

“Working Together For A Fair, Inclusive And Prosperous Belize”

BUDGET SPEECH

FOR

FISCAL YEAR 2022/2023

Hon. John Briceno

Prime Minister and Minister of Finance,

Economic Development and Investment

Belmopan, Belize

Tuesday, March 15, 2022

(To be checked against delivery)

SUMMARY OF RECURRENT AND CAPITAL BUDGETS

**BELIZE ESTIMATES
FOR THE FISCAL YEAR 2022/2023**

	APPROVED BUDGET 2021/22	PROJECTED OUT-TURN 2021/22	SUBMITTED BUDGET 2022/23
TOTAL REVENUES AND GRANTS	\$1,038,187,848	\$1,192,034,399	\$1,263,300,139
RECURRENT REVENUE	\$965,459,970	\$1,136,668,000	\$1,222,619,345
TAX REVENUE	\$884,421,460	\$1,048,571,999	\$1,122,910,759
INCOME & PROFITS	\$247,498,378	\$254,628,000	\$268,944,420
TAXES ON PROPERTY	\$6,484,892	\$8,417,000	\$10,000,000
TAXES ON INT'L TRADE & TRANSACTIONS	\$137,660,755	\$174,346,000	\$189,000,000
TAXES ON GOODS & SERVICES	\$492,777,435	\$611,181,000	\$654,966,339
NON-TAX REVENUE	\$81,038,510	\$88,096,001	\$99,708,586
PROPERTY INCOME	\$4,945,164	\$19,550,000	\$17,180,000
LICENCES	\$13,070,689	\$14,014,000	\$16,813,865
ROYALTIES	\$29,423,297	\$22,986,000	\$34,273,829
GOVERNMENT MINISTRIES	\$32,577,284	\$31,142,000	\$30,875,892
REPAYMENT OF OLD LOANS	\$1,022,076	\$404,000	\$565,000
CAPITAL REVENUES:	\$5,366,400	\$5,366,399	\$5,680,794
SALE OF EQUITY	\$303,630	\$303,629	\$309,701
SALE OF CROWN LANDS	\$5,062,770	\$5,062,770	\$5,371,093
GRANTS	\$67,361,478	\$50,000,000	\$35,000,000
TOTAL EXPENDITURES	\$1,201,539,587	\$1,217,691,001	\$1,360,968,258
TOTAL RECURRENT EXPENDITURE	\$903,177,045	\$974,691,000	\$1,087,896,431
PERSONAL EMOLUMENTS	\$412,498,116	\$415,106,000	\$461,787,795
PENSIONS & EX-GRATIA	\$90,818,016	\$96,784,000	\$100,865,711
GOODS & SERVICES	\$174,145,338	\$224,000,000	\$224,662,997
SUBSIDIES AND CURRENT TRANSFERS	\$157,370,670	\$151,000,000	\$188,595,545
DEBT SERVICE-INTEREST & OTHER CHARGES	\$68,344,905	\$87,801,000	\$111,984,383
TOTAL CAPITAL EXPENDITURES	\$298,362,542	\$243,000,000	\$273,071,827
CAPITAL II EXPENDITURES	\$109,853,454	\$140,000,000	\$155,761,574
CAPITAL III EXPENDITURES	\$186,210,464	\$100,000,000	\$115,011,629
CAPITAL TRANSFER & NET LENDING	\$2,298,624	\$3,000,000	\$2,298,624
RECURRENT SURPLUS/[DEFICIT]	\$62,282,925	\$161,977,000	\$134,722,914
PRIMARY SURPLUS/[DEFICIT]	-\$95,006,834	\$62,144,399	\$14,316,264
As Percentage of GDP	-2.82%	1.68%	0.36%
OVERALL SURPLUS/[DEFICIT]	-\$163,351,739	-\$25,656,601	-\$97,668,119
As Percentage of GDP	-4.84%	-0.69%	-2.47%
AMORTIZATION	-\$109,368,220	-\$86,446,234	-\$97,471,635

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INTRODUCTION

Madam Speaker,

I rise to present Government's Estimates of Revenues and Expenditure for the Fiscal Year 2022/2023, and to report on the performance of the National Budget for the current Fiscal Year 2021/2022.

What has been achieved in our first budget year is truly remarkable.

Across the land, a new day is dawning, the economy is bouncing back, Belizeans are returning to work in larger numbers than ever before, the Belize dollar is strong again, default and devaluation have been averted and the confidence of the State and those she serves is being restored.

