the Inter-American Development Bank and U.S.$1.5 million from the Caribbean Development Bank for various projects; and

- U.S.$15.0 million from bilateral official sources, principally the Republic of China (Taiwan), which extended a loan for budgetary support.

The following table shows Belize's external debt by creditor category for the five years ended December 31, 2005 and the six month period ended June 30, 2006:

External Public Sector Debt by Creditor

	As of December 31,				As of June 30,	
	2001	2002	2003	2004	2005	2006
	(in millions of U.S.$)					
PRIVATE SECTOR CREDITORS	U.S.$209.9	U.S.$ 263.5	U.S.$ 446.8	U.S.$ 518.2	U.S.$ 559.3	U.S.$ 542.1
Bonds	94.0	211.9	324.6	466.0	356.4	351.0
Bear Stearns & Co. Inc. 9.50% Notes due 2012	0.0	125.0	125.0	125.0	125.0	125.0
Bear Stearns & Co. Inc. 9.75% Notes due 2015	0.0	0.0	100.0	100.0	100.0	100.0
Capital Market Financial Services Re-Profile Notes due 2004	0.0	0.0	0.0	79.0	0.0	0.0
Citicorp Merchant Bank Limited 8.95% Fixed Rate Bonds due 2013	0.0	0.0	20.0	20.0	20.0	18.8
Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds 1997 – 2007	8.6	7.1	5.7	4.3	2.9	2.1
Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds 1998 – 2008	11.1	9.4	7.7	6.0	4.3	3.4
RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2004 – 2014	0.0	0.0	0.0	69.9	76.1	76.1
Salomon Smith Barney Notes due 2005	29.1	29.1	29.1	29.1	0.0	0.0
Royal Merchant Bank 9.50% Fixed Rate Bonds due 2010	45.2	41.3	37.1	32.7	28.1	25.6
Special Purpose Vehicle Loans	U.S.$ 0.0	U.S.$ 0.0	U.S.$ 0.0	U.S.$ 0.0	U.S.$ 129.5	U.S.$ 122.4
Belize Sovereign Investments I (Cayman) Ltd Loan due 2015	0.0	0.0	0.0	0.0	65.2	65.2
Belize Sovereign Investments II (Cayman) Ltd Loan due 2010	0.0	0.0	0.0	0.0	64.3	57.2
Commercial Bank Facilities	U.S.$115.9	U.S.$ 51.6	U.S.$ 122.2	U.S.$ 52.2	U.S.$ 73.4	U.S.$ 68.7
Barclays Bank PLC	8.3	2.9	0.0	0.0	0.0	0.0
Belize Bank (Previously Johnston International)	0.0	0.0	0.0	0.0	6.3	6.3
The International Bank of Miami	4.0	3.4	2.7	2.0	1.2	0.7
Citibank (Trinidad & Tobago) (1)	10.4	6.1	1.9	0.6	0.0	0.0
Citicorp Merchant Bank Ltd(2)	4.4	3.1	1.9	0.6	0.0	0.0
Provident Bank and Trust	14.8	2.1	0.9	0.1	0.1	0.0
Russer Financial Ltd	0.0	0.0	0.0	0.0	5.0	0.0
The International Bank of Miami	74.0	34.0	114.8(3)	48.9	50.9	51.8
BWS Finance Ltd.	0.0	0.0	0.0	0.0	9.9	9.9
OFFICIAL SECTOR CREDITORS	U.S.$274.2	U.S.$ 309.6	U.S.$ 305.0	U.S.$ 326.0	U.S.$ 365.3	U.S.$ 372.1
Multilateral Facilities	U.S.$127.5	U.S.$ 148.2	U.S.$ 174.1	U.S.$ 189.2	U.S.$ 207.1	U.S.$ 204.7
Caribbean Development Bank	44.9	46.1	53.5	63.9	86.9	86.3
European Union	11.3	12.3	16.2	16.5	13.8	14.5
Inter-American Development Bank	34.3	48.6	63.9	70.4	71.0	70.1
International Bank for Reconstruction and Development	33.9	36.7	35.4	33.5	30.8	29.5
International Fund for Agricultural Development	1.1	1.0	1.2	1.0	1.0	0.9
OPEC Fund for International Development	2.0	3.5	3.9	3.9	3.6	3.4
Bilateral Facilities	U.S.$146.7	U.S.$ 161.4	U.S.$ 130.9	U.S.$ 136.8	U.S.$ 158.2	U.S.$ 167.4
Banco Nacional de Comercio (México)	0.0	0.0	4.2	4.5	4.5	4.5
Banco de Desarrollo Económico y Social de Venezuela	1.8	1.3	0.6	0.5	0.4	0.3
Government of Kuwait	10.9	14.9	15.0	14.4	13.6	13.2
Government of People's Republic of China	0.1	0.1	0.1	0.1	0.0	0.0
Government of Republic of China (Taiwan)	71.3	91.8	88.3	99.3	123.0	134.4
Government of Spain	0.4	0.2	0.0	0.0	0.0	0.0
Government of United Kingdom	11.0	9.8	8.3	6.2	3.9	3.2
Government of United States of America	7.5	6.7	5.9	5.0	4.1	3.6
Officially Guaranteed Export Credits	43.7	36.6	8.5	6.8	8.7	8.2
Total External Public Sector Debt	U.S.$484.1	U.S.$ 573.1	U.S.$ 751.8	U.S.$ 844.2	U.S.$ 924.6	U.S.$ 914.2

(1) The Central Bank used U.S.$5.0 million out of the proceeds received from Citibank (Trinidad & Tobago) to finance the DFC's lending operations.

(2) The Central Bank used the proceeds from this loan to finance DFC lending operations.

(3) Includes U.S.$95.7 million loan arranged by The International Bank of Miami in 2003 to facilitate purchase of Belize Telecommunication Ltd. (BTL) shares and to refinance DFC debt.

Source: Central Bank of Belize

During 2005, external public sector debt disbursements totaled approximately U.S.$214.0 million, while external public sector debt amortization totaled U.S.$153.5 million. All disbursements in 2005 went to the central Government, including:

- U.S.$26.7 million from commercial creditors, of which U.S.$9.9 million were in promissory notes to BWS Finance Ltd., for the repurchase of BWSL shares and U.S.$6.2 million for infrastructural works completed by Johnston International;

- U.S.$65.2 million from the March 2005 issuance of the Belize Sovereign Investments I (Cayman) Limited Loan due 2015, used to refinance debt obligations and support the balance of payments;

- U.S.$71.5 million from the March 2005 issuance of Belize Sovereign Investments II (Cayman) Limited Loan due 2010, used to refinance debt obligations and support the balance of payments;

- U.S.$13.3 million from multilateral agencies, including U.S.$9.2 million from the Caribbean Development Bank, which was designated for technical and vocational training, health sector reform, southern highway rehabilitation, disaster management, and the Orange Walk Bypass; and

- U.S.$31.0 million from bilateral agencies, principally the Republic of China (Taiwan), which partially funded the repurchase of BWSL.

External Public Sector Debt Amortization

Principal and interest payments on external public sector debt in 2005 totaled U.S.$217.4 million. The ratio of principal and interest payments to GDP was 19.7% in 2005 as compared to 17.7% in 2004, principally due to a U.S.$150.0 million principal amortization payment in 2005 that included debt refinanced using the proceeds of the Belize Sovereign Investments II (Cayman) Limited Loan due 2010.

The following table shows the maturity structure for external public sector debt outstanding as of June 30, 2006:

Total External Public Sector Debt Maturity Structure*

	Less than 1 year	**1-5 years**	**5-10 years**	**10 years & over**	**Total**
			(in millions of U.S.$)		
Bonds	U.S.$ 89.0	U.S.$ 41.3	U.S.$ 233.3	U.S.$ 0.0	U.S.$ 363.6
Commercial Banks	29.1	120.9	46.5	0.0	196.5
Multilateral	16.1	61.1	67.0	175.2	319.4
Bilateral	15.5	58.9	69.5	123.7	267.6
Total	U.S.$ 149.7	U.S.$ 282.2	U.S.$ 416.3	U.S.$ 298.9	U.S.$ 1,147.1

Source: Central Bank of Belize

*Assumes creditors of the RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2004 – 2014 exercise put option agreement in 2007.

External public sector debt interest payments increased to U.S.$67.4 million in 2005 from U.S.$55.5 million in 2004. The central Government made approximately 97.1% of the external public sector debt interest payments in 2005. During 2005, a substantial portion of the Government's interest payments was made to commercial banks, including the Royal Merchant Bank (U.S.$13.0 million), Salomon Smith Barney (U.S.$1.3 million) and Citibank (Trinidad & Tobago) (U.S.$0.6 million). Central

Government payments to multilateral and bilateral agencies in 2005 totaled U.S.$6.3 million and U.S.$6.0 million, respectively. Interest payments by the financial public sector in 2005 amounted to U.S.$1.2 million, approximately U.S.$0.1 million of which related to commercial loans.

The following table projects the amounts of interest payments for external public sector debt for the years ending December 31 from 2007 through 2010, based on the debt outstanding as of September 30, 2006:

External Public Sector Debt Interest Schedule*

	Year ending December 31,			
	2007	**2008**	**2009**	**2010**
	(in millions of U.S.$)			
Multilateral	U.S.$ 9.1	U.S.$ 8.6	U.S.$ 7.7	U.S.$ 6.2
Bilateral	6.9	6.5	9.8	6.5
Commercial Banks	11.9	9.5	8.1	6.6
Bonds	39.8	31.2	30.2	29.4
Total	U.S.$ 67.7	U.S.$ 55.8	U.S.$ 55.8	U.S.$ 48.7

Source: Central Bank of Belize

*Assumes creditors of the RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2004 – 2014 exercise their put option agreement in 2007.

Currency of External Public Sector Debt

The following table shows the Government's external public sector debt by currency of denomination for the five years ended December 31 and the year ending December 31, 2006 as budgeted:

Currency Composition of External Public Sector Debt

	Year ended December 31,					
	2001	**2002**	**2003**	**2004**	**2005**	**2006***
	(as percent of total external public sector debt)					
U.S. Dollars	92.4%	91.0%	94.3%	95.2%	96.2%	96.6%
Euro	2.6	4.5	2.4	2.3	1.8	1.6
Pound Sterling	2.4	1.7	1.1	0.7	0.4	0.3
Kuwaiti Dinars	2.3	2.6	2.0	1.7	1.5	1.5
Others	0.3	0.2	0.2	0.1	0.1	0.0

*Budgeted.

Source: Central Bank of Belize

The appreciation of the euro, pounds sterling and Kuwait dinar against the U.S. dollar led to positive valuation adjustments on loans denominated in these currencies during 2005. The upward adjustment of the euro, pounds sterling and Kuwait dinar-denominated loans totaled U.S.$13.8 million, U.S.$3.9 million, and U.S.$13.6 million, respectively. At December 31, 2005, 96.2% of external public sector debt was denominated in U.S. dollars, 1.8% was denominated in euro, 0.4% was denominated in pounds sterling, and 1.5% was denominated in Kuwait dinars.

Central Government Contingent External Liabilities

As of June 30, 2006, the aggregate principal amount of external public sector debt guaranteed by the central Government was U.S.$83.3 million, of which U.S.$31.2 million related to DFC mortgage-backed financings, and the remaining U.S.$38.9 million related to liabilities of the electricity and water entities privatized by the Government in 1999 and 2001, respectively, and the port which was privatized by the Government in 2002. The liabilities of these entities were guaranteed by the Government prior to the respective privatizations.

The DFC uses mortgaged-backed financings to assign packages of mortgage loans to fund its lending activities. On April 22, 2002, the DFC completed a mortgage-backed financing pursuant to which Belize Mortgage Company 2002-1, a special purpose company, issued U.S.$40.0 million 8.5% Class A Bonds due 2012 and U.S.$4.5 million 12.0% Class B Bonds due 2012. The Government has guaranteed the repayment of these bonds. Since November 2004, about U.S.$3.2 million has been paid by the Government to cover mortgage payment shortfalls. Payments of approximately U.S.$400,000 per quarter are expected to continue until 2012.

In addition, in 1999 and 2000, the DFC completed a mortgage securitization arrangement with the Royal Merchant Bank of Trinidad and Tobago (RBTT), pursuant to which the DFC assigned to RBTT the future flows of interest and principal for a pool of mortgages held by the DFC, in exchange for the net present value of the aggregate mortgage amount assigned. In October 2004 this facility was refinanced through the issuance of a 10-year note from RBTT directly to the Government of Belize. In October 2001, the DFC also sold U.S.$40.0 million of real estate in Belize to RBTT, subject to a three-year buy back arrangement. This loan was fully repaid in 2003. See "The Monetary System—Banking and Financial Institutions—The Development Finance Corporation".

The following table shows the Government's guarantees for the four years ended December 31, 2005 and for the six month period ended June 30, 2006:

Central Government External Guaranteed Debt (Contingent Liabilities)

	Year ended December 31,				Six months ended,
	2002	**2003**	**2004**	**2005**	**June 30, 2006**
			(in millions of U.S.$)		
Debt for privatized entities	U.S.$ 56.0	U.S.$ 55.4	U.S.$ 69.7	U.S.$ 38.9	U.S.$ 38.9
Belize Water Services	20.2	21.8	19.5	0.0	0.0
Belize Electricity Ltd.	23.9	22.8	19.6	17.4	17.4
Port Belize Ltd.	11.9	10.8	30.6	21.5	21.5
Debt for private entities	0.0	0.0	14.2	13.2	13.2
Debt relating to DFC mortgage-backed financing	136.6	96.1	36.7	33.1	31.2
Total	U.S.$ 192.6	U.S.$ 151.5	U.S.$ 120.6	U.S.$ 85.2	U.S.$ 83.3

Source: Central Bank of Belize

Debt Service Indicators and Disbursed Debt

External public sector debt as a percent of GDP rose to 83.7% at December 31, 2005 from 80.0% at December 31, 2004, reflecting increased borrowing over external public sector debt amortizations. External public sector debt interest payments as a percent of exports of goods and services increased to 11.0% at December 31, 2005 from 10.2% at December 31, 2004.

The following table shows public sector debt indicators for the five years ended December 31, 2005:

Debt Indicators

	Year ended December 31,				
	2001	**2002**	**2003**	**2004**	**2005**
	(in millions of U.S.$, except percentages)				
External Public Sector Debt Service					
Principal	U.S.$ 47.6	U.S.$145.1	U.S.$ 82.8	U.S.$ 131.0	U.S.$ 150.0
Interest	30.5	27.0	43.8	55.5	67.4
Total	U.S.$ 78.1	U.S.$172.1	U.S.$126.6	U.S.$ 186.5	U.S.$ 217.4
Exports of Goods and Services(1)	U.S.$435.4	U.S.$485.6	U.S.$527.6	U.S.$ 542.8	U.S.$ 615.1
Interest on External Public Sector Debt/Exports of Goods and Services (%)	7.0%	5.6%	8.3%	10.2%	11.0%
External Public Sector Debt/ GDP (%)	55.6	61.5	76.1	80.0	83.7
Domestic Public Sector Debt/ GDP (%)	14.8	12.0	15.9	15.5	15.8
Total Public Sector Debt/ GDP (%)	70.4%	73.5%	92.0%	95.5%	99.5%

(1) Equal to exports free on board plus the services credit component of the services balance. The services credit was equal to U.S.$166.3 million in 2001, U.S.$175.9 million in 2002, U.S.$212.1 million in 2003, U.S.$235.3 million in 2004, and U.S.$292.9 million in 2005.

Source: Central Bank of Belize

The following table projects the amounts of debt service payments for public sector debt for the years ending December 31 from 2006 through 2010, based on the debt outstanding as of September 30, 2006:

Debt Service Payments*

	Year ending December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
	(in millions of U.S.$)				
Domestic Public Sector Debt					
Outstanding	U.S.$ 131.2	U.S.$ 127.3	U.S.$ 123.3	U.S.$ 119.5	U.S.$ 115.5
Principal Repayments	3.2	3.9	4.0	3.8	4.0
Interest Payments	11.0	6.4	4.1	2.9	5.0
Subtotal Domestic Debt Service	U.S.$ 14.2	U.S.$ 10.3	U.S.$ 8.1	U.S.$ 6.7	U.S.$ 9.0
External Public Sector Debt					
Outstanding	U.S.$ 925.5	U.S.$ 884.9	U.S.$ 830.1	U.S.$ 776.0	U.S.$ 611.6
Principal Repayments	73.9	149.6	69.0	66.2	90.1
Interest Payments	75.9	67.7	55.8	55.8	48.7
Subtotal External Debt Service	U.S.$ 149.8	U.S.$ 217.3	U.S.$ 124.8	U.S.$ 122.0	U.S.$ 138.8
Total					
Outstanding	U.S.$ 1,056.7	U.S.$ 1,012.2	U.S.$ 953.4	U.S.$ 895.5	U.S.$ 727.1
Principal Repayments	77.1	153.5	73.0	70.0	94.1
Interest Payments	86.9	74.1	59.9	58.7	53.7
Total Debt Service	U.S.$ 164.0	U.S.$ 227.6	U.S.$ 132.9	U.S.$ 128.7	U.S.$ 147.8

Source: Ministry of Finance; Central Bank of Belize

*Assumes creditors of the RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2004 – 2014 exercise their put option agreement in 2007.

THE MONETARY SYSTEM

The Central Bank

The Central Bank was established pursuant to the Central Bank Act of 1982. The Central Bank has a statutory obligation under the Central Bank Act to foster monetary stability and promote credit and exchange conditions conducive to economic growth in fulfillment of the Government's economic policy. The Central Bank Act provides the Central Bank with the statutory authority for regulating the activities of the Belizean banking system. The Central Bank is the sole issuer of Belizean currency and is charged with supervising and regulating the financial system, enacting monetary policy, managing the country's international reserves and supervising foreign exchange transactions.

The operations of the Central Bank are overseen by its board of directors, which currently consists of seven members, appointed by the Minister of Finance. The Board establishes the monetary, exchange and credit policies that are implemented by the Central Bank. There are three ex officio Board members consisting of the Governor of the Central Bank, the Financial Secretary of the Ministry of Finance and the Deputy Governor of the Central Bank. In addition, the Minister of Finance appoints the chairman of the Board. Normally, at least one of the Board's members will have a legal background.

The Central Bank's primary goals with respect to domestic policy are to:

- maintain the stability of the monetary system, prices and the value of Belizean currency;
- promote economic stability, economic development and the liquidity and solvency of the banking system; and
- oversee the operation of banks.

The Central Bank's primary goals with respect to external policy are to:

- maintain the value and convertibility of the Belizean dollar;
- manage and maintain international reserves; and
- act as the financial agent of the Government.

From the Central Bank's inception in 1982, Belize has used Central Bank financing as a short-term mechanism to finance Government deficits.

The Central Bank has worked with the Caribbean Development Bank, Inter-American Development Bank, the IMF and the World Bank to effect improvements in the banking system. In addition, the Central Bank has consulted with central banks of other nations to assist in the establishment of a framework of sanctions for violations of the Banks and Financial Institutions Act of 1995, as amended, and regulations thereunder. Its recent work with the multilateral agencies has generally focused on the following objectives:

- improving the supervision of the Central Bank over the banking system;
- providing technical assistance and general training of Central Bank staff; and
- providing educational assistance with respect to economic outlook strategies.

In recent years, the Central Bank has given particular attention to the development and implementation of monetary policies aimed at achieving Belize's inflation objectives, preserving the two-to-one exchange rate between the Belizean dollar and the U.S. dollar and maintaining long-term stability in the foreign exchange market. As the banking supervisory authority, the Central Bank is also required to ensure the soundness and development of the financial system pursuant to the Banks and Financial Institutions Act.

Monetary Policy

In accordance with the Central Bank Act, the Central Bank's monetary policy should foster a stable macroeconomic environment and counteract actual or anticipated adverse changes in the economy. Although the Central Bank does not have direct control over the pace of economic growth or over other economic factors, such as price levels, it is permitted to use various policies to accomplish its goals. The Central Bank Act empowers the Central Bank to implement certain monetary policy tools that include:

- setting the rates that commercial banks pay to depositors or charge to borrowers;
- adjusting the reserve requirements of the commercial banks; and
- directing the investment of commercial banks through lending policy controls.

Other than setting a minimum rate of 4.5% on savings deposits to safeguard the interests of small depositors, the Central Bank has allowed the market to determine the deposit rate. The Central Bank has also chosen not to implement lending policy controls over commercial banks due to the risk of adversely affecting market conditions and the high monitoring costs associated with enforcing those policies.

The management of commercial bank reserve requirements is the main tool that the Central Bank uses to effectuate monetary policy. The Central Bank has used this monetary tool to balance the competing goals of managing domestic credit creation, ensuring sufficient liquidity to foster economic growth and safeguarding net international reserves. Belize has found that any increase in demand in the Belizean economy tends to trigger an immediate increase in demand for imports. Because the Central Bank has no authority to alter the fixed exchange rate, it must occasionally adjust the reserve requirements in order to manage credit and liquidity so as to keep demand for foreign exchange at a manageable level. Since December 2004, the Central Bank has progressively increased the reserve requirements in order to reduce the rate of credit expansion.

Against this background of monetary tightening, the commercial bank weighted average lending rate increased by 30 basis points from 14.0% in 2004 to 14.3% in 2005. Notwithstanding a further 1.0% increase in reserve requirements in January 2006, the weighted average lending rate declined by 10 basis points in the first half of 2006 as foreign exchange inflows from exports of goods and services pushed up commercial bank liquidity.

In September 2006, there was a further 1.0% increase in reserve requirements.

Reserve requirements serve a dual function by acting as a monetary tool as well as to reassure depositors that the commercial banks have a portion of their deposits secured with the Central Bank, as currently the Central Bank has no deposit insurance program. At the end of June 2006, primary and secondary reserve requirements stood at 9.0% and 22.0% of average deposit liabilities, respectively.

Supervision of the Financial System

The Central Bank is empowered to oversee banks, financial institutions and credit unions. The Central Bank's broad oversight powers are specified in the Banks and Financial Institutions Act, the International Banking Act of 1996 and the Credit Unions Act. Regulations under the Banks and Financial Institutions Act and the International Banking Act are issued by the Central Bank and approved by the Minister of Finance. The National Assembly is not required to approve these regulations. In addition, the Central Bank may issue circulars describing requirements and standards.

The Central Bank is charged with monitoring compliance with its regulations and procures weekly and monthly balance sheets from banks and financial institutions and monthly income statements, and annual audited financial statements within four months of such bank or financial institution's fiscal year end. In addition, domestic banks must publish their annual audited financial statements in a Belizean newspaper. International banks must have annual audited financial statements readily available on-site. Banks are required to submit loan delinquency information to the Central Bank semi-annually.

The Central Bank conducts on-site inspections of commercial and international banks at annual intervals. Financial institutions are monitored continuously on:

- capital adequacy;
- liquidity;
- earnings; and
- non-performing loans.

Some of the Central Bank's staff receives training from the U.S. Federal Reserve that is usually completed over a four-year period. In addition, the Central Bank has received assistance from multilateral agencies such as the Inter-American Development Bank and the IMF in developing its supervisory controls. These efforts have been supplemented by other initiatives intended to improve the functioning and oversight of the financial system, including:

- technical assistance from the U.S. Treasury on anti-money laundering issues; and
- implementation of IMF recommendations regarding revisions to the International Banking Act and the Banks and Financial Institutions Act to conform to the Basle Accord.

If a bank or other financial institution were to become insolvent or fail, neither the Government nor the Central Bank would have a statutory responsibility or legal obligation to repay depositors or holders of other obligations of the insolvent institution, in respect of the funds that such creditors were owed by the insolvent or failed institution. The Government or the Central Bank could, in its sole discretion, deem it necessary or advisable to provide financial support in the event of the insolvency or failure of a major institution in order to stabilize the financial system. If the Government or the Central Bank were to take such action, the extent to which Belize's financial position would be impacted would depend on the level of financial support provided. The Government believes that, as a result of the Central Bank's reserve requirement, up to 22% of the funds necessary to repay depositors or holders of other obligations of the insolvent or failed institution should be available to cover any such insolvency.

Capital Adequacy Regulations

The Central Bank created regulations in 1996 that enhanced capital requirements for banks and financial institutions under the Banks and Financial Institutions Act and established minimum risk-based capital standards for licensees. These regulations introduced the concept of Tier I and Tier II Capital that have been implemented by regulators internationally. Banks are required to hold Tier I Capital, and the sum of Tier I and Tier II Capital, of not less than 4.5% and 9.0% of total risk-weighted assets, respectively. These capital requirements provide a framework for assigning risk weights to on and off-balance sheet items.

Loan Loss Provisions

The Central Bank created the categories of "substandard," "doubtful" or "loss" for non-performing loans. Loans are classified as substandard when:

- they are three to six months in arrears;
- overdraft accounts show little or no activity with respect to deposits for three to six months due to the borrower's business or repayment capacity;
- they are non-performing Government loans or non-performing loans fully secured by Government guarantee; or
- they are a portion of a debt fully secured by marketable securities that would otherwise be classified as doubtful or loss.

Loans are classified as doubtful when:

- they are between six and 12 months in arrears, unless fully secured by marketable securities;
- overdraft accounts show little or no activity with respect to deposits for six to 12 months due to the borrower's business or repayment capacity; or
- the collection of the debt in full is highly unlikely.

Loans are classified as loss when:

- they are over 12 months in arrears, unless fully secured by marketable securities;
- overdraft accounts show little or no activity with respect to deposits for over 12 months due to the borrower's business or repayment capacity; or
- they are considered uncollectible.

All banks and financial institutions are required by the Central Bank to maintain reserves of 1% of all loans which are not adversely classified as substandard, doubtful or loss. Loans categorized as substandard require reserve levels equal to 100% of the unsecured portion of such loans. Doubtful loans require reserves equal to 50% of such loans and loans categorized as loss require reserves equal to 100% of such loans.

The following table sets forth the amounts of past-due commercial bank loans for the past five years ended December 31, and the six-month periods ended June 30, 2005 and June 30, 2006:

Past-Due Commercial Bank Loans

	Year ended December 31,				Six months ended June 30,	
	2002	**2003**	**2004**	**2005**	**2005**	**2006**
	(as a percent of total loans)					
Loans in Arrears						
Substandard	2.5%	4.6%	3.5%	3.9%	5.1%	5.3%
Doubtful	0.3	0.3	0.1	0.3	0.6	0.5
Loss	0.8	0.9	0.4	0.2	0.3	0.5
Total	3.6%	5.8%	4.0%	4.4%	6.0%	6.3%
Loan Loss Reserves						
(as a percent of past-due loans)	65.4%	45.9%	27.8%	22.9%	35.0%	32.9%
(as a percent of total loans)	2.3	2.6	1.1	1.0	2.1	2.1

Source: Central Bank of Belize

Money Laundering (Prevention) Act of 1996

The National Assembly passed the Money Laundering (Prevention) Act of 1996 in order to combat the problem of drug trafficking in Belize. This legislation makes money laundering a criminal offense and is intended to shift costs of monitoring suspicious activity to financial institutions and their employees instead of the Central Bank. Financial institutions are required to implement controls referred to as "know your customer" procedures that detect suspicious transactions and to report any such transactions. These internal controls and procedures are designed to enhance a financial institution's ability to detect unlawful activity as of December 31, 2001.

The Money Laundering (Prevention) Act of 1996 was amended in 2002 by the Money Laundering (Prevention) Act of 2002 (as amended in 2002, the Money Laundering Act), which created improved provisions to combat terrorism, to provide for the freezing of funds and other financial assets of terrorists and to facilitate international cooperation in the investigation and prosecution of money laundering offenses. In addition, Belize created the Financial Intelligence Unit, which is specifically charged with the enforcement of the Money Laundering Act and the responsibility of investigating and prosecuting money laundering offenses and other financial crimes. The director of the Financial Intelligence Unit has been granted wide powers to obtain information and documents relevant to a criminal investigation in addition to the power to obtain temporary attachment or freezing orders from the courts in appropriate cases.

Banking and Financial Institutions

As of December 31, 2005, the Belizean financial system was composed of 50 financial institutions, including:

- five domestic commercial banks;
- eight international banks;
- one Government-owned development bank (the DFC);

- 14 credit unions;
- three building societies;
- 17 insurance companies;
- one Government-owned savings bank;
- one mutual fund manager (Belize Unit Trust Corporation); and
- one international mutual fund manager and administrator (MMG Fund Services (Belize) Ltd.).

The following table shows the total assets of the financial system held by various categories of financial institutions as of December 31, 2005, unless otherwise indicated:

Number of Financial Institutions[(1)] in Operation and Percent of Total Assets of the Financial System

	Number of Institutions	Total Assets
		(in thousands of Bz.$)
Commercial Banks	5	1,702,579
Development Finance Corporation[(2)]	1	305,416
Credit Unions	14	336,886
Insurance Companies	17	n/a
Building Societies	3	n/a
Government Savings Bank[(2)]	1	6,100

(1) Excludes pension funds.

(2) As of December 31, 2003.

Source: Central Bank of Belize; Ministry of Finance; Development Finance Corporation

The following table identifies the percent of loans and deposits for the indicated financial institutions as of December 31, 2005, unless otherwise indicated:

Percent of Loans and Deposits for Financial Institutions[(1)]

	Loans	Deposits
	(in thousands of Bz.$ except percentages)	
	Bz.$	Bz.$
Commercial Banks	1,254,652	1,306,457
Credit Unions	270,616	44,258
DFC[(2) (3)]	223,984	n/a
Building Societies[(2)]	693	n/a
Government Saving Bank	n/a	6,100

(1) Excludes international banks, insurance companies and pension funds.

(2) As of December 2003.

(3) Total loan principal receivable less restricted portfolio.

Source: Central Bank of Belize; Ministry of Finance; Development Finance Corporation

Commercial Banks

The major functions of commercial banks are to accept deposits from and make loans to their customers. Apart from customer deposits, commercial banks source funds from shareholder capital and from their head offices or affiliates abroad. Besides the personal loans category, funds are traditionally loaned primarily to the distribution, agriculture and construction sub-sectors.

The Bank of British Honduras was the first bank to start operations in Belize in 1904. It was acquired by the Royal Bank of Canada in 1912. The Belize Bank Limited, a locally incorporated wholly-owned subsidiary of BB Holdings Limited, later acquired the branch operations of the Royal Bank of Canada in 1987. Barclays Bank and The Bank of Nova Scotia opened local branches in 1949 and 1968, respectively. In 2005, Barclays Bank sold its operations to First Caribbean International Bank Limited, a bank incorporated in Barbados, while the Bank of Nova Scotia established a Belize subsidiary by the name of Scotia Bank (Belize) Ltd. Atlantic Bank Limited began operations in 1971 and is locally incorporated. Atlantic Bank Limited's holding company is Sociedad Nacional de Inversiones, S.A. (SONISA), a Honduran company, and is 63% owned by foreign investors. Alliance Bank of Belize Limited, or Alliance Bank, is locally incorporated in Belize and began its operations in 2001. Alliance Bank is 100% owned by Belizean citizens.

The following table sets forth the total gross assets of commercial banks for the periods indicated for the five years ended December 31, 2005 and the six-month periods ended June 30, 2005 and June 30, 2006:

Total Gross Assets of Belizean Commercial Banks

	Year ended December 31,					Six months ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
	(in millions of U.S.$)						
Local currency cash	U.S.$ 10.1	U.S.$ 12.9	U.S.$ 12.2	U.S.$ 13.3	U.S.$ 12.8	U.S.$ 12.1	U.S.$ 10.8
Balances due from Central Bank	41.6	29.3	38.0	44.0	56.1	54.9	64.4
Balances due from other financial institutions	0.7	1.2	1.8	3.9	4.3	5.3	5.8
Foreign assets[(1)]	60.7	54.6	59.4	64.6	73.8	75.7	73.9
Loans and advances	394.3	452.3	520.8	588.0	627.3	592.6	637.8
Holdings of central Government:							
Treasury bills	32.3	16.6	7.0	12.4	11.9	26.1	24.3
Treasury notes	11.6	11.6	11.7	11.6	7.1	11.6	7.1
Other assets	41.0	44.0	47.0	44.2	57.9	47.4	64.0
Total gross assets	U.S.$592.2	U.S.$622.5	U.S.$697.9	U.S.$782.0	U.S.$851.3	U.S.$825.7	U.S.$888.1
Total gross assets growth (*percentage* change)	8.9%	5.1%	12.1%	12.1%	8.9%	5.6%	4.3%

(1) Foreign currency assets of commercial banks are excluded from official international reserves.

Source: Central Bank of Belize

The following table sets forth information regarding the allocation of commercial bank loans to each sector of the economy for the five years ended December 31, 2005 and the six-month periods ended June 30, 2005 and June 30, 2006:

Commercial Bank Loans by Sector

	Year ended December 31,					Six months ended June 30,	
	2001	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**
	(as a percentage of total loans)						
Loans in arrears							
Substandard	2.5%	2.5%	4.6%	3.5%	3.9%	5.1%	5.3%
Doubtful	0.7	0.3	0.3	0.1	0.3	0.6	0.5
Loss	0.8	0.8	0.9	0.4	0.2	0.3	0.5
Total	3.9%	3.6%	5.8%	4.0%	4.4%	6.0%	6.3%
Loan loss reserves							
As a percentage of past-due loans	67.8%	65.4%	45.9%	27.8%	22.9%	35.0%	32.9%
As a percentage of total loans	2.7	2.3	2.6	1.1	1.0	2.1	2.1
Loans in arrears							
Substandard	2.5%	2.5%	4.6%	3.5%	3.9%	5.1%	5.3%
Doubtful	0.7	0.3	0.3	0.1	0.3	0.6	0.5
Loss	0.8	0.8	0.9	0.4	0.2	0.3	0.5
Total	3.9%	3.6%	5.8%	4.0%	4.4%	6.0%	6.3%

Source: Central Bank of Belize

During 2005, loans to the private sector grew by U.S.$72.0 million. Over 90.0% of this increase occurred during the second and third quarters as the commercial banks took advantage of inflows from exports. There were also some reclassification of loans amounting to U.S.$24.0 million, from construction and tourism to the real-estate sub-sector. As of June 30, 2006, credit to the private sector grew by U.S.$39.1 million, led by loans to the tourism sector.

Interest Rates

The three-year downward trend from 2002 through 2004 in the weighted average interest rate spread of the commercial banks came to an end during 2005 with the spread rising by 10 basis points to 8.9% in conditions of tightening liquidity. Rates on all loan categories rose, pushing up the weighted average lending rate by 30 basis points. Higher cash reserve requirements combined with lending increases also ensured continued upward pressure on deposits that led to a 20 basis points increase in the weighted average deposit rate at year-end. As of June 30, 2006, the weighted average deposit rate stood at 5.7%, while the weighted average lending rate was 14.2%; with the spread having declined by 30 basis points to 8.5% since the commencement of the year.

After a first quarter upward surge in excess liquidity during 2005 that was partly linked to the rise in exports earnings, bank liquidity tightened as the commercial banks increased private sector loans. An increase in the liquid asset and cash reserve ratios (effective May 1, 2005) from 20.0% to 21.0% and 7.0% to 8.0%, respectively, the removal of long-term loans from the list of approved liquid assets, and sterilization of Social Security Board monthly inflows also contributed to the general contraction. As a result, following its strong growth in 2004, excess statutory liquidity contracted by 32.3% (U.S.$27.9 million) to U.S.$58.4 million at year-end 2005. Primary liquidity experienced a significant increase during the year largely due to the substantial balances being held by one of the commercial banks. At year-end, excess cash reserves stood at U.S.$8.7 million reflecting increases in commercial banks daily average holdings of cash reserves of U.S.$27.4 million while required cash reserves rose by U.S.$20.2

million. As of June 30, 2006, excess statutory liquidity expanded by U.S.$30.6 million to U.S.$88.9 million, while excess cash reserves rose by U.S.$5.9 million to end the period at U.S.$14.6 million.

The following table sets forth information regarding interest rates for the five years ended December 31 and the six-month periods ended June 30, 2005 and June 30, 2006:

Interest Rates on Commercial Bank Loans[1]

	Year ended December 31,					Six months ended June 30,	
	2001	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**
Weighted Lending Rates							
Personal Loans	16.8%	15.9%	15.8%	15.5%	16.0%	16.0%	16.0%
Commercial Loans	14.8	14.3	13.9	14.0	14.2	14.1	13.8
Mortgage Loans	14.0	13.3	12.4	12.6	13.1	12.9	13.2
Other	12.6	10.1	10.6	10.1	12.2	12.5	13.1
Weighted Average Lending Rates	15.4%	14.5%	14.2%	14.0%	14.3%	14.2%	14.2%

(1) Includes banks authorized to offer multiple banking services.

Source: Central Bank of Belize

The following table sets forth information on interest rates applicable to deposits for the past five years ended December 31 and the six-month periods ended June 30, 2005 and June 30, 2006:

Interest Rates Paid on Deposits by Commercial Banks[1]

	Year ended December 31,					Six months ended June 30,	
	2001	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**
Weighted Deposit Rates							
Demand	0.2%	0.4%	0.4%	0.5%	0.7%	0.4 %	0.6%
Savings	5.4	5.1	5.1	5.1	5.2	5.1	5.2
Time	6.1	6.5	7.2	7.6	7.8	7.8	8.1
Weighted Average Deposit Rates	4.3%	4.5%	4.9%	5.2%	5.5%	5.3%	5.7%

(1) Includes banks authorized to offer multiple banking services.

Source: Central Bank of Belize

International banks

The Central Bank supervises international banks pursuant to the International Banking Act. There are currently eight international banks with collective assets in excess of U.S.$260.7 million, licensed to do business in Belize. International banks are permitted to conduct financial services from business offices in Belize only with non-residents and are not subject to taxation in Belize. International bank activities include credit card issuance, trust services and other financial services. The International Banking Act permits restricted and unrestricted licensees to do business in Belize. As of 2002, class A licensees are required to maintain authorized capital in the amount of U.S.$3 million if the licensee is a local company and U.S.$25 million if the licensee is a foreign bank. Class A licensees pay an annual licensing fee of U.S.$20,000 and are permitted to conduct business in Belize without restriction. Class B licensees are limited to transacting only such international banking business as is specified in its license. Class B licensees pay an annual licensing fee of U.S.$15,000 and are required to maintain authorized capital in the amount of either U.S.$1 million if the licensee is a local company or U.S.$15 million if the licensee is a foreign bank. International banks are also subject to the Money Laundering Act.

The Development Finance Corporation (DFC)

The DFC was established in the 1960s as a development bank and is wholly-owned by the Government. The DFC's board of directors is comprised of four representatives from the private sector and three representatives from the public sector, each appointed by the Minister of Finance. The Development Finance Institution Act of 1973, which repealed the 1961 Development Ordinance and the 1972 Transfer of Shares Ordinance, governs the DFC.

The DFC has a statutory obligation to engage in certain activities that will expand and strengthen the economy of Belize. These activities include:

- providing financing to all sectors of the economy, particularly agriculture, fishing, education, tourism and housing;
- purchasing, developing and engaging in commercial ventures;
- promoting and facilitating capital investment; and
- facilitating financial studies to guide investment.

The DFC's board may also sanction other activities conducive to executing the DFC's statutory obligations, subject to the approval of the Minister of Finance.

Plans for the DFC

During the period 1998 to 2004 the balance sheet of the DFC expanded by the equivalent of 28% of GDP as a result of Government policies to promote the housing sector. Much of this was financed by high cost commercial external borrowing. Many of the DFC investments turned out to be either non-productive or non-performing resulting in mounting losses for the DFC and the Government.

In October 2004, a diagnostic assessment of the DFC undertaken by the Inter-American Development Bank (the "*IDB Report*") indicated that the DFC was experiencing liquidity problems caused by a combination of the DFC's large non-performing loan portfolio (estimated at 35% of the aggregate amount of total outstanding DFC loans) and high costs associated with financing a substantial inventory of assets held for sale (estimated at U.S.$35.13 million). In addition, the IDB Report cited weaknesses in the DFC's corporate governance and management.

The DFC's audited financial statements for the year ended 2004 showed receivables from Government of Belize of U.S.$65.3 million compared to U.S.$.35.1 million at the end of 2003 as Government pledged resources to finance the deficits incurred from the DFC operations.

To stem the DFC's losses and resultant pressure on public finances, the Government is moving quickly toward liquidating DFC and paring it down to the minimum size required to avoid breach of legal agreements and to meet obligations to existing creditors. New lending has been substantially halted and attention is focus on portfolio liquidation and loan recovery. In November 2006 an amendment to the DFC Act which formalized the liquidation process, discontinued new lending, and limited DFC's activities to loan collections and to servicing its domestic and external obligations, was approved by the National Assembly of Belize and passed into law.

The Government of Belize is liquidating the DFC along the following lines:

- Restructuring the DFC's balance sheet to differentiate between saleable and non-saleable assets;

- Divesting of the DFC's real estate assets, if necessary;

- Evaluating which DFC assets are to be taken over by the central Government, if any;

- Instituting a temporary moratorium on the issuance of new loans by the DFC;

- Pursuing aggressively the collection of all non-performing loans of the DFC; and

- Implementing a cost containment and loss reduction strategy in the rationalization of the DFC's administration.