Today, with pride, I will share a progress report unmatched in our 41 years as an independent nation. The story-line is of a macroeconomic and fiscal house on fire when we took office less than 16 months ago, transformed now to a house whose rehabilitation is outclassing its regional peers and overshooting expectations.

I remind this Assembly of what our Administration inherited. An economy weighed down by corruption and incompetence, withering from prolonged recession, battered by Covid-19 lockdowns, strangled by rocketing debt and deficits, squeezed by costly credit, beset with surging unemployment, and bereft of self-belief and common-sense solutions.

Belize's 2021 national economic rebound may be as high as 12.5 percent according to the IMF, twice the rate of the Latin America and Caribbean regions. In fact, save for Guyana and its crude oil bonanza, Belize is the fastest growing economy amongst all countries in North, Central and South America and the Caribbean. Our overall budget performance for this fiscal year will be \$527m better than the last fiscal year. The country's 174 thousand-strong employed labour force is the highest ever. A well-capitalized banking system brims with almost \$700m of liquidity, poised to fund a private sector boom. Public debt is being slashed with precedent-setting ingenuity. And, 4.6 months of import cover in Central Bank reserves buttress the Belize dollar.

My report today will show that our first Budget exceeded all performance markers and that the new Budget, proposed at \$1.361 billion, will be the largest spending and investment Budget in the history of our country. And we have managed to prudently and responsibly configure this new Budget with a primary surplus.

These are remarkable achievements which properly belong to all Belizeans, and particularly result from Government's vibrant partnership with commerce and industry; its collaboration with public sector employees and their larger number in the private sector; and its cooperation with Belize's unique network of developmental NGOs.

I acknowledge not only the positive evolution of these crucial domestic alliances but also, the rapid re-setting of relations with our Official Sector and bilateral supporters. The pipeline of project funding, the envelope of grant financing is more generous, more diverse than ever before. Our international partners, like investors, can see clearly that this Administration is focused, determined to nurture an equitable prosperity, and committed to the highest standards of governance.

To say it plain, Madam Speaker, we have put our house in order, strengthen the state of the nation, restored our reputation in the region and we are indeed delivering on PlanBelize.

THE REGIONAL AND DOMESTIC CONTEXT

The global economy recovered markedly from the adverse effects of COVID-19 in 2021. The International Monetary Fund (IMF) projected that world output would increase by 5.9 percent in 2021, following a deep 3.1 percent contraction in 2020. Nevertheless, the global growth momentum faced stiff headwinds along the way. Economies worldwide were hit hard by (i) the emergence of new COVID-19 variants, (ii) pandemic outbreaks and weather disruptions that led to major supply disruptions in the production and movement of goods, and (iii) rising food and energy prices triggered by the intensification of global imbalances. On average, advanced economies reportedly grew by 5.2 percent, while emerging and developing countries expanded faster by 6.4 percent in 2021.

Among major advanced economies, the real gross domestic product (GDP) of the United States (U.S.) increased by 5.7 percent in the previous year.

Closer to home, the Latin America and the Caribbean region posted a 6.3 percent rebound for the year. Economies in Central America grew by 5.5 percent in 2021 after contracting 6.0 percent in 2020. The upswing occurred against a backdrop of heightened commodity prices alongside historical levels of remittances, which provided significant support to households during a time of severe hardship. According to the World Bank, remittance inflows to Latin America and the Caribbean increased by 21.6 percent in 2021 and likely surpassed the sum of foreign direct investment and overseas development assistance to the region.

The easing of health restrictions and higher vaccination rates amid new COVID-19 variants in major source markets anchored growth in the region. Positive economic growth was recorded in all Central America. Nicaragua had the lowest output in Central America at 2.5 percent, while El Salvador and Panama witnessed robust growth rates of 7.5 percent and 12.0 percent, respectively. Mexico's economy grew by 6.2 percent, stimulated by agricultural and manufactured exports and was the principal source of record-high remittance inflows.

In the Caribbean region, the Caribbean Development Bank estimated that Caribbean economies grew by 3.0 percent in 2021. Like in the other geographical areas, the nascent recovery among states was uneven. Service-exporting economies reportedly grew by 3.2 percent, slightly faster

than commodity exporters' 2.7 percent growth pace. Service economies rebounded gradually from the pick-up in international travel which, in turn, fueled domestic consumption as vaccination rollouts became more widespread, border restrictions were relaxed, and lock-down measures eased.