In 2005 several steps were undertaken in this process including:

Organizational Restructuring – The staff contingent was reduced by 110 to 72 persons mainly through a combination of attrition and voluntary retirement and district branches were transformed to customer service outlets with all other key functions centralized in the DFC's headquarters. One district branch was closed completely.

Appointment of New Board – A new board was appointed in June 2005 headed by an experienced chartered accountant who assumed the added responsibility of chief executive officer.

Loan Approval fell significantly and was limited to conversion of housing inventory and the continuation of the Citrus Replanting and Student Loan Programs. Loans approved in 2005 amounted to U.S.$3.1 million compared to U.S.$7.9 million in 2004.

Increase in Loan Loss Provisioning – Cognizant of the deterioration in the quality of the portfolio, levels of loan loss provisioning were significantly increased. Loan loss provision were increased by U.S.$19.1 million bringing the total provision to U.S.$33.2 million compared to U.S.$14.0 million in 2004.

Extraordinary Income – The Government of Belize retired all securitization transactions with the Royal Merchant Bank of Trinidad & Tobago (RBTT). As a result, the DFC was able to realize a U.S.$23.9 million in unamortized deferred income in 2005.

Balance Sheet Restructuring – In the latter half of 2005 several key actions were taken to bring the balance sheet to more realistic levels including the following:

- Revaluation of assets held for re-sale and return of three non-core assets to the Government resulting in a reduction in value of assets held from U.S.$69.9 million to U.S.$14.0 million at the end of 2005.

- Accounts receivables were also significantly reduced. At the end of 2004, accounts receivable stood at U.S.$69.6 million. During the year, approximately U.S.$65.3 million due from the Government was settled in full by charging against amounts owed by the DFC to the Government.

- Loan principal receivables were also reduced by approximately U.S.$33.4 million due primarily to increases in provisions for credit losses amounting to U.S.$19.1 million.

- Debt stock was reduced by U.S.$103.5 million including full liquidation of debts amounting to U.S.$96.1 owed to the Government.

- Additionally, unamortized deferred income of U.S.$23.9 million associated with the RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2004 – 2014 was fully realized with the Government payoff of these transactions.

As a result of the above, the total liabilities of the DFC were reduced from U.S.$297.9 million in 2004 to U.S.$137.3 million at the end of December 2005. This represents a reduction of 53% of value or some U.S.$154.5 million.

Also at the end of December 2005, the DFC recorded a net worth of U.S.$15.4 million compared to U.S.$21.2 million for the previous year. This reduction was due primary to the return to the Government of its in-kind equity contributions made in 2003 and 2004.

At the end of 2005, total assets amounted to U.S.$152.7 million or 49% of the previous year's value of U.S.$313.1 million.

The unaudited balance sheet of the DFC for the end of August 2006 shows a further sharp reduction in total assets to U.S.$94.2 million as the DFC continues it liquidation process.

During 2005, the DFC overall operations yielded a small net loss of U.S.$0.4 million. No direct financial support from the Government was required in 2005.

In March 2005, in response to public concerns expressed about the operations of the DFC with particular reference to its loan and securitization portfolios, the Government appointed a Commission of Inquiry (the "*Commission*") to investigate the loan portfolio of the DFC for the period January 1, 1999 to December 31, 2004, including procedures for processing and approval of applications as well as the disbursement and performance of its loans. The Commission is also to determine whether any wrongdoing occurred in the operations of the DFC during the said period and if so, to identify the persons responsible, if any. The Commission is to report the results of its inquiry to the Hon. Prime Minister, along with comments and recommendations.

Since its appointment, the Committee has carried on the inquiry on an almost full-time basis, with the exception of a period of suspension due to illness of the Chairman, including the holding of public hearings. It is expected that the Commission's report will be submitted by the end of February 2007.

As of December 31, 2005, 2004 and 2003:

- total assets of the DFC were U.S.$152.7 million, U.S.$313.1 million and U.S.$341.8 million, respectively;

- total liabilities of the DFC were U.S.$137.25 million, U.S.$291.9 million and U.S.$319.9 million, respectively; and

- total capital of the DFC was U.S.$15.44 million, U.S.$21.25 million and U.S.$21.82 million, respectively.

In 2005, DFC lending activities declined significantly and were limited mainly to asset conversion to portfolio, agriculture and student loans. Of the U.S.$3.2 million committed in 2005, 99.4% was directed to the housing sector.

The DFC has used mortgage-backed financings to assign packages of mortgage loans to fund its lending activities. On April 22, 2002, the DFC completed a mortgage-backed financing, pursuant to which Belize Mortgage Company 2002-1, a special purpose company, issued U.S.$40.0 million 8.5% Class A Bonds due 2012, and U.S.$4.5 million 12.0% Class B Bonds due 2012. The Government has guaranteed the repayment of these bonds. Since November 2004, about U.S.$3.2 million has been paid by the Government to cover mortgage payment shortfalls. Payments of approximately U.S.$400,000 per quarter are expected to continue until 2012.

In addition, during 1999 and 2000, the DFC completed several mortgage securitizations with Royal Bank of Trinidad and Tobago (RBTT), pursuant to which the DFC assigned to RBTT the future flows of interest and principal for a pool of mortgages held by the DFC, in exchange for the net present value of the aggregate mortgage amount assigned. RBTT used these mortgages to create securities, which were then sold on the regional market. In October 2001, the DFC sold U.S.$40 million of real estate in Belize to RBTT, subject to a three-year buy back arrangement. See “Public Debt—External Public Sector Debt—Central Government Contingent External Liabilities”.

In October 2004, the Government fully liquidated the DFC’s obligations to RBTT under the mortgage securitization transactions through a refinancing operation, and consequently the DFC realized approximately U.S.$23.9 million in unamortized deferred income from this prepayment. In addition, in mid-2003, the DFC repurchased the real estate package sold to the RBTT in 2001.

The following table sets forth the total non-performing loans and arrears on loans of the DFC by lending sector, as well as non-performing loans and arrears value as a percentage of the aggregate principal balance of loans per lending sector, as of December 31, 2005:

Performance of DFC Loans by Sector

	Principal Balance	30-Day Arrears	60-Day Arrears	90-Day Arrears	Greater than 90-Day Arrears	Total Arrears Value[1]	Percent of Aggregate Principal Balance	Non-performing Value[2]	Percent of Aggregate Principal Balance
	(in thousands of Bz.$, except percentages)								
Commercial Fishing	Bz.$ 9,213	Bz.$ 108	Bz.$ 1	Bz.$ 0	Bz.$ 702	Bz.$ 812	8.81%	Bz.$ 8,010	5.41%
Agriculture	18,515	217	25	27	2,083	2,353	12.71	10,885	7.35
Residential	119,301	165	121	110	4,285	4,682	3.92	42,795	28.89
Education	14,861	117	71	57	1,094	1,340	9.02	5,252	3.55
Financial Institutions	1,285	43	n/a	n/a	202	244	19.01	474	0.32
Manufacturing	3,934	27	29	29	1,369	1,455	36.97	2,581	1.74
Other	8,771	19	17	16	450	501	5.71	565	0.38
Real Estate	6,452	87	82	79	4,185	4,433	68.71	5,508	3.72
Services	101,658	663	629	627	21,311	23,230	22.85	62,672	42.31
Tourism	24,242	611	130	124	8,485	9,350	38.57	9,375	6.33
Total	Bz.$ 308,231	Bz.$ 2,057	Bz.$ 1,106	Bz.$ 1,070	Bz.$ 44,167	Bz.$ 48,400	15.70%	Bz.$ 148,117	100.00%

(1) The arrears value expresses the portion of a loan that is past due in payment.

(2) The non-performing value expresses the entire value of a loan that has a portion in arrears in excess of 90 days.

Source: Development Finance Corporation

The performance of DFC loans in 2005 was influenced by several large loans falling into arrears and by high costs associated with financing a substantial inventory of assets held for sale. Although payments were received on many of the smaller non-performing loans, such payments were insufficient to meet the scheduled obligations, thus propelling the entire principal balances into the non-performing category. The non-performance ratios deteriorated significantly with principal arrears at the end of 2005 representing some 15.7% of the outstanding loan portfolio while non-performing loans represented 48.1% of the total loan portfolio.

The DFC's policy on the provisioning for non-performing loans, in accordance with the Banks and Financial Institutions Act, includes both specific provisioning and general provisioning. For loans in excess of U.S.$5,000, the DFC uses specific provisioning. The value of the related collateral is appraised, and a provision is made for the amount by which the value of the outstanding principal exceeds the collateral value. In the case of loans below U.S.$5,000, a general provisioning is carried out based on the age of the principal arrears, ranging from 50% to 100%.

Bad debt provisioning in 2005, 2004 and 2003 was U.S.$33.1 million, U.S.$14.0 million and U.S.$5.5 million, respectively. The increase in bad debt provisioning in 2005 was primarily attributable to two key loans becoming delinquent.

As of January 1, 2003, the DFC revised its non-performance and accrual policies consistent with internationally accepted prudential guidelines. The revised policy now classifies loans which are in arrears of interest over three months as non-performing. The aggregate principal amount of DFC loans classified as non-performing and the aggregate principal amount of non-performing loans as a percentage of the DFC aggregate principal amount of DFC loans outstanding have increased as a direct result of this policy change.

In 2002, the DFC intensified its loan collection efforts and has streamlined procedures for loan recovery. Also during 2002, the DFC revitalized its loan recovery committee, which meets twice a month to decide what is the best course of action to take on delinquent loans. The DFC hired a qualified credit controller and in addition, loan-monitoring personnel have been deployed and/or increased at all DFC branches. The credit controller visits every DFC branch during the course of each month in order to ensure that the DCF's loan recovery directives are implemented. The credit controller also follows up on borrower responses and reports such responses at subsequent senior management monitoring meetings. Since June 2005, as part of its liquidation process, the focus of DFC's operations has shifted almost entirely to loan collections.

Since 2001, the DFC has foreclosed on an aggregate principal amount of U.S.$3.9 million of residential loans and has in the aggregate recovered U.S.$4.7 million (net of liquidation costs). The DFC's average net recovery percentage over this time period equals 84%. The DFC has also foreclosed on an aggregate principal amount of U.S.$20.7 million of commercial loans since 2001 and has recovered U.S.$10.5 million (net of liquidation costs). The DFC's average net recovery percentage over this time period is 51%. Any amounts recovered on foreclosure in excess of the outstanding indebtedness due are returned to the borrower.

The following table sets forth the value of non-performing DFC loans for the past five years ended December 31:

Non-Performing DFC Loans

	Year ended December 31,				
	2001	**2002**	**2003**	**2004**	**2005**
	(in millions of Bz.$, except percentages)				
Value of non-performing loans	Bz.$ 27.8	Bz.$ 29.5	Bz.$ 42.3	Bz.$ 120.3	Bz.$ 148.1
Percentage of total loan portfolio	20.9%	19.1%	26.3%	36.4%	48.1%

Source: Development Finance Corporation

The following tables set forth the recovery experience for residential loans and commercial loans which have been foreclosed by the DFC the past five years ended December 31:

Residential Loan Foreclosure Recovery Experience

	Year ended December 31,					
	2000	2001	2002	2003	2004	2005
			(in Bz.$)			
Aggregate value of foreclosed loans	Bz.$ 231,510	Bz.$325,075	Bz.$ 260,224	Bz.$1,067,020	Bz.$ 2,636,867	Bz.$ 1,518,750
Net Recovery value:						
Aggregate liquidation costs	3,280	30,207	19,070	51,060	140,686	101,992
Gross Recovery Value	237,088	386,324	265,800	1,116,850	2,091,825	1,518,750
Total Net Recovery Value	Bz.$ 233,808	Bz.$356,117	Bz.$ 246,730	Bz.$1,065,790	Bz.$ 1,951,139	Bz.$ 1,416,758
Net Recovery percentage	101.0%	109.5%	94.8%	99.9%	74.0%	107.2%

Source: Development Finance Corporation

Commercial Loan Foreclosure Recovery Experience

	Year ended December 31,					
	2000	2001	2002	2003	2004	2005
			(in Bz.$)			
Aggregate value of foreclosed loans	Bz.$ 234,006	Bz.$ 92,000	Bz.$7,188,107	Bz.$ 403,027	Bz.$ 919,400	Bz.$2,342,000
Net Recovery value:						
Aggregate liquidation costs	6,323	7,770	111,208	2,585	72,368	104,532
Gross Recovery Value	185,504	83,298	7,441,350	323,830	678,900	2,342,000
Total Net Recovery Value	Bz.$ 179,181	Bz.$ 75,528	Bz.$7,330,142	Bz.$ 321,245	Bz.$ 606,532	Bz.$2,237,468
Net Recovery percentage	76.6%	82.1%	102.0%	79.7%	66.0%	104.7%

Source: Development Finance Corporation

Financing

In the past, the DFC obtained financing primarily from:

- funds from mortgage-backed financings;
- loans from the Government and the Social Security Board; and
- loans from multilateral lenders, such as the Caribbean Development Bank and the European Investment Bank.

Moreover, the Government historically has provided the DFC with equity and debt financing. Any debt financing provided by the Government to the DFC is included in the Government's public sector debt.

In the more recent past DFC undertook to carry out expansion in the housing sector, consistent with the Government's mandate. As a result, Government has provided annual contributions of U.S.$9 million in 2002, U.S.$19 million in 2003 and U.S.$30 million in 2004 for the funding and carrying cost of various housing developments countrywide.

The following table sets forth the liabilities of the DFC, as of December 31, 2005:

Liabilities of the DFC

	(in millions of U.S.$)
External debt(1)	U.S.$ 57.429
Domestic debt(2)	45.784
Total debt	103.213
Total debt guaranteed by the Government	103.213

(1) Includes debt incurred in connection with the Belize Mortgage Company 2002-1 mortgage securitizations.

(2) Includes debt to the Government.

Source: Development Finance Corporation

Although the Government is the sole shareholder of the DFC, it is only liable for those DFC obligations that it expressly assumes or guarantees. As a wholly-owned Government entity, however, any deterioration in the credit status of the DFC could adversely affect the Government as a whole; however, the Government has never allowed the DFC to default on any of its obligations. The goal of the current restructuring program, however, is for the DFC to achieve financial independence from the Government.

As of December 31, 2005, based on total assets and loan portfolio, the DFC represented approximately 26.0%, respectively, of the banking sector in Belize.

As of December 31, 2005 and December 31, 2004:

- total assets of the DFC were U.S.$152.71 million and U.S.$313.15 million, respectively;
- total liabilities of the DFC were U.S.$137.27 million, and U.S.$291.91 million, respectively; and
- total capital of the DFC was U.S.$15.44 million and U.S.$21.24 million, respectively.

DFC Balance Sheets

The DFC's summary consolidated audited balance sheets as of December 31, 2004 and 2005, along with the DFC's summary income statement for the years ended December 31, 2004 and 2005 are set forth below.[(1)]

DFC Summary Consolidated Balance Sheets[(1)]

	As of December 31,			
	2004		2005	
	(in thousands of U.S.$)			
Assets				
Current assets	U.S.$	84,588	U.S.$	17,023
Long-term assets:				
Loans[(2)]		151,703		118,313
Assets held for resale		69,423		14,028
Other long-term assets		7,440		3,345
Total long-term assets	U.S.$	228,566	U.S.$	135,686
Total assets	U.S.$	313,153	U.S.$	152,708
Liabilities and Capital				
Current liabilities:				
Short-term debt (including current portion of long-term debt and bonds payable)		12,683		8,841
Other current liabilities		43,704		23,627
Total current liabilities		56,386		32,468
Long-term liabilities:				
Long-term loans		172,252		71,543
Bonds payable		35,621		31,672
Long-term debt sinking funds		0		0
Other long-term liabilities		27,650		1,588
Total long-term liabilities	U.S.$	235,523	U.S.$	104,802
Total liabilities	U.S.$	297,909	U.S.$	137,270
Total capital	U.S.$	21,245	U.S.$	15,439
Total	U.S.$	313,153	U.S.$	152,708

(1) Includes the Belize Mortgage Company 2002-1 and the DFC Investment Company Ltd.

(2) Net of bad debt allowance of U.S.$7.3 million and U.S.$24.2 million as of December 31, 2004 and 2005, respectively.

Source: Development Finance Corporation

DFC Summary Consolidated Income Statement for the past three years ended December 31[(1)]

	As of December 31,		
	2003	2004	2005
		(in thousands of U.S.$)	
Net interest income (expenses)	U.S.$ 4,802	U.S.$ 5,064	U.S.$ (518)
Net lending operations income (expenses):			
Bad debt expense	(3,016)	(7,274)	(24,214)
Other lending income (expenses)	(15,453)	(1,176)	(1,152)
Total net lending operations income (expenses)	(4,561)	(8,450)	(25,365)
Total net income (expenses) from lending operations	241	(3,386)	(25,365)
Other income	7,180	8,292	5,445
Overhead expenses:			
Salaries and wages	(2,003)	(1,870)	(1,638)
Staff allowances, overtime and benefits	(7,373)	(661)	(946)
Arrangement fees	(946)	(502)	(451)
Other overhead expenses	(2,794)	(1,556)	(1,539)
Total overhead expenses	(6,476)	(4,589)	(4,573)
Extraordinary income	0	0	23,953
Unrealized foreign exchange gains (expenses)	(493)	(335)	567
Minority interest (expenses)	(26)	(189)	75

(1) Includes the Belize Mortgage Company 2002-1 and the DFC Investment Company Ltd.

Source: Development Finance Corporation

Credit Unions

Credit unions in Belize operate under the Credit Unions Act and are regulated by the Registrar of Credit Unions who, since December 1, 2005, is also the Governor of the Central Bank of Belize. There are 14 active credit unions in Belize. The main functions of credit unions are to:

- promote thrift through member shares and savings; and
- make loans available to members for personal uses such as home improvement and education.

Credit unions invest in Government securities and keep accounts with the commercial banks. Pursuant to the Credit Unions Amendments Act, credit unions charge an annual interest rate determined by the board of directors of each credit union. Although, since the passage of the Credit Unions Amendments Act, the rate is not set by law, the majority of credit unions still charge a rate of 12%, the rate required under prior law. Dividends are earned on shares held by members. Traditionally, members of credit unions are drawn from within groups with similar characteristics such as civil servants or church members. Credit unions will normally raise funds from members' shares and deposits. Financing may also be obtained from international agencies for special purposes, such as home construction.

Building Societies

The building societies operating in Belize are governed by the Building Societies Act of 1912. Building societies are similar to credit unions and function mainly to raise funds to lend to members for home building and improvement. There are currently four building societies in Belize, two of which are active. Building societies are largely self-regulated except that the Registrar General may appoint an examiner if deemed necessary. Clients of building societies are generally potential homeowners who borrow at interest rates determined by the society, typically ranging around 12.0%.

Insurance Companies

Insurance companies in Belize operate under the Insurance Act of 2004, which became effective on April 19, 2004 and replaced the Insurance Act of 1976. Insurance companies are regulated by the Supervisor of Insurance, part of the Ministry of Finance. These insurance companies provide insurance coverage to individuals and businesses in return for a premium, which is the major source of funding for insurance companies. Currently, 17 insurance companies do business in Belize.

International Insurance Companies

In 1999, Belize enacted the International Insurance Act as a part of its offshore industry infrastructure. There are at present nine companies licensed to provide international insurance services in or from within Belize. These companies serve non-residents and are regulated by the Supervisor of International Insurance who works under the Belize International Financial Services Commission. This sector of the economy is at present in a nascent stage but is expected to grow in the coming years.

Government Savings Bank

The Government Savings Bank established pursuant to the Savings Bank Act of 1939 is operated by the Accountant General's Department of the Ministry of Finance. The Government Savings Bank accepts deposits mostly from small savers. These funds are invested in local and foreign securities which the Government guarantees against the consolidated revenue fund. The interest rate paid by the Government Savings Bank to depositors has been set at 6% by the Minister of Finance pursuant to the Savings Bank Act.

Casas de Cambio

The licensing of Casas de Cambio was repealed by the National Assembly on July 11, 2005. As a result there are currently no *casas de cambios* conducting operations in Belize.

Belize Unit Trust Corporation

The Belize Unit Trust Corporation commenced operations in 2003. The Belize Unit Trust Corporation manages Belize's sole mutual fund, the Belize Money Market Fund.