Underpinned by an upsurge in oil production, Guyana's economy expanded by roughly 20.0 percent. However, the economies of Trinidad and Tobago and Suriname both recorded modest contractions, emanating from the commodity sectors of the respective nations.

THE BELIZE CONTEXT

Real Sector Developments

According to recent estimates by the IMF, Belize's economy expanded by 12.5 percent in 2021 relative to 2020. The SIB's preliminary number is just below 10 percent. This impressive performance follows a 16.7 percent decline the year before when the country faced severe pandemic-related economic losses, marking one of the most significant GDP swings since independence and among service-based economies within this region. More so considering the economy was already mired in a prolonged recession prior to the Coronavirus pandemic.

According to the Central Bank of Belize, the reasons for the spectacular 2021 GDP growth achievement, were (i) the timely reopening of the economy, (ii) a strong vaccination campaign, and (iii) a resurgence in agricultural production from weather-related shocks, each of these being deliberate policies pursued by Government.

Output in the primary sector of the economy expanded robustly. This sector grew by 11.2 percent, with significant contributions from the agriculture and livestock industries and fishing to a lesser extent. Agricultural output soared, as banana production rebounded strongly from the wake of Hurricane Nana in September 2020 to a new seven-year high. Sugarcane deliveries to processors in the northern and western regions reached an all-time high with increased investments in new commercial production acreage for the latter. Livestock output grew, as cattle exports to Mexico and Guatemala doubled after lifting trade restrictions in late 2020. Poultry and pork production strengthened firmly in tandem with the recovery in domestic consumption. In the fisheries sub-

sector, increased lobster, and conch hauls more than compensated for the reduction in farmed shrimp output, which continued to be challenged by the devastating effects of the Early Mortality Syndrome.

I commend Minister Abelardo Mai and his team for their superlative work during this year. In such a short period of time, they have managed to reverse the persistent decline in a sector that was abandoned and stymied under the previous Administration.

Production in the secondary sector contracted slightly by 1.2 percent, as a steep contraction in electricity generation weighed down value-added gains from food manufacturing and construction activities. Positively, manufacturing activity grew by 5.7 percent, with notable contributions from the sugar and beverage industries. The resumption of major private and public capital projects led to a substantial 15.1 percent expansion in construction activities. However, these improvements were eclipsed by an 18.2 percent dip in electricity and water supply output.

The services sector grew by 10.1% reversing a devastating negative growth of 20.2% in 2020. This spectacular outcome was because of the recovery in the overnight tourism, following the opening of the Philip Goldson International Airport in mid-2020. Stay-over arrivals increased by 58.9% in 2021 generating positive spin-off effects in the tourism and travel related sub-sectors. Cruise line services, which started in July 2021, led to 200,000 cruise passengers coming ashore to visit our destinations. Lastly, the increase in local spending boosted trade in the wholesale and retail distribution sectors by 22% while Government expenditure cuts to reduce fiscal deficits caused a 14.7% decline in Government services.

Employment

According to the Central Bank, job opportunities improved amid pandemic-related disruptions and Government's myriad efforts to drive up employment opportunities. The unemployment rate fell to 9.2 percent in September 2021, which was 4.5 percentage points better than a year ago. This outcome resulted as the number of people who gained employment outpaced the number of additional people seeking work. Between September 2021 and April 2021, the number of unemployed persons fell by 13.2 percent facilitated by the robust turnaround in economic performance. Employment growth was concentrated among service industries, many of which experienced severe economic dislocation during

the early part of the crisis. Accordingly, the service sector registered a 16.5 percent increase in new hiring over the six-month period with most of the new employment opportunities recorded in the tourism, distributive trade, and real estate industries. Meanwhile, the labour force participation rate rose by 2.2 percentage points to 61.9 percent, as many of the displaced individuals sought to re-join the labour force, spurred by the resumption in many business activities.

But this was not the only reason for the job improvement situation Madam Speaker. The ingenuity of the Belizean people also gave rise to a new form of self employment as numerous Belizeans started a myriad of small jobs from designer face masks to food delivery; from on line retail design services to new forms of internet entertainment in music, comedy to other forms of performance art.

The External Sector

Turning to the external sector, the external current account deficit on the balance of payments for the first nine months of 2021 widened slightly. The deficit edged up by merely 0.1 percentage point of GDP to 3.8 percent of GDP, or \$127.3 million. For sure there was a strong growth in imports, however this was offset by the growth in tourism revenue, other service export receipts, and inward remittances. Merchandise imports rose on account of three factors:

- (i) heightened demand for goods to support the economic recovery,
- (ii) increased costs of goods in source countries, precipitated by escalating global inflation rates, and
- (iii) rising international shipping costs, exacerbated by supply disruptions abroad.

Net financial inflows exceeded \$200.0 million and included an extraordinary \$72.6 million allocation of Special Drawing Rights from the IMF in August 2021 to supplement the country's reserves.

The initiative by the IMD was essentially to help countries build resilience to balance of payments shocks and ensure a sustainable recovery in the aftermath of the pandemic.

By year end, Belize's gross official international reserves had increased by \$132.2 million to \$830.0 million, equivalent to 4.6 months of import coverage.

Monetary and Financial Sector Developments

Dynamics within the monetary and financial system development were also shaped by effects of the pandemic and the recession we inherited. Broad money supply grew rapidly, accelerating by 12.3 percent in 2021, the fastest growth pace on record since 2008. According to the Central Bank, this outcome was driven by a sharp upturn in net foreign assets of the banking system, which reached \$1.4bn at year end. Almost two-thirds of the \$444.2 million increase in net foreign balances was due to a doubling in domestic banks' holdings to a year-end high of \$596.5 million.

This unprecedented growth in domestic banks' foreign asset balances underscored: (i) the rebound in tourism revenue, (ii) a boom in call centre receipts, (iii) a surge in remittance inflows, (iv) a surge in direct foreign investment, and (v) a resurgence in Corozal Free Zone sales, following the reopening of storefronts on 1 February 2021. I stress that each of the growth factors for this unprecedented increase in the foreign holdings of the commercial banks is the handywork of my Administration.

Furthermore, in response to the unprecedented economic shock, the Central Bank and domestic banks implemented stricter controls on foreign currency usage to enhance banks' shock-absorbing capacity and minimize risks to the monetary and financial system. In addition to the boon at domestic banks, the Central Bank's net foreign assets expanded by \$148.5 million in 2021. For the second consecutive year, the monetary authority's foreign asset position registered an increase in reserves that exceeded \$140.0 million.

The next major component of money supply, net domestic credit, grew at a much more modest pace against the backdrop of the ongoing crisis and new fiscal consolidation efforts. Net domestic credit expanded by 0.2 percent in 2021 when compared to the year before. This marginal uptick in credit resulted as bank lending to the real economy moderated, while the Government's borrowings from the banking system declined in an effort to widen its fiscal space. Encouragingly, domestic bank lending to the private sector increased by \$43.6 million in 2021, down slightly from \$47.4 million in 2020. New loans to support the economic recovery were channeled mainly to the

tourism, construction, and agricultural sectors. Domestic bank forbearance measures to reduce borrowers' debt service costs amid the economic fallout continued throughout the year. In 2021, domestic banks granted creditors \$151.0 million in additional loan forbearances, raising the total of forbearances granted through this prudential policy measure to \$858.5 million since the onset of the pandemic.

Domestic bank liquidity expanded further in 2021. Boosted by the foreign asset expansion, excess liquidity rose by \$230.6 million to \$698.3 million, while excess cash reserves strengthened by \$63.8 million to \$415.6 million in 2021. Borrowing costs inched up marginally as credit conditions tightened, and as expected during any prolonged period of severe economic shock. In 2021, the weighted average lending rate rose by 13 basis points on account of marginal rate hikes in personal, residential construction, and other miscellaneous loan categories. Furthermore, the skewed liquidity distribution contributed to a two-basis point lift in the weighted average deposit rate to 2.05 percent. As a result, the weighted average interest rate spread widened by 11 basis points for the year.

Recall the prediction by the previous Prime Minister when he proclaimed to the nation that he wept for Belize in fear of devaluation. Dur mainly I must say to he and his government irresponsible spending plan which was that they would borrow until they could borrow no more.

You see madam speaker there is a huge difference between the incipience of their administration who had so much and did so little and our administration who did so much with so little. Imagine what we would have done for our nation with the hundreds of millions in oil revenues and what they called the Petro Caribe Bonanza. What we have done in our short term in office to restore confidence in our monetary system and in strengthening the Belizean dollar is in stark contrast to what they did to put our financial system in peril.