OECD Report on Harmful Tax Competition

In 1998, the Organization for Economic Co-operation and Development, or the OECD, published its Report on Harmful Tax Competition. In this report, the OECD identified certain harmful tax practices and questioned all tax incentives offered in countries considered to be "offshore centers." In June 2000, the OECD issued a list of countries, including Belize, that it deemed to be tax havens or countries with harmful tax practices. The OECD requested that the countries agree to a list of corrective measures by April 18, 2002. In response, Belize issued a commitment on March 8, 2002 to address such issues in a manner agreed upon between the Government and the OECD. Belize agreed to implement a number of measures in a phased time frame in common with other offshore jurisdictions that are designed to establish a process for effective exchange of information and to improve transparency regarding ownership of companies. These measures include:

- adopting tax information exchange agreements in criminal and civil tax matters requiring the effective exchange of information in specific tax matters upon request;

- ensuring that information on the beneficial ownership of Belizean legal entities is available to its tax or regulatory authorities; and

- allowing Belizean tax authorities to access bank information of persons and companies liable for tax in OECD countries to the extent necessary for Belize to perform its obligations under OECD or bilateral tax information exchange agreements.

As a result of these and other measures agreed to by the Government, the OECD removed Belize from its list on March 20, 2002.

The OECD initiative ran into difficulties when the Bush administration in the United States opposed OECD's tax harmonization campaign and came out in favor of fiscal sovereignty of all nations. Moreover, the offshore jurisdictions (including Belize) which had earlier made commitments to OECD demanded that there should be a level playing field between OECD and non-OECD countries in the matter of "transparency and exchange of tax information". Consequently, the OECD's Global Forum is now engaged in an exercise to determine whether, and to what extent, there is a level playing field in these respects and the initial target dates for the implementation of commitments are no longer applicable.

Money Supply

The broad money supply M2 includes M1 plus "quasi-money". Quasi-money comprises time deposits and savings deposits. The level of M2 grew by 6.5% in 2005, with a 7.8% increase in quasi-money. This compares with M2 expansion of 13.3% in 2004, which reflected growth in all its components. The slowdown in M2 in 2005 reflected fiscal tightening which was supported by a restrictive monetary policy aimed at reducing the rate of growth in credit and demand for imports during the year. As of June 2006, broad money M2 grew by 5.7% ($75.1 million), a slight decline from the 5.9% increase experienced in the first half of 2005.

Growth in M1 slowed from 12.6% in 2004 to 4.0% in 2005. M1 is the narrowest measure of the money supply, representing all money that can be spent or readily converted to cash for immediate spending. M1 comprises currency in circulation less vault cash held at commercial banks (or currency issue in the hands of the public) plus demand deposit liabilities of commercial banks. In 2005, currency held by the public and demand deposits expanded by 1.9% and 4.8%, respectively. The upward movement in demand deposits reflected additional holdings by the Belize Social Security Board and a U.S.$9.2 million increase in foreign currency deposits held by residents. The 4.8% increase in demand deposits is compared with a 13.0% increase in 2004 and 2.6% increase in 2003. Currency in circulation increased by 1.9% in 2005 compared to growth of 11.6% in 2004. As of June 30, 2006, M1 grew by 12.8% to U.S.$477.2 million, as compared with growth of 3.9% recorded over the same period in 2005.

The weighted average loan rate of the commercial banks declined from 14.2% at December 31, 2003, to 14.0% at December 31, 2004 but rose to 14.3% by December 31, 2005 against the backdrop of rising inflation and progressive increases in the cash and secondary reserves ratios that began in December 2004. At June 30, 2006, the weighted average lending rate had declined by 10 basis points to 14.2% as the commercial banks experienced a build-up of liquidity in the first half of the year. See "—Banking and Financial Institutions—Interest Rates".

The following table shows liquidity and credit aggregates as of the dates indicated:

Monetary aggregates – Liquidity and Credit[(1)]

	As of December 31,					As of June 30,	
	2001	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**
Currency in circulation	U.S.$ 62.6	U.S.$ 66.4	U.S.$ 51.6	U.S.$57.7	U.S.$ 58.8	U.S.$ 59.0	U.S.$ 63.7
M1	182.4	179.1	180.6	203.3	211.6	211.3	238.6
M2	520.4	531.7	550.6	624.1	665.0	660.9	702.8
Credit by sector							
Public sector	U.S.$ 104.7	U.S.$ 30.0	U.S.$ 56.0	U.S.$111.2	U.S.$ 103.5	U.S.$ 69.6	U.S.$ 124.3
Private sector	387.8	444.3	509.0	565.6	601.6	575.6	621.2
Total credits	U.S.$ 394.3	U.S.$452.3	U.S.$565.0	U.S.$676.8	U.S.$ 705.1	U.S.$ 645.2	U.S.$ 745.5
Deposits							
Local currency	U.S.$ 433.4	U.S.$447.2	U.S.$465.3	U.S.$530.5	U.S.$ 567.6	U.S.$ 567.5	U.S.$ 617.2
Foreign currency	61.3	63.0	66.5	78.6	85.6	83.2	31.6
Total deposits	U.S.$ 494.7	U.S.$510.2	U.S.$531.8	U.S.$609.1	U.S.$ 653.2	U.S.$ 650.7	U.S.$ 648.8

(1) Includes only commercial banks.

Source: Central Bank of Belize

Foreign Exchange and International Reserves

At the heart of Belize's monetary policy is its fixed exchange rate of Bz.$2.00/U.S.$1.00, which has been maintained since 1976. Prior to 1976, the Belize dollar was pegged to the pound sterling. In the past, with relatively low foreign exchange reserves, an expansive fiscal policy and a thin and underdeveloped market, monetary policy tools were limited to managing bank reserve requirements, which, at the comparatively high rates of 9.0% in the case of cash and 22% in the case of secondary liquidity (June 2006) increases upward pressure on interest rates. In general, residents of Belize may use only the Belize dollar in domestic transactions. However, legislation changes now permit foreign exchange earners to pay their taxes, utility bills and other expenses in U.S. dollars. Only an authorized dealer may carry on the business of trading in foreign currency or foreign currency instruments. An authorized dealer (including commercial banks) must be party to any transaction involving the buying or selling of foreign currency or foreign currency instruments in return for Belizean dollars.

As of December 31, 2005, deposits in the financial system totaled U.S.$653.2 million. Private sector credits from commercial banks grew at an average annual rate of 11.9%, from U.S.$387.8 million in 2001 to U.S.$621.2 million at June 30, 2006. Aggregate deposits in commercial banks grew from U.S.$494.7 million at December 31, 2001 to U.S.$648.8 million at June 30, 2006. Foreign currency deposits in commercial banks decreased from U.S.$61.3 million at December 31, 2001 to U.S.$31.6 million at June 30, 2006.

Net official international reserves held by or for the account of the Central Bank increased by 34.7% to U.S.$69.9 million at December 31, 2005 from U.S.$51.9 million at December 31, 2004. Gross official international reserves at December 31, 2005 were U.S.$71.3 million. The increase in net international reserves in 2005 was due to external borrowing (of which the proceeds from the Belize Sovereign Investments I (Cayman) Limited Loan due 2015 and Belize Sovereign Investments II (Cayman) Limited Loan due 2010 issuances constituted the largest portion), proceeds from the sale of BTL shares and receipts from sugar export earnings. See "Recent Developments—The Economic Crisis", "Public Debt—External Public Sector Debt" and "Public Finance—Public Sector Budget".

The following table shows the official international reserves for the past five years ended December 31:

International Reserves(1)

	Year ended December 31,				
	2001	2002	2003	2004	2005
Central Bank					
Foreign Exchange Assets	U.S.$ 97.2	U.S.$ 98.6	U.S.$ 68.3	U.S.$ 31.6	U.S.$ 50.0
IMF Reserve Tranche	5.3	5.7	6.3	6.6	6.1
SDRs(1)	1.7	2.0	1.6	1.6	1.8
Total(2)	U.S.$ 104.2	U.S.$ 106.3	U.S.$ 76.2	U.S.$ 39.8	U.S.$ 57.9
Central Government	U.S.$ 15.9	U.S.$ 8.4	U.S.$ 8.4	U.S.$ 13.5	U.S.$ 13.4
Gross International Reserves	120.1	114.7	84.6	53.3	71.3
Foreign Liabilities	1.5	3.0	2.9	1.4	1.4
CARICOM	0.3	0.7	0.4	0.04	0.2
Other	1.2	2.3	2.5	1.4	1.2
Net International Reserves(3)	U.S.$ 118.6	U.S.$ 111.7	U.S.$ 81.7	U.S.$ 51.9	U.S. $69.9
(in weeks of imports)	13.8	14.0	9.2	6.1	7.1

(1) Special Drawing Rights (SDRs) are an international reserve asset created by the IMF and allocated to its members as a supplement to existing reserve assets.

(2) Represents IMF formulation of Gross Official Reserves as stated in October 2006 Article IV report.

(3) Statistical definition used by Government; does not reflect amount formulated by IMF.

Source: Central Bank of Belize

The Central Bank is responsible for administering exchange controls, which apply to the currencies of all countries. The exchange controls in effect are principally controls on the outflow of foreign currency from Belize, as there are no restrictions on the inflow of foreign currency (from legitimate sources) into the country. If a bank suspects that any customer may be engaging in illegal activities, it must notify the Central Bank of this circumstance. In the interest of protecting the fixed exchange rate regime, controls remain on capital flows and all capital account transactions must be authorized by the Central Bank.

The current account has been largely liberalized, especially since the advent of credit cards. Authority to administer controls covering a wide range of current account operations is delegated to the commercial banks in their capacity as authorized dealers. Only in specified cases or in requests for amounts of foreign exchange above a specified limit is an application referred to the Central Bank. However, applications for foreign exchange processed by authorized dealers are regularly forwarded to the Central Bank for auditing and recordkeeping.

After Hurricane Keith, importers in sectors of the economy where exports were relatively weak had to either queue for foreign exchange or go to a parallel market that operates outside of Belize's financial system. An increase in this type of activity led to the signature into law by the Prime Minister of exchange control regulations in December 2001 pursuant to which the Central Bank issued directives to license *casas de cambios* in order to regulate this activity through Belize's financial system. The licensing of Casas de Cambio was subsequently repealed on July 11, 2005. See "—Banking and Financial Institutions—Casas de Cambio."

The Belize dollar comes under pressure whenever there is a disproportionate rise in the demand for imports, in periods following natural disasters and when export receipts are low. This is primarily due to the import dependence of the economy and reliance on receipts from traditional exports and tourism, which continue to be the primary source of foreign reserve levels. Belize's comparatively small economy limits the investment options of commercial banks (apart from loans) to core holdings such as treasury bills and treasury notes, which also help to satisfy (as of January 1, 2006) the 22.0% liquid asset requirement imposed by the Central Bank. Of this amount, 9.0% is comprised of cash reserves that the commercial banks must hold with the Central Bank. Other approved liquid assets as defined under the Banks and Financial Institutions Act include vault cash and short-term foreign assets. Treasury bills and treasury notes comprised approximately 71.0% (as of June 30, 2006) of the approved liquid assets currently held by the banks. Since there is no incentive for banks to sell their holdings of approved liquid assets and, thus, risk noncompliance with current reserve requirements, the Central Bank's scope for engaging in monetary intervention by purchasing treasury bills or treasury notes from the market is limited. As a result, under the fixed exchange rate regime, the primary tool of monetary policy for the Central Bank will continue to be the adjustment of the secondary reserve and cash reserve requirements.

Capital Markets

The Central Bank facilitates a small over-the-counter market for the trading of securities. The Central Bank began facilitating the trading of securities in 1988 when Belize Telecommunications Limited (BTL) was created through the privatization of Belizean telecommunications. The objective of the over-the-counter market was to facilitate the trading of BTL shares and to involve the public in individual investing. The Central Bank acted as the trading intermediary of BTL until 2001. Investors in BTL now contact the company directly to trade their securities.

Most of the securities that are sold in the over-the-counter market are treasury bills and treasury notes. There is no listing of prices in this over-the-counter market. A notice is published in the Belizean newspapers describing the securities and requesting offers. Since November 2002, the Ministry of Finance has set the treasury bill yield rate at 3.25%. The rate on treasury notes is currently at 9.00%. Prior to November 2002, a committee composed of Central Bank officials and the Ministry of Finance determined the interest rate based on the tender offers and some consideration is being given to reinstituting this system. The Central Bank notifies investors if their offers have been accepted and reports to the Accountant General.

Securities created in connection with privatizations and defense bonds are also sold in initial public offerings through the over-the-counter facility. There is no guaranteed secondary market for these securities at this time. In the case of privatization and defense bonds, the prices and interest rates are set and fixed, respectively. In each case, the Central Bank notifies prospective buyers as to whether their tenders have been accepted in the same manner as in the case of treasury notes and bills. Regulations for the over-the-counter market are being developed. The Central Bank has also recently hired a securities analyst in order to assist with the further development of the capital market.

TERMS AND CONDITIONS OF THE NEW BONDS

This section of this offering memorandum sets forth the text of the Terms and Conditions of the New Bonds. Belize urges you to read the indenture for a complete description of Belize's obligations and your rights as a holder of the New Bonds.

1. General. (a) This Security is one of a duly authorized series of debt securities of Belize, designated as its "U.S. Dollar Bonds Due 2029" (each Security of this series, a "Security" and, collectively, the "Securities"), and issued or to be issued in one or more series pursuant to a Trust Indenture among Belize and The Bank of New York as Trustee (the "Trustee"), as amended from time to time (the "Indenture"). The Holders of the Securities shall be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Indenture. A copy of the Indenture is on file and may be inspected at the Corporate Trust Office of the Trustee in New York City. All capitalized terms used in this Security but not defined herein shall have the meanings assigned to them in the Indenture.

(b) The Securities have been authorized by the National Assembly of Belize in accordance with the Finance and Audit (Reform) Act 2005, No. 12 of 2005.

(c) The Securities are general, direct, unconditional, unsubordinated and unsecured obligations of Belize for the payment and performance of which the full faith and credit of Belize has been pledged and Belize shall ensure that its obligations hereunder shall rank pari passu among themselves and with all of its other present and future unsecured and unsubordinated Public Debt (as defined below).

(d) The Securities are in fully registered form, without coupons. Securities will be originally issued and represented by one or more registered global securities (each, a "Global Security") held by or on behalf of the Depositary. Securities in certificated form (the "Certificated Securities") shall be available only in the limited circumstances set forth in the Indenture. The Securities, and transfers thereof, shall be registered as provided in Section 2.6 of the Indenture. Any person in whose name a Security shall be registered may (to the fullest extent permitted by applicable law) be treated at all times, by all persons and for all purposes as the absolute owner of such Security regardless of any notice of ownership, theft, loss or any writing thereon.

(e) The Securities shall be issued in denominations of U.S.$100 and integral multiples of U.S.$100 in excess thereof.

2. Amortization. The outstanding principal amount of the Securities shall be repaid in 20 equal, semi-annual installments commencing August 20, 2019 and ending on the Maturity Date.

3. Payments. (a) Principal of the Securities shall be payable against surrender of such Securities at the Corporate Trust Office of the Trustee in New York City or, subject to applicable laws and regulations, at the office outside of the United States of a paying agent, by U.S. dollar check drawn on, or by transfer to a U.S. dollar account maintained by the Holder with, a bank located in New York City. Payment of interest (including Additional Amounts (as defined below)) on Securities shall be made to the persons in whose name such Securities are registered at the end of the fifteenth day preceding the date on which interest is to be paid (each, a "Record Date"), whether or not such day is a Business Day (as defined below), notwithstanding the cancellation of such Securities upon any transfer or exchange thereof subsequent to the Record Date and prior to such interest payment date; provided, however, that if and to the extent Belize shall default in the payment of the interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose names such Securities are registered as of a subsequent record date established by Belize by notice, as provided in Paragraph 13 hereof, by or on

behalf of Belize to the Holders of the Securities not less than 15 days preceding such subsequent record date, such record date to be not less than 10 days preceding the date of payment of such defaulted interest. Payment of interest on a Global Security shall be made (i) by a U.S. dollar check drawn on a bank in New York City delivered to the Depositary at its registered address or (ii) by wire transfer in immediately available funds to a U.S. dollar account maintained by the Depositary with a bank in New York City. Payment of interest on Certificated Securities shall be made (i) by a U.S. dollar check drawn on a bank in New York City mailed to the Holder at such Holder's registered address or (ii) upon application by the Holder of at least U.S.$1,000,000 in principal amount of Certificated Securities to the Trustee not later than the relevant Record Date, by wire transfer in immediately available funds to a U.S. dollar account maintained by the Holder with a bank in New York City. "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in New York City or Belize City (or in the city where the relevant paying or transfer agent is located) are required or authorized by law to close.

(b) In any case where the date of payment of the principal of, or interest (including Additional Amounts), on the Securities shall not be a Business Day, then payment of principal or interest (including Additional Amounts) need not be made on such date at the relevant place of payment but may be made on the next succeeding Business Day. Any payment made on a date other than the date on which such payment is due as set forth herein shall have the same force and effect as if made on the date on which such payment is due, and no interest shall accrue for the period after such date.

(c) Interest in respect of any period of less than one year shall be calculated on the basis of a 360-day year of twelve 30-day months.

(d) All monies paid by or on behalf of Belize to the Trustee or to any paying agent for payment of the principal of, or interest (including Additional Amounts) on, any Security and not applied but remaining unclaimed for two years after the date upon which such amount shall have become due and payable shall be repaid to or for the account of Belize by the Trustee or such paying agent, the receipt of such repayment to be confirmed promptly in writing by or on behalf of Belize. Belize shall hold those unclaimed monies in trust for the relevant Holder or Holders of the Security or Securities until such time as the claims against Belize for payment of such amounts shall have been prescribed pursuant to Paragraph 15 hereof, and, to the extent permitted by law, the Holder or Holders of such Security or Securities shall thereafter look only to Belize for the payment that such Holder may be entitled to collect, and all liability of the Trustee or such paying agent with respect to such monies shall thereupon cease.

4. Taxation. All payments by Belize in respect of the Securities shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatsoever nature imposed or levied by or on behalf of Belize or any political subdivision or taxing authority thereof or therein having power to tax, unless Belize is compelled by law to deduct or withhold such taxes, duties, assignments or governmental charges. In such event, Belize shall pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the amounts received by the Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Securities in the absence of such withholding or deduction; provided, however, that no such Additional Amounts shall be payable:

(a) in respect of any Security held by or on behalf of a Holder or a beneficial owner of a Security who is liable for such taxes, duties, assessments or governmental charges by reason of such Holder or beneficial owner having some present or former connection with Belize other than merely by the holding of such Security or by receipt of income, principal or any payments in respect thereof;

(b) in respect of any Security held by or on behalf of a Holder or a beneficial owner of such Security that is liable for such taxes, duties, assessments or governmental charges by reason of the failure of such Holder or beneficial owner to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Belize, or any political subdivision or taxing authority thereof or therein, of such Holder or beneficial owner or of the Holder or beneficial owner of any interest in such Security or any rights in respect thereof, if (A) compliance is required by Belize, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from all or any portion of such withholding or deduction, (B) at least 60 days prior to the first scheduled payment date for which compliance shall be required, Belize has notified the Trustee in writing that Holders of Securities must comply with such certification, identification, information or other reporting requirement in order to receive Additional Amounts and (C) such requirement is not materially more onerous to such Holder or beneficial owner (in form, in procedure or in the substance of information disclosed) than comparable information or other reporting requirements imposed under U.S. federal law, regulation and administration practice (such as U.S. Internal Revenue Service Forms W-8BEN and W-9);

(c) in respect of any Security presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder thereof would have been entitled to Additional Amounts on presenting the Security for payment on the last day of such period of 30 days; or

(d) in respect of any payment on the Securities to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Securities.

As used in this Paragraph 4, "Relevant Date" in respect of any Security means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee on or prior to such due date) the date on which notice is duly given to the Holders in the manner described in Paragraph 13 below that such monies have been so received and are available for payment.

Belize shall pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies which arise in Belize or any political subdivision thereof or taxing authority thereof or therein in respect of the creation, issue, execution, delivery or registration of the Securities or any other document or instrument referred to therein.

Belize shall also indemnify the Holders and beneficial owners from and against any stamp, court or documentary taxes or any excise or property taxes, charges or similar levies resulting from, or required to be paid by any of them in any jurisdiction in connection with, the enforcement of the obligations of Belize under the Securities.

Any reference to "principal" and/or "interest" in this Security shall be deemed to include any Additional Amounts which may be payable hereunder.

5. Negative Pledge Covenant of Belize. So long as any Security shall remain Outstanding or any amount payable by Belize under the Indenture shall remain unpaid, Belize agrees that Belize shall not create, incur, assume or suffer to exist any Lien (as defined below), other than any Permitted Lien (as defined below), on the assets or revenues of Belize to secure Public Debt (as defined below), unless

Belize causes such Lien to secure equally and ratably the obligations of Belize with respect to the Securities.

"Debt" means obligations (other than the Securities) of, or guaranteed (whether by contract, statute or otherwise) by, Belize for borrowed money or evidenced by bonds, debentures, notes or other similar instruments.