Economic Prospects for 2022

The global growth momentum observed in 2021 is expected to recede in 2022. According to the IMF, global growth is expected to weaken by 1.5 percentage points to 4.4 percent in 2022.

Economies worldwide will be challenged to improve the welfare of their citizens while facing: (i) disruptions caused by new COVID-19 variants, (ii) high inflation stimulated by ongoing supply chain disruptions and escalating food and energy prices, (iii) withdrawals of extraordinary monetary and fiscal stimulus, implemented to mitigate the economic fallout, (iv) rising geopolitical hostilities with significant negative spill overs across the world, (v) large debt overhangs exacerbated by the crisis, and (vi) adverse weather events.

This crisis and the ongoing recovery are unprecedented. Like in the rest of the global community, Belize's growth pace is projected to moderate in the upcoming year, following the strong rebound in 2021. The Central Bank of Belize projects that the country's GDP will likely expand around 6.0 percent in 2022, the IMF's projection is 6.5 percent growth. The projected output largely reflects a slowdown in the growth of agricultural production as the boost from weather-related improvements the year before dissipates, and the upturn in tourist arrivals tempers given the solid outturn recorded last year.

FISCAL YEAR 2021/2022 PERFORMANCE

Madam Speaker,

The projected performance for Fiscal Year 2021/22 is nothing short of spectacular, in terms of the overall Budget outturn, and especially in terms of revenue resilience.

On the revenue front, total Recurrent Revenue is projected at \$1.048 billion, which, when added to \$50m in grants and \$5.36 million in capital revenues, produce Total Revenue and Grants of \$1.192 billion. This performance is 19 percent or \$194m higher than the budgeted number and therefore almost double the rate of GDP expansion for 2021.

All 4 broad categories of Tax Revenues recorded increases, with taxes on International Trade and Transactions and Taxes on Goods and Services were the star performers, exceeding budgeted levels by 27 percent and 24 percent, respectively.

Non-Tax Revenue exceeded the budgeted amount by about \$7 million or 9 percent.

The exceptional Grants funding line of \$50m is almost entirely the result of the immense generosity of the people and Government of the Republic of China Taiwan. In my recent visit to Taipei, accompanied by various Members of the Cabinet, I had the opportunity to express the enduring gratitude of the Government and people of Belize for the imperishable fraternity shared by our two nations.

On the expenditure side, total spending is projected at \$1.217 billion, or \$14 million higher than budgeted. Recurrent Expenditure exceeded Budget limits in 4 of 5 categories. In the case of Wages and Pensions, the excess was by 2 percent of the budgeted levels. In the case of debt service, the \$19 million in projected additional spending represents the first Blue Bond payments and is a fraction of the debt service payments foregone for the previous two Budget cycles.

Now the excess spending in the instance of Goods and Services is the item of greatest concern to me: \$50m or some 29 percent higher than the Budget. While we concede that the cut for FY 2021/22 was significant, compared to previous years, there must be an acceptance that spending 20 cents of every dollar collected by Government on Goods & Services is intolerably high.

The Ministry of Finance will redouble efforts to suppress this expenditure line item but to do so requires an all-of-government approach. I appeal to Ministries and Financial Officers to exercise maximum restraint.

Capital spending is projected to total \$243 million, about 19 percent less than budgeted levels, this being attributable to the uneven implementation schedule for certain capital projects, especially for drawing down on Capital III funding lines.

At the bottom line, this Budget's Primary balance will be \$197 million or 5.71 percent of GDP better than forecasted and the Overall Budget Balance, \$179 million or 5.37 percent of GDP better than forecasted.

Finally, in this fiscal year, Government expects to retire \$86.4 million in public debt, separate and apart from the write-offs related to the Super Bond discounted buyout. Based on revenue and spending performance, Government's total borrowing for this Budget is now projected at \$112.1 million, which is \$211 million less than the \$323.8 million approved by the National Assembly.

PUBLIC DEBT

Turning to the management and trajectory of the public debt, Madam Speaker, my Administration is unmatched.

We promised to resolve, once and for all, the Super Bond quagmire and we delivered in our first year in office.

Since October of last year, when this Honorable House endorsed the Blue Bond for Conservation initiative, Belize has been the toast of the sustainable finance universe, heralded for the innovation and boldness of a transaction that achieved three simultaneous objectives:

- first, reduction of our public indebtedness by over half a billion dollars or 45 percent of the value of the Super Bond;
- second, a renewed commitment to marine conservation, including, protecting 30 percent of our ocean space;
- and third, establishing a reliable, multi-generational, marine conservation funding mechanism valued in the hundreds of millions.

At the COP 26 Conference in Glasgow, Scotland last November, and in the days since, Belize's debt restructuring model has provided a template for sovereign debt workouts that addresses humanity's climate crisis, with countries like Sri Lanka, Ecuador, Argentina, Bolivia, among others following suit in some form or the other.

According to the IMF's most recent assessment, issued on 24th February 2022, Belize's public debt fell from 133 percent of GDP at the close of 2020 to 108 percent at the close of 2021, down by a massive 25 percent of GDP.

I quote: "Significant progress towards restoring debt sustainability was made in 2021."

That is the independent judgment of the IMF Staff on this Government's debt management performance. Just year ago, Belize was labeled a serial defaulter, facing the very real prospect of a painful IMF Program and possible currency devaluation. A year later, optimism abounds that Belize has opened an exciting new chapter:

- ✓ the currency peg rescued,
- ✓ the reserves robust, its reputation transformed with the emergence of Brand Belize as a leading climate conscious nation, and the future flush with immense potential.
- ✓ In dollar terms, when 2020 ended, Belize owed over \$4.2 billion dollars, a debt stock that has now been reduced to just under \$4 billion just one year later.
- ✓ Of what Belize currently owes, external debt totals BZ\$ 2.7 billion or some 72 percent of 2021 GDP while 36 percent of GDP or some BZ\$ 1.3 billion is owed to domestic creditors.

Apart from resolving the Super Bond, I wish to highlight three other major debt management achievements in 2021:

First, during this Fiscal Year, Government paid off over \$90 million in Overdraft advances previously held with the Central Bank, eliminating the interest expense on that debt.

Second, for the first time since 2014, when the domestic debt stood at \$376 million, Government domestic debt balance was reduced. Let me underline this point: in the seven years, between 2014 and 2020, the previous Administration borrowed one billion dollars from domestic sources alone, a jaw-dropping average of \$143m per year (\$2.75 Million per week). In 2021, my Administration reduced the outstanding domestic debt by \$59.2 million.

And third, the Ministry of Finance commissioned, for the first time, a comprehensive assessment of domestic debt, with the objective of reducing Government's cost of borrowing which currently stands at an average coupon rate of 3.3 percent. Based on this analysis, through market based yield curve management, a phased re-pricing for new issues of both Treasury Bills and Notes should gradually lower interest payments on the domestic debt stock while at the same time lowering the benchmark for interest rates for the entire financial system thereby incentivizing lending and economic activity.

For the new Fiscal Year, interest payments on the public debt are expected to rise by BZD 24.1 million, from \$87.8 million to \$111.9 million. For two years, Belize made no payments on external commercial debt, capitalizing this obligation in 2020 and including interest accrued in the Super Bond settlement last year. Blue Bond-related payments commenced in 2022. Even so, interest

payments represent only 9 cents of every recurrent revenue dollar and even less – 8 cents – of every dollar spent. And our medium-term forecast suggests that debt service payments will remain at this manageable level: below 10 cents per recurrent revenue dollar for the ensuing 4-year horizon.

Now, let's be clear. The public debt emergency is not over. Servicing a public debt of \$3.9 billion is a heavy burden which directs funds away from people-centered priorities such as education, sports, health, housing, and citizen security. Virtually half of the \$4.2 billion debt load accrued before our debt reduction efforts was accumulated during the 13 years of the UDP.

This PUP Administration cannot undo 13 years of UDP mismanagement and corruption in a single year.

But I reiterate our firm target for a debt to GDP ratio of 85 percent by Fiscal Year 2025/26 and 70 percent by 2030/31.

ACCOMPLISHMENTS IN 2020/2021

Due to our fiscal performance in 2020/2021 and even as we worked to put our financial house in order, we did not fail to deliver on planBelize.

Provisional data reveal that 1.535 new businesses were established in 2021 many of them by young entrepreneurs. This may be as a result of the financing that Government made available for MSMEs through the National Bank of Belize and the Development Finance Cooperation, which targeted mainly women and young people.