"Lien" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any assets or revenues of any kind, whether in effect on the date the Indenture becomes effective or at any time thereafter.

"Permitted Liens" means: (i) any Lien on property to secure Public Debt arising in the ordinary course of business to finance export, import or other trade transactions, which Public Debt matures (after giving effect to all renewals and refinancings thereof) not more than one year after the date on which such Public Debt was originally incurred; (ii) any Lien on property to secure Public Debt incurred solely for the purpose of financing any acquisition by Belize (or, in the case of Public Debt guaranteed by Belize, the obligor in respect of such debt) of such property, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original financing without any increase in the amount thereof; (iii) any Lien on property arising by operation of law other than the law of Belize (or pursuant to any agreement establishing a Lien equivalent to one which would otherwise exist under relevant local law other than the law of Belize) in connection with Public Debt, including without limitation any right of set-off with respect to demand or time deposits with financial institutions and bankers' liens with respect to property held by financial institutions (in each case deposited with or delivered to such financial institutions in the ordinary course of the depositor's activities); (iv) any Lien existing on property at the time of acquisition, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the financing secured by such Lien at the time of such acquisition without increase in the amount thereof; (v) any Lien in existence as of the date of the issuance of the Securities; and (vi) any Lien securing Public Debt incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that (a) the holders of such Public Debt agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public Debt and (b) the property over which such Lien is granted consists solely of such assets and revenues.

"Public Debt" means any Debt that is in the form of, or represented by, bonds, notes or other securities that are or may be quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system or over-the-counter or other securities market (including, without limitation, debt securities issued under the Indenture).

6. [Most Favored Creditor Undertaking. Belize shall not enter into any arrangement to pay or to settle an Untendered Material Claim on terms more favorable to the holder thereof (in a net present value sense) than the terms offered in the Offering Memorandum to the holders of tendered Eligible Claims, without simultaneously making those more favorable terms available to each holder of a tendered Eligible Claim.

For purposes of this Paragraph 6, (i) the "Offering Memorandum" means the Offering Memorandum dated December 18, 2006 relating to Belize's offer to exchange this Security for Eligible Claims and (ii) "Untendered Material Claim" means any single Eligible Claim (or portion of an Eligible Claim) in an outstanding amount that represents five percent or more of the aggregate amount of all Eligible Claims. Other capitalized terms used but not defined in this Paragraph 6, have the meanings given to those terms in the Offering Memorandum.]*

7. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Belize fails to pay any amount of principal of or interest on any of the Securities, or any Additional Amounts due in respect thereof, as and when the same shall become due and payable, whether at maturity, by declaration or otherwise, and such failure continues unremedied for a period of 30 days; or

(b) Belize fails duly to observe or perform any of the covenants or agreements provided herein or in the Indenture (in each case, other than those referred to in Paragraph 7(a) hereof), and such failure continues for a period of 60 days; or

(c) Public Debt of Belize issued, or amended as to payment terms, on or after the original issuance date of the Securities, having an aggregate principal amount of at least U.S.$25,000,000 (or its equivalent in other currencies) shall become due and payable due to acceleration upon an event of default and such acceleration shall not have been rescinded or annulled; or

(d) Belize or a court of proper jurisdiction shall declare a general suspension of payments or a moratorium on payment of Belize's Public Debt (other than any Eligible Claim) issued, or amended as to payment terms, on or after the original issuance date of the Securities; or

(e) the validity of the Securities or the Indenture shall be contested in a formal administrative, legislative or judicial proceeding by Belize or any legislative, executive or judicial body or official of Belize which is authorized in each case by law to do so and, acting alone or together with another such body or official, has the legal power and authority to declare the Securities or the Indenture invalid or unenforceable, or Belize shall deny any of its obligations hereunder or thereunder to any of the Holders, or any constitutional provision, treaty, convention, law, regulation, official communique, decree, ordinance or policy of Belize, or any final decision by any court in Belize having jurisdiction, shall purport to render any material provision of the Securities or the Indenture, invalid or unenforceable or shall purport to prevent or delay the performance or observance by Belize of any of its material obligations hereunder or thereunder to any of the Holders; or

* If there are no Untendered Material Claims following the Tender Due Date for the Offer, this text will be omitted from the final version of the Securities.

(f) any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, license or other authority necessary to enable Belize to make or perform its material obligations under the Securities or the Indenture, or the validity or enforceability thereof, shall expire, be withheld, revoked, terminated or otherwise cease to remain in full force and effect, or shall be modified in a manner which adversely affects any rights or claims of any of the Holders; or

(g) the adoption of any applicable law, rule or regulation or any change therein which shall make it unlawful for Belize to comply with Paragraph 4 hereof; or

(h) any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Belize in connection with any judgment (other than in respect of an Eligible Claim) for the payment of money exceeding U.S.$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 consecutive days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets; or

(i) Belize shall cease to be a member of, or eligible to use the general resources of, the International Monetary Fund, and such failure shall continue for a period of 60 days,

then in each and every such case, upon notice in writing by the Holders (the "Demanding Holders") (acting individually or together) of not less than 25% of the aggregate Outstanding principal amount of the Securities to Belize, with a copy to the Trustee, of any such Event of Default and its continuance, the Demanding Holders may declare the principal amount of all the Securities due and payable immediately, and the same shall become and shall be due and payable upon the date that such written notice is received by or on behalf of Belize, unless prior to such date all Events of Default in respect of all the Securities shall have been cured; provided that if, at any time after the principal of the Securities shall have been so declared due and payable, and before the sale of any property pursuant to any judgment or decree for the payment of monies due which shall have been obtained or entered in connection with the Securities, Belize shall pay or shall deposit (or cause to be paid or deposited) with the Trustee a sum sufficient to pay all matured installments of interest and principal upon all the Securities which shall have become due otherwise than solely by acceleration (with interest on overdue installments of interest, to the extent permitted by law, and on such principal of each Security at the rate of interest specified herein, to the date of such payment of interest or principal) and such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and all other documented expenses and liabilities reasonably incurred, and all advances made for documented expenses and legal fees, reasonably incurred by the Trustee and each predecessor Trustee, and if any and all Events of Default hereunder, other than the nonpayment of the principal of the Securities which shall have become due solely by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then, and in every such case, the Holders of at least 66⅔% in aggregate principal amount of the Securities then Outstanding, by written notice to Belize and to the Trustee, may, on behalf of all of the Holders, waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Actions by Holders pursuant to this Paragraph 7 need not be taken at a meeting pursuant to Paragraph 8 hereof. The Trustee shall not be obligated to take any action with respect to an Event of Default under Paragraphs 7(e) and 7(f) hereof unless it shall have received written notification from Demanding Holders of 25% of the aggregate principal amount of Outstanding Securities that an Event of Default described in such Paragraphs has occurred.

Upon the occurrence of an Event of Default under this Paragraph 7, Belize shall give written notice promptly after becoming aware thereof to the Trustee.

"Eligible Claim" means a debt security or other debt instrument or obligation of Belize identified on Schedule A of the Offering Memorandum dated December 18, 2006 relating to Belize's offer to exchange this Security for Eligible Claims.

"Offer" means Belize's offer to exchange this Security for Eligible Claims, as indicated in Belize's Offering Memorandum dated December 18, 2006.

8. Holders' Meetings. (a) Belize or the Trustee at any time may, and upon a request in writing to the Trustee made by Holders holding not less than 10% in aggregate principal amount of the Securities the Trustee shall, convene a meeting of Holders of the Securities. The Trustee shall give notice of each meeting of Holders of the Securities, setting forth the time and place of the meeting and in general terms the topics to be discussed, or the action to be taken, at that meeting, not less than 30 nor more than 60 days prior to the date fixed for the meeting. To be entitled to vote at any meeting of Holders of Securities a Person shall be, as of the date reasonably set by the Trustee, (i) a Holder of one or more Securities or (ii) a Person appointed by an instrument in writing as proxy by the Holder of one or more Securities. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, the Trustee and its counsel, and any representatives of Belize and its counsel.

(b) Holders entitled to vote a majority in aggregate principal amount of the Securities at the time Outstanding shall constitute a quorum at a meeting convened for the purpose referred to above. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days. Notice of reconvening of any such meeting need be given only once but must be given not less than five days prior to the date on which the meeting is scheduled to be reconvened. Subject to the foregoing, at the reconvening of any meeting further adjourned for lack of a quorum, the Holders entitled to vote 25% in aggregate principal amount of the Securities at the time Outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting and such quorum requirement shall be expressly stated in the notice of reconvening.

Further provisions for meetings of Holders are contained in Article 10 of the Indenture.

9. Replacement, Exchange and Transfer of Securities. (a) Upon the terms and subject to the conditions set forth in the Indenture, in case any Security shall become mutilated, defaced or be apparently destroyed, lost or stolen, Belize in its discretion may execute, and upon the request of Belize, the Trustee shall authenticate and deliver, a new Security bearing a number not contemporaneously Outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and in substitution for the apparently destroyed, lost or stolen Security. In every case, the applicant for a substitute Security shall furnish to Belize and to the Trustee such security or indemnity as may be required by each of them to indemnify, defend and to save each of them and any agent of Belize or the Trustee harmless and, in every case of destruction, loss, theft or evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof. Upon the issuance of any substitute Security, the Holder of such Security, if so requested by Belize, shall pay a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected with the preparation and issuance of the substitute Security.

(b) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 9(e) hereof, a Certificated Security or Securities may be changed for an equal aggregate principal amount of Certificated Securities in different authorized denominations, and a beneficial interest in the Global Security may be exchanged for Certificated Securities in authorized denominations or for a beneficial interest in another Global Security by the Holder or Holders surrendering the Security or Securities for exchange at the Corporate Trust Office of the Trustee in The City of New York or at the office of a transfer agent, together with a written request for the exchange. Certificated Securities shall only be issued in exchange for interests in a Global Security pursuant to Section 2.5(e) of the Indenture. The exchange of the Securities shall be made by the Trustee in The City of New York.

(c) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 9(e) hereof, a Certificated Security may be transferred in whole or in a smaller authorized denomination by the Holder or Holders surrendering the Certificated Security for transfer at the Corporate Trust Office of the Trustee in the City of New York or at the office of a paying agent accompanied by an executed instrument of transfer substantially as set forth in the Indenture. The registration of transfer of the Securities shall be made by the Trustee in The City of New York.

(d) The costs and expenses of effecting any exchange, transfer or registration of transfer pursuant to this Paragraph 9 shall be borne by Belize, except for the expenses of delivery (if any) not made by regular mail and the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge or insurance charge that may be imposed in relation thereto, which shall be borne by the Holder of the Security.

(e) The Trustee may decline to accept any request for an exchange or registration of transfer of any Security during the period of 15 days preceding the due date for any payment of principal of or interest on the Securities.

10. Trustee. For a description of the duties and the immunities and rights of the Trustee under the Indenture, reference is made to the Indenture, and the obligations of the Trustee to the Holder hereof are subject to such immunities and rights.

11. Paying Agents; Transfer Agents; Registrar. Belize has initially appointed the paying agents, transfer agents and registrar listed at the foot of this Security. In addition, for so long as the Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, Belize will maintain a paying agent and a transfer agent in Luxembourg with respect to the Securities listed on the Luxembourg Stock Exchange and traded on the EuroMTF market. Belize has initially appointed The Bank of New York (Luxembourg) S.A. to serve as its Luxembourg paying agent and transfer agent. Belize may at any time appoint additional or other paying agents, transfer agents and registrars and terminate the appointment of those or any paying agents, transfer agents and registrar, provided that while the Securities are Outstanding Belize shall maintain in The City of New York (i) a paying agent, (ii) an office or agency where the Securities may be presented for exchange, transfer and registration of transfer as provided in the Indenture and (iii) a registrar. Notice of any such termination or appointment and of any change in the office through which any paying agent, transfer agent or registrar acts shall be promptly given in the manner described in Paragraph 13 hereof.

12. Enforcement. No Holder of any Securities shall have any right by virtue of or by availing itself of any provision of the Indenture or the Securities to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Indenture or the Securities, or for any other remedy hereunder or under the Securities, unless (a) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof with respect to the Securities, (b) the Holders of not less than 25% in aggregate principal amount Outstanding of the Securities shall have made

specific written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have provided to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and (c) the Trustee for 60 days after its receipt of such notice, request and provision of indemnity shall have failed to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 4.7 of the Indenture, it being understood and intended, and being expressly covenanted by every Holder of Securities with every other Holder of Securities and the Trustee, that no one or more Holder shall have any right in any manner whatever by virtue or by availing itself of any provision of the Indenture or of the Securities to affect, disturb or prejudice the rights of any other Holder of Securities or to obtain priority over or preference to any other such Holder, or to enforce any right under the Indenture or under the Securities, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of the Securities. For the protection and enforcement of this Paragraph 12, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

13. Notices. All notices to the Holders shall be published in a leading newspaper having general circulation in either Belize or the Republic of Trinidad and Tobago. In addition, for so long as the Securities are listed on the Luxembourg Stock Exchange and traded on the EuroMTF market and the rules of the Luxembourg Stock Exchange so require, Belize will publish all notices related to the Securities in English in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (http://www.bourse.lu). Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices shall be mailed to Holders of Securities at their registered addresses. Notice sent by registered or certified mail, postage prepaid, shall be deemed to have been given, made or served three Business Days after it has been sent.

14. Further Issues of Debt Securities. Belize may, without the consent of the Holders, create and issue further debt securities having the same terms and conditions as the Securities (or the same except for the amount of the first interest payments) so long as the additional debt securities are consolidated and form a single series with any outstanding series.

15. Prescription. All claims against Belize for payment of principal of or interest (including Additional Amounts) on or in respect of the Securities shall, to the extent permitted by applicable law, be prescribed unless made within five years from the date on which such payment first became due, or a shorter period if provided by law.

16. Redemption.

(a) Belize may redeem the Securities at par together with accrued interest, in whole or in part, on any interest payment date falling on or after (but not prior to) August 20, 2019 (each, a "Redemption Date") by giving the Trustee not less than 45 nor more than 60 days prior written notice of such redemption and the principal amount of Securities to be redeemed on such date. The Trustee shall promptly notify the Holders thereof, at the expense of Belize.

(b) All redemptions shall be at 100% of the principal amount of the relevant Securities, together with accrued interest to the Redemption Date.

(c) Belize may at any time acquire (for cancellation) the Securities in the secondary market by private purchase, exchange or by public tender.

(d) If not all Outstanding Securities are being redeemed, the Trustee shall determine the portion to be redeemed from each Holder by calculating the amount of Securities owned by each Holder relative to the amount of Outstanding Securities. The Trustee shall, not less than 30 days prior to the Redemption Date, give notice of the proportionate principal amount to be redeemed to Belize and each Holder.

17. Authentication. This Security shall not become valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee or its agent.

18. Governing Law. (a) This Security and the Indenture shall be governed by, and construed in accordance with, the law of the State of New York.

(b) Belize hereby irrevocably submits to the jurisdiction of any New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Securities or the Indenture, and Belize hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York state or federal court. Belize hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right of jurisdiction in such action or proceeding on account of the place of residence or domicile of Belize. Belize hereby irrevocably appoints its Deputy Permanent Representative in New York City, with an office currently at the Permanent Mission of Belize to the United Nations, 675 Third Avenue, Suite 1911, New York, New York 10017, United States of America, as its agent (the "Process Agent") to receive on behalf of itself and its property service of copies of the summons and complaint and any other process that may be served in any such action or proceeding, except actions arising out of U.S. federal or state securities laws, brought in such New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York. Such service may be made by mailing or delivering a copy of such process to Belize, in care of the Process Agent at the address specified above for the Process Agent, and Belize hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf. As an alternative method of service, Belize also irrevocably consents to the service of any and all process in any such action or proceeding in such New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York by the mailing of copies of such process to itself at its address specified in Section 9.4 of the Indenture. A final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Nothing in this Paragraph 18 shall affect the right of the Trustee or, in connection with legal action or proceedings by any Holder as permitted by the Indenture and this Security, any Holder to serve legal process in any other manner permitted by law or affect the right of the Trustee or any such Holder to bring any action or proceeding against Belize or its property in the courts of other jurisdictions.

(d) To the extent that Belize has or hereafter may acquire or have attributed to it any immunity under any law (other than the law of Belize) from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Belize hereby irrevocably waives such immunity in respect of its obligations under the Securities and the Indenture. To the extent that Belize has or hereafter may have any immunity under the law of Belize (i) from jurisdiction of any court, (ii) from any legal process in the courts of Belize (other than immunity from attachment prior to judgment and attachment in aid of execution), or (iii) from any legal process in any court other than a court of Belize, whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise, with respect to itself or its property, Belize hereby irrevocably waives such immunity to the fullest extent permitted by the law of Belize, in respect of its obligations under the Securities and the

Indenture. Without limiting the generality of the foregoing, Belize agrees that the waivers set forth in this Paragraph 18(d) shall be to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act of 1976 and are intended to be irrevocable for purposes of such Act. Notwithstanding the foregoing, Belize reserves the right to plead sovereign immunity under such Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws, and Belize's appointment of the Process Agent does not extend to such actions.

19. Currency Indemnification. The obligation of Belize to any Holder under the Securities that has obtained a court judgment affecting the Securities or the Indenture shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which the Security is denominated (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by such Holder of any amount in the Judgment Currency, such Holder may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency (or, if it is not practicable to make that purchase on that day, on the first Business Day on which it is practicable to do so). If the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such Holder in the Agreement Currency, Belize agrees, as a separate obligation and notwithstanding such judgment, to pay the difference, and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such Holder, such Holder agrees to pay to or for the account of Belize such excess; provided, however, that such Holder shall not have any obligation to pay any such excess as long as a default by Belize in its obligations hereunder has occurred and is continuing, in which case such excess may be applied by such Holder to such obligations.

20. Warranty of Belize. Subject to Paragraph 17 hereof, Belize hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Security and to constitute the same legal, valid and binding obligations of Belize enforceable in accordance with their terms, have been done and performed and have happened in due and strict compliance with all applicable laws.

21. Definitive Headings. The descriptive headings appearing in this Security are for convenience of reference only and shall not alter, limit or define the provisions hereof.

22. Modifications. (a) Any modification, amendment, supplement or waiver (each, a "Modification") to the Indenture or the terms and conditions of the Securities may be made or given pursuant to (i) a written action of the Holders of the Securities without the need for a meeting, or (ii) by vote of the Holders of the Securities taken at a meeting of Holders thereof, in each case in accordance with the terms of this Paragraph 22 and the other applicable provisions of the Securities and the Indenture.

(b) Modifications to the terms and conditions of the Securities, or to the Indenture insofar as it affects the Securities, may be made, and future compliance therewith may be waived,

(i) in the case of any Non-Reserve Matter (as defined below), with the consent of Belize and the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding, or

(ii) in the case of any Reserve Matter (as defined below), with the consent of Belize and the Holders of not less than 75% in aggregate principal amount of the Securities at the time Outstanding.

(c) If any Reserve Matter Modification pursuant to Paragraph 22(b)(ii) is sought in the context of simultaneous offer to exchange the Securities for new debt instruments of Belize or any other Person, Belize shall ensure that the relevant provisions of the affected Securities, as amended by such

Modification, are no less favorable to the Holders thereof than the provisions of the new instrument being offered in the exchange, or if more than one debt instrument is offered, no less favorable than the new debt instrument issued having the largest aggregate principal amount.

(d) Any Modification consented to or approved by the Holders of the Securities pursuant to this Paragraph 22 shall be conclusive and binding on all Holders of the Securities, whether or not they have given such consent or were present at a meeting of Holders at which such action was taken, and on all future Holders of the Securities whether or not notation of such Modification is made upon the Securities. Any instrument given by or on behalf of any Holder of a Security in connection with any consent to or approval of any such Modification shall be conclusive and binding on all subsequent Holders of such Security.

(e) (i) Before seeking the consent of any Holder of a Security to a Reserve Matter Modification, Belize shall provide to the Trustee (for onward distribution to the Holders of the Securities) the following information:

(A) a description of the economic or financial circumstances that, in Belize's view, explain the request for the proposed Modification;

(B) if Belize shall at the time have entered into a stand-by arrangement, arrangement under the extended Fund facility or similar program with the International Monetary Fund, a copy of that program (including any related technical memorandum); and

(C) a description of Belize's proposed treatment of its other major creditor groups (including, where appropriate, Paris Club creditors, other bilateral creditors and internal debtholders) in connection with Belize's efforts to address the situation giving rise to the requested Modification.

(ii) Prior to any vote on a Reserve Matter Modification affecting Securities pursuant to Paragraph 22(b), Belize shall deliver to the Trustee a certificate signed by an Authorized Representative of Belize specifying, for Belize and each Public Sector Instrumentality (as defined below), any Securities falling within clause (D) of the definition of "Outstanding" set forth below or, if no Securities are owned or controlled by Belize or any Public Sector Instrumentality, a certificate signed by an Authorized Representative of Belize to this effect.

(f) For purposes of this Security,

(i) "Non-Reserve Matter" means any Modification other than a Modification constituting a Reserve Matter.

(ii) "Outstanding" means the Securities authenticated and delivered pursuant to the Indenture except:

(A) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation or held by the Trustee for reissuance but not reissued by the Trustee;

(B) Securities that have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof and any interest thereon shall have been made available to the Trustee;

(C) Securities in lieu of or in substitution for which other Securities shall have been authenticated and delivered pursuant to the Indenture; and

(D) Securities owned or controlled directly or indirectly by Belize or by any Public Sector Instrumentality as provided in Section 6.4 of the Indenture.

(iii) "Reserve Matter" means any Modification that would:

(A) change the date for payment of principal or premium of, or any installment of interest on, the Securities;

(B) reduce the principal amount or redemption price or premium, if any, payable under the Securities;

(C) reduce the portion of the principal amount which is payable in the event of an acceleration of the maturity of the Securities;

(D) reduce the interest rate on the Securities;

(E) change the currency or place of payment of any amount payable under the Securities;

(F) change the obligation of Belize to pay Additional Amounts in respect of the Securities;

(G) change the definition of Outstanding or the percentage of votes required for the taking of any action pursuant to this Paragraph 22 (and the corresponding provision of the Indenture) in respect of the Securities;

(H) authorize the Trustee, on behalf of all Holders of the Securities, to exchange or substitute all the Securities for, or convert all the Securities into, other obligations or securities of Belize or any other Person; or

(I) change the *pari passu* ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms and conditions of the Securities.

(iv) "Reserve Matter Modification" means any Modification constituting a Reserve Matter.

(v) "Public Sector Instrumentality" means any department, ministry or agency of the central government of Belize or any corporation, trust, financial institution or other entity owned or controlled by the central government of Belize or any of the foregoing, and "control" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint greater than 50% of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust financial institution or entity.

(g) It shall not be necessary for the vote or consent of Holders of the Securities to approve the particular form of any proposed Modification, amendment, supplement, request, demand, authorization, direction, notice, consent, waiver or other action, but it shall be sufficient if such vote or consent shall approve the substance thereof.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

The information in this section concerning Euroclear, Clearstream and DTC and their book-entry systems has been obtained from sources Belize believes to be reliable, but Belize makes no representation or warranty with respect to this information. Euroclear, Clearstream and DTC are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. None of Belize, the Trustee, or the Exchange Agent will be responsible for Euroclear, Clearstream or DTC's performance of each of its obligations under its rules and procedures, or for the performance by direct or indirect participants of its obligations under the rules and procedures of the clearing systems.

The New Bonds will initially be issued in the form of registered New Bonds in global form, without interest coupons, as follows:

- New Bonds issued to qualified institutional buyers in reliance on the private offering exemption under the Securities Act will be represented by a global New Bond (each, a "*Restricted Global New Bond*"); and

- New Bonds issued in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by a global New Bond (each, a "*Regulation S Global New Bond*").

Upon issuance, each of the global New Bonds will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global New Bond will be limited to persons who have accounts with DTC (the "*DTC participants*"), or persons who hold interests through DTC participants. Belize expects that under procedures established by DTC:

- upon deposit of each global New Bond with DTC's custodian, DTC will credit portions of the principal amount of the global New Bond to the accounts of the DTC participants that tendered Eligible Claims on behalf of beneficial owners;

- ownership of beneficial interests in each global New Bond will be shown on, and transfers of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each global New Bond).

Beneficial interests in a Regulation S Global New Bond will initially be credited within DTC to Euroclear and Clearstream Banking on behalf of the owners of such interests.

Investors may hold their interests in a Regulation S Global New Bond directly through Euroclear or Clearstream Banking, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Investors may also hold their interests in a Regulation S Global New Bond through organizations other than Euroclear or Clearstream Banking that are DTC participants. Euroclear and Clearstream Banking will each appoint a DTC participant to act as its depositary for the interests in a Regulation S Global New Bond that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

Beneficial interests in the global New Bonds may not be exchanged for New Bonds in physical certificated form except in the limited circumstances described below.

Each global New Bond and beneficial interests in each global New Bond will be subject to restrictions on transfer as described under "Notice to Investors".

Exchanges between the Global New Bonds

Beneficial interests in one global New Bond of a series may generally be exchanged for interests in another global New Bond of that series. Depending on whether the transfer is being made during or after the 40-day period commencing on the date of first issuance of the New Bonds, and to which global New Bond the transfer is being made, the trustee may require the seller to provide certain written certifications in the form provided in the indenture. In addition, in the case of a transfer of interests in a global New Bond to an institutional accredited investor, the trustee may require the buyer to deliver a representation letter in the form provided in the indenture that states, among other things, that the buyer is not acquiring New Bonds with a view to distributing them in violation of the Securities Act.

A beneficial interest in a global New Bond that is transferred to a person who takes delivery through another global New Bond will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global New Bond of that series.

Book-Entry Procedures for the Global New Bonds

All interests in the global New Bonds will be subject to the operations and procedures of DTC, Euroclear and Clearstream Banking. Belize provides the following summaries of those operations and procedures solely for the convenience of investors that hold the New Bonds. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither Belize nor the Trustee is responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the law of the State of New York;
- a "banking organization" within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a "clearing corporation" within the meaning of the Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the U.S. Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including banks and trust companies; clearing corporations; and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a global New Bond, that nominee will be considered the sole owner or holder of the New Bonds of that series represented by that global New Bond for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global New Bond:

- will not be entitled to have New Bonds of that series represented by that global New Bond registered in their names;
- will not receive or be entitled to receive physical, certificated New Bonds of that series; and
- will not be considered the owners or holders of the New Bonds of that series under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global New Bond of that series must rely on the procedures of DTC to exercise any rights of a holder of New Bonds under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest in the New Bonds).

Payments of principal and interest with respect to the New Bonds of that series represented by a global New Bond will be made by the trustee to DTC's nominee as the registered holder of the global New Bond. Neither Belize nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global New Bond, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global New Bond will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream Banking will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and participants in Euroclear or Clearstream Banking, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream Banking. To deliver or receive an interest in a global New Bond held in a Euroclear or Clearstream Banking account, an investor must send transfer instructions to Euroclear or Clearstream Banking, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream Banking, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global New Bonds in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream Banking participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream Banking.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant that purchases an interest in a global New Bond from a DTC participant will be credited on the business day for Euroclear or Clearstream Banking immediately following the DTC settlement date. Cash received in Euroclear or Clearstream Banking from the sale of an interest in a global New Bond to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream Banking cash account as of the business day for Euroclear or Clearstream Banking following the DTC settlement date.

DTC, Euroclear and Clearstream Banking have agreed to the above procedures to facilitate transfers of interests in the global New Bonds among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither Belize nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream Banking or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Bonds

New Bonds of a series in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related New Bonds only if:

- DTC notifies Belize at any time that it is unwilling or unable to continue as depositary for the global New Bonds of that series and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the U.S. Securities Exchange Act of 1934 and a successor depositary is not appointed within 90 days;
- Belize, at its option, notifies the trustee that it elects to cause the issuance of certificated New Bonds of that series; or
- certain other events provided in the indenture occur.

LISTING AND LISTING AGENT

Belize intends to apply to admit the New Bonds to listing on the Luxembourg Stock Exchange and to trading on the EuroMTF market. The Luxembourg Listing Agent is Fortis Banque Luxembourg, 50 Avenue John F. Kennedy, L-2951 Luxembourg. Copies of Belize's indenture and the forms of the New Bonds will be made available for inspection during normal business hours on any day except Saturday, Sunday and public holidays at the offices of the Luxembourg Listing Agent for so long as the New Bonds are listed on the Luxembourg Stock Exchange and traded on the EuroMTF market and the rules of the Luxembourg Stock Exchange so require.

NOTICE TO INVESTORS

The New Bonds are subject to the following restrictions on resale. By acquiring New Bonds, you will be deemed to have made the following acknowledgements, representations to and agreements with Belize:

1. You acknowledge that:

    - the New Bonds have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and

    - unless so registered, the New Bonds may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of Belize, that you are not acting on Belize's behalf and that either:

    - you are a qualified institutional buyer (as defined in Rule 144A) and are acquiring New Bonds for your own account or for the account of another qualified institutional buyer; or

    - you are not a U.S. person (as defined in Regulation S under the Securities Act) or acquiring for the account or benefit of a U.S. person, other than a distributor, and you are acquiring New Bonds in an offshore transaction in accordance with Regulation S.

3. An "*Eligible EEA Investor*" is an investor who is:

    (a) a "qualified investor" within the meaning of the law in a relevant member state implementing Article 2(1)(e) of the Prospectus Directive; and

    (b) in the case of any notes that may be acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive,

    (i) a person who will not have acquired the new notes on behalf of, or with a view to offering or reselling the new notes to, persons in any relevant member state other than qualified investors; or

    (ii) where new notes may be acquired by it on behalf of persons in any relevant member state other than qualified investors, the offer of those notes to it would not be treated under the Prospectus Directive as having been made to such other persons.

4. You acknowledge that neither Belize nor any person representing Belize has made any representation to you with respect to Belize or the offering of the New Bonds, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the New Bonds. You agree that you have had access to such information concerning Belize and the New Bonds as you have deemed necessary in connection with your decision to purchase New Bonds, including an opportunity to ask questions of and request information from the Government.

5. You represent that you are acquiring New Bonds for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the New Bonds in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the New Bonds pursuant to Rule 144A or any other available exemption from the registration requirements of the Securities Act.

6. You agree on your own behalf and on behalf of any investor account for which you are acquiring New Bonds, and each subsequent holder of the New Bonds by its acceptance of the New Bonds will agree, that until the date that is two years after the later of the Closing Date and the last date that the Government or any of its affiliates was the owner of New Bonds or any predecessor of the New Bonds (the "resale restriction period"), the New Bonds may be offered, sold or otherwise transferred only:

   - to Belize;
   - pursuant to a registration statement that has been declared effective under the Securities Act;
   - for so long as the New Bonds are eligible for resale under Rule 144A, to a person whom the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom it has given notice that the transfer is being made in reliance on Rule 144A;
   - through offers and sales that occur outside the United States within the meaning of Regulation S;
   - under any other available exemption from the registration requirements of the Securities Act; or
   - subject in each of the above cases, to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or such account's control.

   You also acknowledge that:

   - the above restrictions on resale will apply from the Closing Date of the offering of the New Bonds until the end of the resale restriction period, and will not apply after the resale restriction period ends;
   - Belize and the trustee reserve the right to require, in connection with any offer, sale or other transfer of New Bonds before the resale restriction period ends under clauses (d) and (e) above, the delivery of an opinion of counsel, certifications and/or other information satisfactory to Belize and the trustee; and
   - each New Bond will contain a legend substantially to the following effect:

     THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN

MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE ''RESALE RESTRICTION TERMINATION DATE'') THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM IT REASONABLY BELIEVES IS A ''QUALIFIED INSTITUTIONAL BUYER'' (AS DEFINED IN RULE 144A) THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (E) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT TO BELIZE'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

7. You acknowledge that Belize and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your acquisition of New Bonds is no longer accurate, you will promptly notify the Government. If you are acquiring any New Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

TAXATION

Investors are urged to consult their own tax advisors in determining the tax consequences of holding notes, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Belizean Tax Considerations

The effect of the Belize Income and Business Tax Act is that payment of interest on the New Bonds is exempt from all taxes, and that no capital gains tax is payable upon their transfer. No stamp duty or transfer tax is payable on the securities and the instruments effecting the issue or transfer of the New Bonds. In addition, the Minister of Finance has given his approval that (1) the New Bonds are exempt from all taxes and stamp duties and (2) the excess of the principal amount of any New Bond over its issue price will be treated as interest by the Commissioner of Income Tax.

United States Taxation

If you are subject to taxation in the United States, you should consult your own tax advisors concerning United States tax considerations. Holders of the New Bonds may contact the Ministry of Finance of Belize to obtain the issue price, amount of original issue discount and the yield to maturity of the New Bonds. Contact information may be found on the back cover of this offering memorandum.

Other Jurisdictions

If you are subject to taxation in any other jurisdiction, you should consult your own tax advisor concerning tax considerations under laws and regulations of such jurisdiction.

JURISDICTIONAL RESTRICTIONS

The distribution of the Offer Materials is restricted by law in certain jurisdictions. Persons into whose possession the Offer Material comes are required by Belize to inform themselves of and to observe any of these restrictions.

The Offer Material does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Belize does not accept any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "*Relevant Member State*"), Belize has not made and will not make an offer of New Bonds to the public in that Relevant Member State except that it may make an offer of New Bonds to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts; or

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Belize for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Bonds shall result in a requirement for the publication by Belize of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to the New Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any of the New Bonds to be offered so as to enable an investor to decide to purchase such New Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Belize has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any New

Bonds which are the subject of the Invitation contemplated by this document in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any New Bonds in, from or otherwise involving the United Kingdom.

Switzerland

The Offering Material does not constitute a prospectus within the meaning of Art. 652a or 1156 of the Swiss Code of Obligations or in accordance with the Listing Rules of the SWX Swiss Exchange. The New Bonds will not be listed on the SWX Swiss Exchange.

United States

See jurisdictional restrictions set forth under "Notice to Investors."

OFFICIAL STATEMENTS

Information in this offering memorandum whose source is identified as a publication of Belize or the Central Bank of Belize or one of their respective agencies or instrumentalities relies on the authority of such publication as a public official document of Belize. All other information contained in this offering memorandum is included as an official public statement made on the authority of the Minister of Finance in his official capacity as such.

LEGAL MATTERS

Certain matters of U.S. federal and New York state law will be passed upon for Belize by Cleary Gottlieb Steen & Hamilton LLP, U.S. counsel to Belize.

Certain matters of Belizean law will be passed upon for Belize by the Legal Counsel of the Ministry of Finance and Home Affairs.

As to matters of Belizean law, Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of the Legal Counsel of the Ministry of Finance and Home Affairs.

GENERAL INFORMATION

Due Authorization

On December 8 and December 11, 2006, the House of Representatives and Senate, respectively, as required by the Finance and Audit (Reform) Act 2005, No. 12 of 2005 of Belize, authorized the issuance of and the payments of all amounts due under the New Bonds.

Litigation

Except as set forth herein, neither Belize nor any governmental agency of Belize is involved in any litigation or arbitration or administrative proceedings relating to claims or amounts which would adversely affect Belize's ability to meet its obligations under the New Bonds and the indenture, and, so far as Belize is aware, no such litigation or arbitration or administrative proceedings are pending or threatened.

Currently an arbitration proceeding is underway in Miami, Florida under the UNCITRAL Arbitration Rules. NEWCO Ltd. of Boston, Massachusetts is claimant and the Government of Belize and the Belize Airports Authority are respondents. NEWCO Ltd. is claiming from the respondents a sum of not less than U.S.$33 million as compensation plus undetermined "exemplary damages" and costs arising out of a Concession Agreement dated November 27, 2002 between the parties which is alleged by claimant to have been breached by the respondents.

There is a counterclaim by the respondents (Government of Belize and Belize Airports Authority) against the claimant in the sum of not less than U.S.$55 million plus costs and disbursements.

An arbitration tribunal consisting of Prof. J. Martin H. Hunter as Chairman, Judd L. Kessler (arbitrator appointed by NEWCO) and Prof. Albert Fiadjoe (arbitrator appointed by the Government and the Belize Airports Authority) has been appointed and the arbitration is currently in progress.

A second arbitration is currently being conducted before a three-member special UNCITRAL arbitral tribunal sitting in Canada between Belize Telecom Ltd. and Innovative Communication Corporation LLC (both owned by Jeffrey Prosser, a U.S. citizen) as claimants and the Government of Belize as respondent.

The arbitration arises out of a Share Purchase Agreement dated March 22, 2004 between claimants and respondent whereby respondent sold its majority shareholding in Belize Telecommunications Ltd. (BTL), a public utility company, to claimants. It is alleged that respondent committed breaches of this Share Purchase Agreement and also fraudulently induced the claimants to enter into the Share Purchase Agreement in the first place. Claimants have demanded U.S.$200,000,000 as damages, plus costs.

Exhibit I to the
<u>Offering Memorandum</u>

FOR TENDERS OF THE SPECIFIED NOTES (AS DEFINED BELOW) ONLY

FORM OF LETTER OF TRANSMITTAL

If you require assistance, please contact the Information Agent or the Exchange Agent at the addresses and telephone numbers set forth on the final page of this Letter of Transmittal.

No beneficial owner of Eligible Claims may receive or review this Letter of Transmittal or participate in the Offer unless it is an "eligible holder" as defined in the Offering Memorandum.

Belize

December 18, 2006

OFFER TO EXCHANGE

U.S. Dollar Bonds Due 2029 for
Eligible Claims

AND RELATED SOLICITATION OF CONSENT

pursuant to the Offering Memorandum dated December 18, 2006 (the "<u>Offering Memorandum</u>")

The Expiration Date is 3:00 p.m., New York City time, on January 26, 2007, unless extended by Belize.

IMPORTANT: The procedures for accepting the Offer differ depending on the type of Eligible Claim being tendered. Read carefully the section entitled "Tender Procedures" in the Offering Memorandum to be sure you fully understand these procedures. This Letter of Transmittal may only be used for tenders of Bear Stearns 9.50% Notes due 2012 and Bear Stearns 9.75% Notes due 2015 (the "<u>Specified Notes</u>").

Electronic submission of this Letter of Transmittal other than as set forth in the Offering Memorandum will not constitute valid delivery. Please send only one copy of each Letter of Transmittal. Please do not send confirmation copies of any Letter of Transmittal by the same or different means.

Tender may be made only by direct participants in DTC, Euroclear and Clearstream. If you are not a direct participant, you must direct the custodial entity that holds your Specified Notes to act on your behalf.

This Letter of Transmittal and the Specified Notes submitted for tender should NOT be sent to Belize, or any other person that is affiliated with Belize.

Please submit your Letter of Transmittal and surrender the Specified Notes to the Designated Clearing Systems or to the Exchange Agent, as applicable. All documents should be submitted to the Exchange Agent.

If you are a qualified investor within the meaning of the Prospectus Directive holding Specified Notes for persons who have the investment discretion to accept the Offer ("beneficial owners") but are not themselves qualified investors, please contact the Exchange Agent for further information. Belize may be legally capable of extending a separate offer on identical terms to such beneficial owners. Belize may in its sole discretion elect to make such an offer. For the avoidance of doubt, this communication is not such an offer as it relates to such beneficial owners.

Terms defined in the Offering Memorandum and used but not otherwise defined in this Letter of Transmittal have the meanings provided to them in the Offering Memorandum.

Ladies and Gentlemen:

The undersigned hereby acknowledges that it has received and reviewed (i) Belize's Offering Memorandum and this Letter of Transmittal relating to the offer by Belize to exchange its New Bonds (and a Participation Fee) for the Specified Notes and (ii) the related solicitation of consent to amendments to the Bear Stearns 9.75% Notes due 2015 that would have the effect of conforming the maturity date, interest rate and certain amendment procedures to those of the New Bonds.

The undersigned certifies that it is the beneficial owner, or has been authorized to take the actions provided for herein by the beneficial owner(s), of the Specified Notes specified in this Letter of Transmittal.

The undersigned hereby tenders to Belize the Specified Notes specified in this Letter of Transmittal to be exchanged for the New Bonds, in accordance with the terms and conditions described in the Offering Memorandum and this Letter of Transmittal.

The undersigned understands that validly tendered Specified Notes (or defectively tendered Specified Notes with respect to which defect Belize has, or has caused to be, waived) will be deemed to have been accepted by Belize if, as and when Belize gives oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. The undersigned understands that, subject to the terms and conditions in the Offering Memorandum, Specified Notes properly tendered and accepted in accordance with such terms and conditions will be exchanged for New Bonds. The undersigned understands that, under certain circumstances, Belize may not be required to accept any of the Specified Notes tendered (including any such Specified Notes tendered after the Expiration Date). If any Specified Notes are not accepted for exchange for any reason, no New Bonds will be issued in respect thereof, no consideration will be paid in respect thereof, and such unexchanged Specified Notes will be returned without expense to the undersigned.

The undersigned hereby represents and warrants that the undersigned has full power and authority to surrender the Specified Notes and give the consents, representations and warranties contained herein on behalf of itself, and any other person on whose behalf such representations and warranties are expressed to be given. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or Belize to be necessary or desirable to perfect such consent and representations. All questions as to the form of all documents and the validity (including time of receipt) and acceptance of this Letter of Transmittal will be determined by Belize, in its sole discretion, which determination shall be final and binding.