The Belize Investment Summit held November 10th and 11th 2021, a first of its kind event, focused on attracting and promoting investment for economic development in Belize. This high-profile occasion was led by the Office of the Prime Minister and the Ministry of Investment under the theme: “Belize is Open for Business”. This was a call to both local and international investors for identifying opportunities and for the government to showcase Belize’s readiness to support global investment through vastly improved service delivery.

Our country boasts exceptional and untapped growth potential and having a wealth of opportunities in areas, such as, Agriculture, Tourism, Blue Economy, Business Process Outsourcing, Manufacturing and Renewable Energy these were highlighted at our first Investment Summit. Coupled with the great success of the Blue Bond, the limitless opportunities in the green and blue economies garnered great interest and excitement among investors.

As Prime Minister, I am convinced that the Summit was done at the opportune time to invite investors to Belize. It was an opportunity for foreign and local investors to establish strategic partnerships and find investment opportunities. Post the Belize Investment Summit we are now starting to experience the tangible benefits of increased investment in our economy.

As it relates to the coronavirus, our vaccine rollout was robust and close to 50 percent of our population has been fully vaccinated. I appeal again to those not yet vaccinated to please do so, vaccines save lives and is the only way we will defeat COVID.

You have all seen the many thousands of Belizeans who have benefitted from the outreach program instituted across towns and villages. Our Deputy Prime Minister and his team at the Ministry of Natural Resources, Petroleum and Mining have been determined and diligent in taking the Lands Department to the people, wherever they are. In cities, towns and far-flung villages - as far south as Bella Vista and Punta Gorda, and as far north as San Joaquin and Corozal Town, last year alone 8 Land Mobile Clinics brought Belmopan to thousands of Belizeans who have otherwise been stymied and denied the services of the Lands Department over the previous 13 years.

As a result of their efforts, over 7,895 leases, grants and purchase approvals to ordinary Belizeans - including teachers, nurses, soldiers, police officers, single mothers and fathers, the employed and unemployed, and students and the elderly were distributed. This coming year the Ministry of Natural Resources is committing to issuing another 8,000 lots to first-time landowners. We are budgeting a \$1 million for the survey of additional lots in every district of this beautiful country of ours.

In infrastructure development rural roads have undergone improvements, our highways and bridges continue to be improved upon and plans for road and highway expansion are in the works.

After years and years of talk by the UDP the long awaited Halouver Bridge Construction Project has commenced at a price tag of close to 20 million dollars less than was budgeted for by the previous administration, free from hustle and political cronyism.

In our first year alone over 167 homes have been built for single mothers and first time homeowners. Good homes that will last for generations and will help to lift those 167 families out of poverty and restore dignity to their lives.

Millions of dollars were issued in scholarships, not to political cronies, but to deserving Belizean students. This complimenting the many international scholarships for our deserving students in countries like Taiwan, Mexico, the US, Europe and South America.

And Madam Speaker we have restored Belize's reputation internationally. Through the efforts of our foreign ministry, we have begun our work of active participation at the UN and the OAS, in regional organizations Belize is once again seated at the table in CARICOM and SICA. Our recent

CARICOM Summit and our CARICOM/SICA Summit which had the participation of the UN Secretary General is setting the pace for Belize enhancing its role as the bridge between Central America and the Caribbean.

As it relates to our efforts at success in bringing a final and definitive end to the long standing claim by Guatemala over our sovereignty and territorial integrity, we are well on pace to present our response to Guatemala's claim now at the ICJ.

This is but a fraction of the work we have done in delivering on our promise to the people and we have only just begun

As it relates to our reform agenda, we established a reformed public accounts committee and I urge Chairman Tracy Pantan the member for Albert to get on with the work of this important committee.

In the attorney General's ministry, much has been done in the improvement of our judicial and legal services,

We now have two virtual court rooms

A law library has been established at the Attorney General's Ministry. Through the generous assistance of Belize Electricity limited, important law books and treatise have been acquired so that our crown counsels can be fully prepared to argue in our courts.

We produced the 2020 Revised Laws of Belize, which is an update from the 2011 Revised Edition.

An informative website is now being provided with information about the services of the ministry including free access to the 2020 Revised Laws of Belize.

We have expanded the current units to create a Legal Advice Unit set up to provide full time access to government offices for legal advice.

Additional staff has been provided in in Legislative Drafting Unit and in the Litigation Unit.

Specialized training is being provided to the Crown Counsels in the Legislative Drafting Unit.