No authority conferred or agreed to be conferred by this Letter of Transmittal shall be affected by, and all such authority shall survive, the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the undersigned.

The undersigned understands that the consents provided in this Letter of Transmittal shall remain in full force and effect until and unless and to the extent that the consents are withdrawn in accordance with the procedures set forth in the Offering Memorandum and this Letter of Transmittal. **A valid withdrawal of tendered Specified Notes shall be deemed a valid revocation of the related authorizations. A holder may not validly revoke its authorizations unless such holder validly withdraws such holder's previously tendered Specified Notes.**

By tendering Specified Notes in the Offer and executing this Letter of Transmittal, but subject to acceptance of Specified Notes by Belize for exchange, the holder and the beneficial owner of those

Specified Notes will be deemed, among other things, to irrevocably (following the termination of withdrawal rights) and unconditionally accept the Offer in respect of the Specified Notes tendered in its Letter of Transmittal, subject to the terms and conditions of the Offer as set forth in the Offering Memorandum, and, at the time of the closing on the Closing Date, to:

1. sell, assign and transfer to or upon the order of Belize or its nominee, for immediate cancellation, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such holder's status as a holder of, all Specified Notes tendered, such that thereafter it shall have no contractual or other rights or claims in law or equity against Belize or any fiduciary, trustee, fiscal agent or other person connected with the Specified Notes arising under, from or in connection with such Specified Notes;

2. waive any and all rights with respect to all Specified Notes tendered (including, without limitation, any existing, past or continuing defaults and their consequences in respect of such Specified Notes);

3. release and discharge Belize and its affiliates, any fiscal agent and administrative agents in respect of the Specified Notes, the Exchange Agent and the Trustee for the New Bonds and any of their agents, officials, officers, employees or advisors, from any and all claims such holder may have, now or in the future, arising out of or related to all Specified Notes tendered, including, without limitation, any claims that such holder is entitled to receive accrued interest or any other payment with respect to Specified Notes tendered (other than as expressly provided for in the Offering Memorandum and this Letter of Transmittal);

4. constitute and appoint the Exchange Agent as its true and lawful agent and attorney-in-fact (recognizing and agreeing that the Exchange Agent also acts as the agent of Belize for other purposes) with respect to all Specified Notes tendered, with full power of substitution, to (a) present such Specified Notes and all evidences of transfer and authenticity to Belize, or upon Belize's order, (b) present such Specified Notes for transfer of ownership on any books of Belize, (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Specified Notes and (d) receive on behalf of such holder and beneficial owner the New Bonds issued in exchange for Specified Notes; and

5. constitute and appoint the Exchange Agent as its true and lawful agent and attorney-in-fact (recognizing and agreeing that the Exchange Agent also acts for other purposes as the agent of Belize), and provide an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) deemed necessary in the opinion of such attorney and agent in relation to Specified Notes tendered thereby in favor of Belize or such other person or persons as we may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's opinion and/or the certificate(s) and other document(s) of title relating to such Specified Notes' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer, and to vest in Belize or its nominees such Specified Notes.

6. **with respect to tenders of Bear Stearns 9.75% Notes due 2015 (the "Notes") only**, irrevocably consent to the amendment of the Notes to effect the following changes to the terms and conditions of the Notes:

   (a) conform the interest rate of the Notes to those of the New Bonds effective as of the Closing Date of the Offer;

(b) conform the remaining interest payment dates and the maturity date of the Notes to those of the New Bonds, with the final interest payment on the Notes to end on the new maturity date of the Notes;

(c) add language that would require the consent of the Government for any Extraordinary Resolution affecting the rate of interest on, or the maturity date of, the Notes; and

(d) conform the Fiscal Agent Agreement dated June 12, 2003 between the Government of Belize, JPMorgan Chase Bank as Fiscal Agent, Principal Paying Agent, Registrar and Transfer Agent, and JPMorgan Chase Bank London as Paying Agent in all other relevant places and in all other related instruments and documentation to effect the above changes.

Holders of the Notes also instruct and authorize the Fiscal Agent for the Notes to take appropriate action to implement these modifications, including executing a supplemental fiscal agency agreement in a form satisfactory to the Fiscal Agent.

Each of these modifications shall take effect at the time of Closing of the Offer described in the Offering Memorandum.

The undersigned acknowledges that the New Bonds offered in the Offer have not been registered under the U.S. Securities Act of 1933, as amended, or under the laws of any other jurisdiction and are not being offered to any person unless that person is an “eligible holder” (as defined in the Offering Memorandum).

The undersigned hereby:

1. if the undersigned's Specified Notes are held through an account at DTC, represents that it has delivered instructions to DTC by transferring the Specified Notes to the Exchange Agent's account at DTC through DTC's ATOP system;

2. if the undersigned's Specified Notes are held through an account at Euroclear or Clearstream, represents that it has delivered appropriate instructions to Euroclear or Clearstream, as the case may be, by encrypted electronic mail in accordance with their normal procedures, with respect to the Specified Notes specified herein;

3. further authorizes the Exchange Agent, DTC, Euroclear or Clearstream, as the case may be, to take those actions specified in the Offering Memorandum and in instructions contained therein, with respect to the Specified Notes specified herein; and

4. further authorizes the Exchange Agent to instruct DTC, Euroclear or Clearstream, as the case may be, as to the aggregate amount of the Specified Notes that shall have been accepted for exchange by Belize;

in each case, as required under Tender Procedures in the Offering Memorandum.

Each holder of Specified Notes, or the beneficial owner of such Specified Notes on behalf of which the holder has tendered, and any person located in the European Economic Area (the "EEA") on behalf of which the holder has tendered (to the extent an offer would be treated under the Prospectus Directive as being made to such person), hereby acknowledges, represents, warrants and agrees that:

1. it has received and reviewed the Offering Memorandum in its entirety;

2. it either:

   (A) is a qualified institutional buyer (as defined in Rule 144A of the U.S. Securities Act of 1933, as amended) and is acquiring New Bonds for its own account or for the account of another qualified institutional buyer; or

   (B) is not a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended) nor is acquiring for the account or benefit of a U.S. person, other than a distributor, and it is acquiring New Bonds in an offshore transaction in accordance with Regulation S; and

   it otherwise is, and will remain through Closing Date, an "eligible holder", as defined in "Terms of the Offer—Offering Restrictions" in the Offering Memorandum;

3. if it is located in the EEA, it is an Eligible EEA Investor;

4. it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, all Specified Notes tendered by it and it has full power and authority to submit this Letter of Transmittal, and has full power and authority to tender, sell, assign and transfer Specified Notes tendered by it;

5. all Specified Notes being tendered by it were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and represents and warrants that Belize will acquire good, indefeasible and unencumbered title to such Specified Notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, on the Closing Date;

6. it will not sell, pledge, hypothecate or otherwise encumber or transfer any Specified Notes tendered from the date of this Letter of Transmittal and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;

7. in evaluating the Offer and in making its decision whether to participate therein by submitting a Letter of Transmittal and tendering its Specified Notes, it has made its own independent appraisal of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by or on behalf of Belize, the Exchange Agent or the Information Agent other than those contained in the Offering Memorandum (as supplemented to the Expiration Date);

8. the delivery of this Letter of Transmittal shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in the Offering Memorandum;

9. the terms and conditions of the Offer shall be deemed to be incorporated in, and form a part of, this Letter of Transmittal which shall be read and construed accordingly; and

10. Belize, the Exchange Agent and other persons will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements, and if any of the acknowledgements, representations, warranties and agreements deemed to have been made by it by its acquisition of the New Bonds are no longer accurate, it will promptly notify Belize and withdraw its tender of Specified Notes.

The representations and warranties and agreements of a holder tendering Specified Notes shall be deemed to be repeated and reconfirmed on and as of the Expiration Date and the Closing Date for the Offer.

For purposes of the Offering Memorandum and this Letter of Transmittal, the “beneficial owner” of any Specified Notes shall mean any holder that exercises sole investment discretion with respect to such Specified Notes.

For purposes of the Offer, Belize will be deemed to have accepted for exchange, and to have exchanged, validly tendered Specified Notes if, as and when Belize gives oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. The undersigned acknowledges that Belize’s acceptance of Specified Notes validly tendered for exchange pursuant to any one of the procedures described under “Tender Procedures” in the Offering Memorandum and herein will constitute a binding agreement between the undersigned and Belize upon the terms and subject to the conditions of the Offer.

It is understood and agreed that no legal or beneficial interest in any tendered Specified Notes shall pass to Belize unless and until a closing on the Closing Date has occurred.

This Letter of Transmittal shall be governed by and construed in accordance with the law of the State of New York.

By submitting a Letter of Transmittal, the undersigned irrevocably and unconditionally agrees for the benefit of Belize, the Exchange Agent and the Information Agent that the New York state or U.S. federal courts sitting in the Borough of Manhattan, The City of New York, are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Offer or any of the documents that are governed by New York state law and are referred to in the Offering Memorandum, and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

INSTRUCTIONS FOR TENDERS OF SPECIFIED NOTES

Forming part of the Terms and Conditions of the Offer

1. *Delivery of Letter of Transmittal and Specified Notes.* This Letter of Transmittal may only be submitted with respect to Specified Notes held through DTC, Euroclear or Clearstream. A properly completed and duly executed Letter of Transmittal and any other documents required by this Letter of Transmittal, must be received by any officer of the Exchange Agent who has direct responsibility for the administration of the Offer ("Authorized Officer") of the Exchange Agent electronically through, in the case of DTC, DTC's ATOP system, and, in the case of Euroclear or Clearstream, by Euroclear or Clearstream as described in the Offering Memorandum, prior to or at 3:00 p.m., New York City time, on the Expiration Date. The Designated Clearing Systems must receive instructions in accordance with any deadlines established by DTC, Euroclear or Clearstream. **Delivery of documents to DTC, Euroclear or Clearstream or any securities intermediary does not constitute delivery to the Exchange Agent.**

The method of delivery of this Letter of Transmittal, the Specified Notes and all other required documents, including delivery through the Designated Clearing Systems, is at the option and risk of the holder and delivery will be deemed made only when actually received by an Authorized Officer of the Exchange Agent.

No alternative, conditional or contingent exchange offers will be accepted. All participating holders, by execution of this Letter of Transmittal, waive any right to receive any notice of the acceptance of their submission.

2. *Signatures on Letter of Transmittal.* The signature on this Letter of Transmittal, whether by a direct participant in a Designated Clearing System, a beneficial owner or a custodian or other representative, must correspond with the name shown in the corresponding instructions relating to the Specified Notes.

If this Letter of Transmittal is signed by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Belize of such person's authority to so act must be submitted.

The term "instructions" as used herein means:

- with respect to the Specified Notes held through DTC, a submission of Specified Notes delivered through DTC's ATOP system;
- with respect to Specified Notes held through Euroclear or Clearstream, irrevocable instructions to:
  - block any attempt to transfer your Specified Notes on or prior to the Closing Date; and
  - debit your account on or before the Closing Date in respect of all your Specified Notes that is accepted for exchange by Belize, upon receipt of an instruction by the Exchange Agent to receive your Specified Notes for Belize;

subject, in each case, to the automatic withdrawal of the irrevocable instructions in the event that the Offer is terminated by Belize prior to the Expiration Date and subject to the other conditions in the Offer, in each case as notified to DTC, Euroclear or Clearstream, by the Exchange Agent on or before the Closing Date; and

- with respect to Specified Notes held through any of DTC, Euroclear or Clearstream,
  - an irrevocable authorization to disclose the name of the direct account holder and information about the foregoing instructions; and
  - a confirmation that the direct participant, custodian or beneficial owner is concurrently delivering a Letter of Transmittal submitting an offer with respect to your Specified Notes.

Instructions can only be delivered by direct participants in the Designated Clearing Systems.

3. *U.S. persons.* For reference in checking the box on the second page of the Signature Annex hereto, the term "U.S. persons," as used in this Letter of Transmittal, means:

- any natural person resident in the United States;
- any partnership or corporation organized or incorporated under the laws of the United States;
- any estate of which any executor or administrator is a U.S. person;
- any trust of which any trustee is a U.S. person;
- any agency or branch of a foreign entity located in the United States;
- any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
- any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States; or
- any partnership or corporation if (a) organized or incorporated under the laws of any foreign jurisdiction, and (b) formed by a U.S. person principally for the purpose of investing in securities not registered under the U.S. Securities Act of 1933, as amended, unless it is organized or incorporated, and owned, by accredited investors (as defined in rule 501(a) under the Securities Act) who are not natural persons, estates or trusts.

4. *Requests for Assistance or Additional Copies.* Any questions or requests for assistance or additional copies of the Offering Memorandum or this Letter of Transmittal may be directed to the Information Agent or the Exchange Agent at the addresses and telephone numbers set forth on the final page of this Letter of Transmittal. A holder may also contact such holder's broker, dealer, commercial bank or trust company or nominee for assistance concerning the Offer.

IMPORTANT: This Letter of Transmittal and all other required documents must be received by an Authorized Officer of the Exchange Agent at or prior to 3:00 p.m. on the Expiration Date. Please ensure that you submit only one Letter of Transmittal with respect to your Specified Notes.

(This page has been left blank intentionally.)

SIGNATURE ANNEX (PAGE 1 OF 2)

BELIZE

EXCHANGE OFFER OF OUTSTANDING SPECIFIED NOTES AND RELATED FISCAL AGENCY AGREEMENTS

1. The direct participant in DTC, Euroclear or Clearstream signing this Signature Annex is:

Clearing System: DTC ❑ Euroclear ❑ Clearstream ❑

Name of Institution:______________________________

Direct Participant Account Number:______________________________

Contact Person:______________________________

Address:______________________________

Telephone (with international dialing code):______________________________

E-mail address (please print):______________________________

2. The undersigned, by signing and delivering this signature annex, agrees to tender the following Specified Notes pursuant to the Offer and the terms and conditions of this Letter of Transmittal:

CUSIP or ISIN Number	Principal Amount Tendered (U.S.$)	Beneficial Owner Name and Account Number

If the space above is inadequate, you may attach additional signed schedules to be part of this Letter of Transmittal by photocopying a blank copy of this page.

SIGNATURE ANNEX (PAGE 2 OF 2)

BELIZE

EXCHANGE OFFER OF OUTSTANDING SPECIFIED NOTES AND RELATED FISCAL AGENCY AGREEMENTS

3. The undersigned hereby makes all acknowledgments, representations, warranties and agreements described in the Letter of Transmittal to which the Signature Annex relates and, if the undersigned is a corporation, executes this document as an attorney-in-fact or duly authorized officer or official of such corporation or governmental entity.

Signature of Authorized Signatory:____

Name of Authorized Signatory:____

Capacity (Full Title):_____________________________ Date:_______________, 200__

Telephone Number (with country code):____

☐ Check here if the beneficial owner(s) of the Specified Notes specified herein is or are U.S. person(s) as defined in the instructions hereto.

The person or entity signing this signature annex must (a) deliver instructions to DTC, Euroclear or Clearstream, as the case may be, in accordance with the deadlines specified by DTC, Euroclear or Clearstream; and (b) ensure that instructions can be allocated to the Offer made hereby. Instructions with respect to the Specified Notes must cover the entire aggregate principal amount of Specified Notes in this Letter of Transmittal.

THE ISSUER

Belize
c/o Ministry of Finance
New Administrative Building
Belmopan, Belize

EXCHANGE AGENT

The Bank of New York
Corporate Trust Operations
Reorganization Unit
101 Barclay Street – 7 East
New York, NY 10286
Telephone: 212-815-5788
Fax: 212-298-1915
Attention: William Buckley

INFORMATION AGENT

D.F. King & Co., Inc.
48 Wall Street
New York, NY 10005
Telephone: 212-269-5550
Attention: Edward McCarthy

FINANCIAL ADVISOR
to the Issuer

Houlihan Lokey Howard & Zukin (Europe) Limited
83 Pall Mall
London SW1Y 5ES
Telephone: (44) 20-7747-1454
Fax: (44) 20-7839-5566

FOR TENDERS OF ELIGIBLE CLAIMS OTHER THAN THE SPECIFIED NOTES (AS DEFINED BELOW)

FORM OF LETTER OF ACCEPTANCE

If you require assistance, please contact the trustee for your Eligible Claim or the Information Agent or the Exchange Agent at the addresses and telephone numbers set forth on the final page of this Letter of Acceptance.

No beneficial owner of Eligible Claims may receive or review this Letter of Acceptance or participate in the Offer unless it is an "eligible holder" as defined in the Offering Memorandum.

Belize

December 18, 2006

OFFER TO EXCHANGE

U.S. Dollar Bonds Due 2029 for
Eligible Claims

AND RELATED SOLICITATION OF AUTHORIZATIONS

pursuant to the Offering Memorandum dated December 18, 2006 (the "Offering Memorandum")

The Expiration Date is 3:00 p.m., New York City time, on January 26, 2007, unless extended by Belize.

IMPORTANT: The procedures for accepting the Offer differ depending on the type of Eligible Claim being tendered. Read carefully the section entitled "Tender Procedures" in the Offering Memorandum to be sure you fully understand these procedures. This Letter of Acceptance may not be used for tenders of Bear Stearns 9.50% Notes due 2012 and Bear Stearns 9.75% Notes due 2015 (the "Specified Notes").

If you are a qualified investor within the meaning of the Prospectus Directive holding Eligible Claims for persons who have the investment discretion to accept the Offer ("beneficial owners") but are not themselves qualified investors, please contact the Exchange Agent for further information. Belize may be legally capable of extending a separate offer on identical terms to such beneficial owners. Belize may in its sole discretion elect to make such an offer. For the avoidance of doubt, this communication is not such an offer as it relates to such beneficial owners.

Terms defined in the Offering Memorandum and used but not otherwise defined in this Letter of Acceptance have the meanings provided to them in the Offering Memorandum.

Ladies and Gentlemen:

The undersigned hereby acknowledges that it has received and reviewed (i) Belize's Offering Memorandum and this Letter of Acceptance relating to the offer by Belize to exchange its New Bonds (and a Participation Fee) for the Eligible Claims (including Stripped Claims, as this term is defined in paragraph 7 below) and (ii) the related solicitation of authorizations to vote at meetings of holders in favor of amendments to and instructions in connection with certain of the Eligible Claims and the related trust deeds.

The undersigned certifies that it is the beneficial owner, or has been authorized to take the actions provided for herein by the beneficial owner(s), of the Eligible Claims specified in this Letter of Acceptance.

The undersigned hereby tenders to Belize the Eligible Claims specified in this Letter of Acceptance to be exchanged for the New Bonds, in accordance with the terms and conditions described in the Offering Memorandum and this Letter of Acceptance.

The undersigned understands that validly tendered Eligible Claims (or defectively tendered Eligible Claims with respect to which defect Belize has, or has caused to be, waived) will be deemed to have been accepted by Belize if, as and when Belize gives oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. The undersigned understands that, subject to the terms and conditions in the Offering Memorandum, Eligible Claims properly tendered and accepted in accordance with such terms and conditions will be exchanged for New Bonds. The undersigned understands that, under certain circumstances, Belize may not be required to accept any of the Eligible Claims tendered (including any such Eligible Claims tendered after the Expiration Date). If any Eligible Claims are not accepted for exchange for any reason, no New Bonds will be issued in respect thereof, no consideration will be paid in respect thereof, and such unexchanged Eligible Claims will be returned without expense to the undersigned.

The undersigned hereby represents and warrants that the undersigned has full power and authority to surrender the Eligible Claims and give the authorizations, representations and warranties contained herein on behalf of itself, and any other person on whose behalf such representations and warranties are expressed to be given. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or Belize to be necessary or desirable to perfect such authorizations and representations. All questions as to the form of all documents and the validity (including time of receipt) and acceptance of this Letter of Acceptance will be determined by Belize, in its sole discretion, which determination shall be final and binding.

No authority conferred or agreed to be conferred by this Letter of Acceptance shall be affected by, and all such authority shall survive, the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the undersigned.

The undersigned understands that the authorizations provided in this Letter of Acceptance shall remain in full force and effect until and unless and to the extent that the authorizations are withdrawn in accordance with the procedures set forth in the Offering Memorandum and this Letter of Acceptance. **A valid withdrawal of tendered Eligible Claims shall be deemed a valid revocation of the related authorizations. A holder may not validly revoke its authorizations unless such holder validly withdraws such holder's previously tendered Eligible Claims.**

By tendering Eligible Claims in the Offer and executing this Letter of Acceptance, but subject to acceptance of Eligible Claims by Belize for exchange, the holder and the beneficial owner of those Eligible Claims will be deemed, among other things, to irrevocably (following the termination of withdrawal rights) and unconditionally accept the Offer in respect of the Eligible Claims tendered in its Letter of Acceptance, subject to the terms and conditions of the Offer as set forth in the Offering Memorandum, and, at the time of the closing on the Closing Date, to:

1. sell, assign and transfer to or upon the order of Belize or its nominee, for immediate cancellation, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such holder's status as a holder of, all Eligible Claims tendered, such that thereafter it shall have no contractual or other rights or claims in law or equity against Belize or any fiduciary, trustee, fiscal agent or other person connected with the Eligible Claims arising under, from or in connection with such Eligible Claims;

2. waive any and all rights with respect to all Eligible Claims tendered (including, without limitation, any existing, past or continuing defaults and their consequences in respect of such Eligible Claims);

3. release and discharge Belize and its affiliates, any fiscal agents, administrative agents and trustees in respect of the Eligible Claims, the Exchange Agent and the Trustee for the New Bonds and any of their agents, officials, officers, employees or advisors, from any and all claims such holder may have, now or in the future, arising out of or related to all Eligible Claims tendered, including, without limitation, any claims that such holder is entitled to receive accrued interest or any other payment with respect to Eligible Claims tendered (other than as expressly provided for in the Offering Memorandum and this Letter of Acceptance);

4. constitute and appoint the Exchange Agent as its true and lawful agent and attorney-in-fact (recognizing and agreeing that the Exchange Agent also acts as the agent of Belize for other purposes) with respect to all Eligible Claims tendered, with full power of substitution, to (a) present such Eligible Claims and all evidences of transfer and authenticity to Belize, or upon Belize's order, (b) present such Eligible Claims for transfer of ownership on any books of Belize, (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Eligible Claims and (d) receive on behalf of such holder and beneficial owner the New Bonds issued in exchange for Eligible Claims;

5. constitute and appoint the Exchange Agent as its true and lawful agent and attorney-in-fact (recognizing and agreeing that the Exchange Agent also acts for other purposes as the agent of Belize), and provide an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) deemed necessary in the opinion of such attorney and agent in relation to Eligible Claims tendered thereby in favor of Belize or such other person or persons as we may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's opinion and/or the certificate(s) and other document(s) of title relating to such Eligible Claims' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer, and to vest in Belize or its nominees such Eligible Claims;

6. **with respect to tenders of: RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2004 – 2014 <u>only</u>:**

(i) the holder of the Eligible Claim irrevocably constitutes and appoints the Exchange Agent, as its true and lawful agent and attorney-in-fact (recognizing and agreeing that the Exchange Agent also acts for other purposes as agent of Belize) with respect to the Eligible Claim tendered hereby, (a) to attend, act and vote for, in the name and on behalf of the undersigned at any bondholder meeting convened to consider one or more proposed amendments to the terms of the Eligible Claim or to the trust deed under which the Eligible Claim was issued, as described in the Offering Memorandum (including at any adjourned meeting), with full power of substitution as if the undersigned were present and voting at such meeting, (b) to vote in favor of the proposal to approve the proposed amendments to the Eligible Claim and the trust deed under which the Eligible Claim was issued and (c) to take all actions desirable to cause (i) certification that the requisite votes to approve the proposed amendments have been received and (ii) the execution and delivery by Belize and the trustee of amendments implementing the proposed amendments or supplemental trust deed with respect to the Eligible Claim, all in accordance with the terms and conditions of the Offer and related solicitations of authorizations as described in the Offering Memorandum; the power of attorney granted in this paragraph shall be deemed to be irrevocable and coupled with an interest; and,

(ii) reimburse and indemnify the Exchange Agent for, and hold it harmless against, any loss, liability or expense (including, without limitation, counsel fees) incurred without bad faith, gross negligence or willful misconduct on the part of the Exchange Agent arising out of or in conjunction with its attendance at any meeting of bondholders and voting of, pursuant to proxies delivered to it by the undersigned, Eligible Claims at such meeting of bondholders; and

7. **with respect to tenders of beneficial interests (sometimes styled "Certificates of Participation", "Certificates of Interest" or "Certificates", and referred to herein as "<u>Strips</u>") in: Royal Merchant Bank and Finance Company Limited 9.50% Fixed Rate Bonds due 2010, Citicorp Merchant Bank Limited 8.95% Fixed Rate Bonds due 2013, Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds 1998 – 2008 and Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds 1997 – 2007 (the "<u>Stripped Claims</u>") <u>only</u>:**

(i) the holder of the Stripped Claims irrevocably constitutes and appoints the Exchange Agent, as its true and lawful agent and attorney-in-fact (recognizing and agreeing that the Exchange Agent also acts for other purposes as agent of Belize) with respect to all such Stripped Claims tendered hereby, to attend, act and vote for, in the name and on behalf of the undersigned at any meeting of the holders of that Stripped Claim convened to consider one or more proposed Extraordinary Resolutions to instruct the trustee for that Stripped Claim to take whatever action may be necessary (including giving an instruction to a trustee for the underlying Eligible Claim) to cause the underlying Eligible Claim to be tendered in its entirety in the Belizean Offer on the terms described in the Offering Memorandum or, in the case of an Eligible Claim in which Strips have been sold in only part of the Eligible Claim, to authorize the nominal holder of the Eligible Claim corresponding to these Strips to consent to a tender of that

Eligible Claim in the Offer. The power of attorney granted in this paragraph shall be deemed to be irrevocable and coupled with an interest; and,

(ii) reimburse and indemnify the Exchange Agent for, and hold it harmless against, any loss, liability or expense (including, without limitation, counsel fees) incurred without bad faith, gross negligence or willful misconduct on the part of the Exchange Agent arising out of or in conjunction with its attendance at any meeting of bondholders and voting of, pursuant to proxies delivered to it the undersigned, Eligible Claims at such meeting of bondholders; and

The undersigned acknowledges that the New Bonds offered in the Offer have not been registered under the U.S. Securities Act of 1933, as amended, or under the laws of any other jurisdiction and are not being offered to any person unless that person is an "eligible holder" (as defined in the Offering Memorandum).

Each holder of Eligible Claims, or the beneficial owner of such Eligible Claims on behalf of which the holder has tendered, and any person located in the European Economic Area (the "EEA") on behalf of which the holder has tendered (to the extent an offer would be treated under the Prospectus Directive as being made to such person), hereby acknowledges, represents, warrants and agrees that:

1. it has received and reviewed the Offering Memorandum in its entirety;

2. it either:

    (A) is a qualified institutional buyer (as defined in Rule 144A of the U.S. Securities Act of 1933, as amended) and is acquiring New Bonds for its own account or for the account of another qualified institutional buyer; or

    (B) is not a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended) nor is acquiring for the account or benefit of a U.S. person, other than a distributor, and it is acquiring New Bonds in an offshore transaction in accordance with Regulation S; and

    it otherwise is, and will remain through Closing Date, an "eligible holder", as defined in "Terms of the Offer—Offering Restrictions" in the Offering Memorandum;

3. if it is located in the EEA, it is an Eligible EEA Investor;

4. it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, all Eligible Claims tendered by it and it has full power and authority to submit this Letter of Acceptance, and has full power and authority to tender, sell, assign and transfer Eligible Claims tendered by it and to grant the powers of attorney granted hereunder in respect thereof;

5. all Eligible Claims being tendered by it were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and represents and warrants that Belize will acquire good, indefeasible and unencumbered title to such Eligible Claims, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, on the Closing Date;

6. it will not sell, pledge, hypothecate or otherwise encumber or transfer any Eligible Claims tendered from the date of this Letter of Acceptance and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;

7. in evaluating the Offer and in making its decision whether to participate therein by submitting a Letter of Acceptance and tendering its Eligible Claims, it has made its own independent appraisal of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by or on behalf of Belize, the Exchange Agent or the Information Agent other than those contained in the Offering Memorandum (as supplemented to the Expiration Date);

8. the delivery of this Letter of Acceptance shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in the Offering Memorandum;

9. the terms and conditions of the Offer shall be deemed to be incorporated in, and form a part of, this Letter of Acceptance which shall be read and construed accordingly; and

10. Belize, the Exchange Agent and other persons will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements, and if any of the acknowledgements, representations, warranties and agreements deemed to have been made by it by its acquisition of the New Bonds are no longer accurate, it will promptly notify Belize and withdraw its tender of Eligible Claims.

The representations and warranties and agreements of a holder tendering Eligible Claims shall be deemed to be repeated and reconfirmed on and as of the Expiration Date and the Closing Date for the Offer.

For purposes of the Offering Memorandum and this Letter of Acceptance, the "beneficial owner" of any Eligible Claims shall mean any holder that exercises sole investment discretion with respect to such Eligible Claims.

For purposes of the Offer, Belize will be deemed to have accepted for exchange, and to have exchanged, validly tendered Eligible Claims if, as and when Belize gives oral (promptly confirmed in writing) or written notice thereof to the Exchange Agent. The undersigned acknowledges that Belize's acceptance of Eligible Claims validly tendered for exchange pursuant to any one of the procedures described under "Tender Procedures" in the Offering Memorandum and herein will constitute a binding agreement between the undersigned and Belize upon the terms and subject to the conditions of the Offer.

It is understood and agreed that no legal or beneficial interest in any tendered Eligible Claim shall pass to Belize unless and until a closing on the Closing Date has occurred.

This Letter of Acceptance shall be governed by and construed in accordance with the law of the State of New York.

By submitting a Letter of Acceptance, the undersigned irrevocably and unconditionally agrees for the benefit of Belize, the Exchange Agent and the Information Agent that the New York state or U.S. federal courts sitting in the Borough of Manhattan, The City of New York, are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Offer or any of the documents that are governed by New York state law and are referred to in the Offering Memorandum, and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

INSTRUCTIONS FOR TENDERS OF ELIGIBLE CLAIMS

Forming part of the Terms and Conditions of the Offer

1. *Delivery of Letter of Acceptance.* To tender Eligible Claims in the Offer, a properly completed and duly executed copy of this Letter of Acceptance must be received by an Authorized Officer of the Exchange Agent at the address set forth on the final page of this Letter of Acceptance by hand, courier, mail or facsimile transmission (with original to follow promptly by hand, courier or mail) prior to or at 3:00 p.m., New York City time, on the Expiration Date.

The method of delivery of this Letter of Acceptance and all other required documents to the Exchange Agent is at the election and risk of the holder and delivery will be deemed made only when actually received by an Authorized Officer of the Exchange Agent. In all cases, sufficient time should be allowed to assure timely delivery.

No Letter of Acceptance or other required documents should be sent to any person other than the Exchange Agent.

No alternative, conditional or contingent exchange offers will be accepted. All participating holders, by execution of this Letter of Acceptance, waive any right to receive any notice of the acceptance of their submission.

2. *Signature on Letter of Acceptance*. Letters of Acceptance may be signed only by the current record or registered holder or owner of the tendered Eligible Claims. Beneficial owners of Eligible Claims whose Eligible Claims are held by a broker, dealer, commercial bank, trust company or other nominee should contact such broker, dealer, commercial bank, trust company or other nominee promptly and instruct such person, as the holder of the Eligible Claims, to arrange for timely delivery of this Letter of Acceptance on behalf of the beneficial owner. If this Letter of Acceptance is signed by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Belize of such person's authority to so act must be submitted.

3. *Delivery of Promissory Notes, Interest Coupons and Other Debt Instruments*. **The undersigned hereby agrees that not less than three Business Days prior to the Closing Date, the undersigned shall deliver by hand, courier or insured registered mail or insured certified mail to the Exchange Agent at the address set forth on the final page of this Letter of Acceptance the original of any debt instrument (such as a certificate or promissory note) evidencing a tendered Eligible Claim that is in certificated form.**

4. *Settlement of New Bonds.* **The undersigned hereby requests that the New Bonds that, subject to the terms and conditions of the Offer, will be exchanged for the tendered Eligible Claims on the Closing Date be credited to the account of a participant in DTC, Euroclear or Clearstream designated by the undersigned herein. Holders who do not currently have an account with a participant in DTC, Euroclear or Clearstream and who wish to tender their Eligible Claims in exchange for New Bonds should immediately contact the Information Agent or the Exchange Agent using the telephone numbers set forth on the final page of this Letter of Acceptance.**

5. *Withdrawals of Tenders.* Tenders of Eligible Claims may be withdrawn, for any reason, at any time prior to 3:00 p.m., New York City time, on the Expiration Date. In order to be valid, a notice of withdrawal must specify the name of the person who tendered the Eligible Claims to be withdrawn (the "Depositor"), the name in which the Eligible Claims are registered if different from that of the Depositor,

and the type and the principal amount of Eligible Claims to be withdrawn. If certificates or promissory notes have been delivered to the Exchange Agent, the name of the holder and the certificate number or numbers or any other identifying items relating to such Eligible Claims withdrawn must also be furnished to the Exchange Agent as aforesaid prior to the physical release of the certificates or promissory notes for the withdrawn Eligible Claims. The notice of withdrawal must be signed by the holder in the same manner as any Letter of Acceptance, or accompanied by evidence satisfactory to Belize that the person withdrawing the tender has succeeded to the beneficial ownership of such Eligible Claims. Holders may not rescind withdrawals of tendered Eligible Claims. However, withdrawn Eligible Claims may be retendered by following the procedures therefore described in the Offering Memorandum and this Letter of Acceptance at any time prior to 3:00 p.m., New York City time, on the Expiration Date.

6. *Requests for Assistance or Additional Copies.* Any questions or requests for assistance or additional copies of the Offering Memorandum or this Letter of Acceptance may be directed to the Information Agent or the Exchange Agent at the addresses and telephone numbers set forth on the final page of this Letter of Acceptance. A holder may also contact such holder's broker, dealer, commercial bank or trust company or nominee for assistance concerning the Offer.

IMPORTANT: This Letter of Acceptance and all other required documents must be received by an Authorized Officer of the Exchange Agent at or prior to 3:00 p.m. (New York City time) on the Expiration Date. Please ensure that you submit only one Letter of Acceptance with respect to your Eligible Claims specified herein.

(This page has been left blank intentionally.)

SIGNATURE ANNEX (PAGE 1 OF 4)

BELIZE EXCHANGE OFFER

PLEASE COMPLETE THE FOLLOWING TABLE

<table>
<tr><th colspan="5">Description of the Eligible Claims (or Stripped Claims) Tendered</th></tr>
<tr><th>Name(s) and Address(es) of Record Holder(s) or Beneficial Owner(s) (Please fill in, if blank)</th><th>Title/ Description of Eligible Claim</th><th>Certificate Number(s) or Other Identifying Item(s) (if applicable)</th><th>Aggregate Principal Amount Represented (in original currency)</th><th>Aggregate Principal Amount Tendered* (in original currency)</th></tr>
<tr><td rowspan="5"></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
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<tr><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="5">Unless otherwise indicated in the column labeled “Aggregate Principal Amount Tendered” and subject to the terms and conditions of the Offer, a holder will be deemed to have tendered with respect to the entire aggregate principal amount represented by the Eligible Claims indicated in the column labeled “Aggregate Principal Amount Represented”.</td></tr>
</table>

* In the case of Stripped Claims (that is, stripped beneficial interests in Eligible Claims) the Aggregate Principal Amount tendered will be the percent value of the tendered strip determined by reference to “Terms of the Offer” in the Offering Memorandum.

☐ CHECK HERE IF CERTIFICATES, PROMISSORY NOTES OR OTHER DEBT INSTRUMENTS REPRESENTING TENDERED ELIGIBLE CLAIMS ARE ENCLOSED HEREWITH.

Note: Originals of any debt instruments that are in certificated or definitive form must be delivered by hand or insured registered mail or insured certified mail to the Exchange Agent no later than three Business Days prior to the Closing Date.

SIGNATURE ANNEX (PAGE 2 OF 4)

BELIZE EXCHANGE OFFER

IMPORTANT—READ CAREFULLY

The undersigned hereby makes all acknowledgments, representations, warranties, agreements and authorizations described in the Letter of Acceptance to which the Signature Annex relates and, if the undersigned is a corporation or governmental entity, executes this document as an attorney-in-fact or duly authorized officer or official of such corporation or governmental entity.

This Signature Annex must be signed by the record or registered holder(s) or owners exactly as the name(s) appear(s) on certificate(s) representing the tendered Eligible Claims. If this the Signature Annex is signed by an attorney-in-fact, officer of a corporation, trustee, executor, administrator, guardian or other person acting in a fiduciary or representative capacity, such person should so indicate when signing and must submit proper evidence satisfactory to Belize of such person's authority to so act.

SIGN HERE

Signature(s) of Holder(s) or Owners or Authorized Signatory

Dated: ____________, 200__

Name(s):____

(Please Print)

Capacity (Full Title): ____

Contact Person: ____

Address:____

____

____

Telephone Number (with international dialing code): ______________________________

E-mail: ____

SIGNATURE ANNEX (PAGE 3 OF 4)

BELIZE EXCHANGE OFFER

Please Complete The Following:

Indicate whether you are a "qualified institutional buyer" or not a "U.S. person" (as defined in the U.S. Securities Act of 1933, as amended):

☐ Qualified Institutional Buyer

☐ Non- U.S. Person

New Bonds Are To Be Credited To:

Clearing System: DTC ☐ Euroclear ☐ Clearstream ☐

Account Number(s):______________________________

Name of Participant:______________________________

Participant Number:____

Persons participating in the Offer must notify their custodian, broker dealer, DTC, Euroclear or Clearstream that they should expect delivery of the New Bonds on the Closing Date.

THE ISSUER

Belize
c/o Ministry of Finance
New Administrative Building
Belmopan, Belize

EXCHANGE AGENT

The Bank of New York
Corporate Trust Operations
Reorganization Unit
101 Barclay Street – 7 East
New York, NY 10286
Telephone: 212-815-5788
Fax: 212-298-1915
Attention: William Buckley

INFORMATION AGENT

D.F. King & Co., Inc.
48 Wall Street
New York, NY 10005
Telephone: 212-269-5550
Attention: Edward McCarthy

FINANCIAL ADVISOR
to the Issuer

Houlihan Lokey Howard & Zukin (Europe) Limited
83 Pall Mall
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Schedule A to the
Offering Memorandum

ELIGIBLE CLAIMS*

Type of Claim	Date of Issue	Final Maturity	Principal Amount as of November 30, 2006 (In U.S.$)
Bond Indebtedness:			
Bear Stearns & Co. Inc. 9.50% Notes due 2012	2002	2012	U.S.$ 125,000,000
Bear Stearns & Co. Inc. 9.75% Notes due 2015	2003	2015	100,000,000
RBTT Merchant Bank Limited 9.95% Fixed Rate Bonds 2004 – 2014	2004	2014	76,051,151
Royal Merchant Bank and Finance Company Limited 9.50% Fixed Rate Bonds due 2010*	2000	2010	25,605,618
Citicorp Merchant Bank Limited 8.95% Fixed Rate Bonds due 2013*	2003	2013	17,500,000
Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds 1998 – 2008*	1998	2008	2,571,429
Citicorp Merchant Bank Limited 9.75% Fixed Rate Bonds 1997 – 2007*	1997	2007	1,428,571

* Including beneficial interests therein (sometimes styled "Certificates of Participation", "Certificates of Interest" or "Certificates" and referred to herein as "*Strips*").

Type of Claim	Date of Issue	Final Maturity	Principal Amount as of November 30, 2006 (In U.S.$)
Bank Facilities:			
The International Bank of Miami 10% Promissory Note due 2012	2002	2012	18,000,000
The International Bank of Miami 9.25% Promissory Note due 2011	2004	2011	12,000,000
The International Bank of Miami Tranche A Promissory Note due 2010	2003	2010	12,000,000
The International Bank of Miami Tranche A Yield Compensation Note due 2010	Yield Compensation Note: 2003	2010	639,250
The International Bank of Miami Tranche A Interest Notes due 2010	Note 1: 2003 Note 2: 2004 Note 3: 2004 Note 4: 2005 Note 5: 2005 Note 6: 2006 Note 7: 2006	2010	6,983,692
The International Bank of Miami Promissory Notes Tranches B and C	2003	Tranche B: 2010 Tranche C: 2008	3,000,000
Insured Loans			
Belize Sovereign Investments I (Cayman) Limited Loan due 2015**	2005	2015	65,211,000
Belize Sovereign Investments II (Cayman) Limited Loan due 2010**	2005	2010	50,030,400

* Based on the records maintained by the Central Bank of Belize.
** Amounts listed are before deduction of Waiting Period Debt Service and Uninsured Debt Service Reserve Accounts.

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LUXEMBOURG LISTING AGENT
Fortis Banque Luxembourg
Merchant Banking
Global Markets, Listing & Agency
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LUXEMBOURG PAYING AGENT AND TRANSFER AGENT
The Bank of New York (Luxembourg) S.A.
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