We are expanding Legal Aid with human resources, to expand firstly to Corozal and thereafter to the West and Southern Belize.

With the assistance of Impact Justice, we are in the process of revising the Subsidiary Laws of Belize, which has not been revised for some 19 years.

We are restructuring the upper courts and in due course will be tabling the Senior Courts Bill.

We have appointed three Justices of Appeal to the Court of Appeal, with two more scheduled to be appointed in June 2022 and acquired four judges for the Supreme Court, to clear backlog

We have appointed four new magistrates, acquired software to facilitate the online filing of court documents for Court of Appeal and for the Supreme Court, acquired hardware to enable virtual court hearings for the criminal division and to facilitate witness testimony from the Kolbe Foundation. Soon we will be introducing new rules for the Family and Probate Division of the Supreme Court to modernize the practice in these courts

All this in partial fulfilment of our Plan Belize promise to deliver affordable access and speedier trials and restoring the independence of the judiciary.

During the budget debate my colleagues will expand on this list of accomplishments that were made in 2021.

FISCAL YEAR 2022/2023: THE NEW BUDGET

SUMMARY ESTIMATES FOR 2022//2023

Madam Speaker,

Belize is a small, open and therefore fragile economy. So many of the factors that determine our fiscal fortunes are beyond our control. These factors include inflation, interest rates, the cost of fuel and energy, climate change, the terms for trade and commerce, to mention just a few. In assembling the Budget for Fiscal Year 2022/23, not only have these factors weighed heavily upon our considerations but another concern stood foremost in our collective thinking: the fragility of our economic and fiscal recovery from devastating effects of the Covid-19 pandemic.

From both a revenue and spending standpoint, Government must be cautious. Therefore, there is no new, major tax revenue measure in this Budget. Yes, we will seek to close certain tax loopholes, to adjust collections for activities such as in the lotteries sector, that are not fairly contributing, and to aggressively enforce the current revenue mandate.

On the spending side, the new Budget restores the wage levels of FY 2020/21 to public officers and teachers, maintains fairly even other recurrent spending lines and re-prioritizes capital investments to align with several major social justice goals of the Plan Belize Blueprint.

DETAILS FOR THE BUDGET FOR FISCAL YEAR 2022/23

Recurrent Revenues are projected at \$1.122 billion, which is 7.5 percent or \$ 86 million higher than the forecasted outturn for this fiscal year. Both Tax and Non-Tax revenues are projected to rise while Capital Revenues will remain constant, and Grants will fall to \$35 million, in line with our bilateral agreements.

Revenue growth is consistent with the 6.5 percent overall GDP growth forecast of the IMF for 2022 and the Central Bank's slightly more modest 6 percent growth forecast.

On the Expenditure side, overall spending will rise compared to this year's projected outturn by \$144 million or 12 percent. These increases include the following major spending lines:

- Wages and Pensions will rise by a combined 10 percent, or some \$49 million, most of this attributable to the 10 percent wage restoration which is to commence on July first.
- Subsidies and Transfers will rise by \$37 million, or 25 percent, which is mostly indirect wage subsidies linked to the wage restoration.

- Debt service will rise by \$24 million, as we commence interest payments on the Blue Bonds.
- Capital Spending will rise by \$30 million compared to this year's outturn of \$243 million.

I will address in more detail the issues of wages, pensions, and capital spending priorities.

In summary therefore, the new Budget targets a Primary Surplus of some \$14 million, or .35 percent of GDP, along with an overall deficit of \$98.1 million or 2.49 percent of GDP.

Government proposes to retire \$97.4 million in public debt during this budget cycle. Total financing required for this Budget Year will be \$195.6 million, to be sourced from the following lenders:

\$84 million from Taiwan, being a portion of a \$150 million loan in pursuance of our MOU with them, and

\$98 million disbursements from International Financial Institutions in support of our Capital II Program ; and \$13 million from the domestic system financed through new issue of Government treasury securities.

Outside these academic numbers, which must be recited for consistency, I punctuate, with just a few examples what this Budget does for the citizenry:

- It employs 15,000 public officers and teachers who collectively provide 35.1million work hours of public service during the Budget period;
- The Budget underwrites national sovereignty and citizen security through the roles of the Belize Defense Force, the Belize Police Department and the Coast Guard;
- The Budget funds the functioning of the Judiciary, thereby providing the mechanisms for law and order in the country;
- The Budget pays for 181 Government schools, contributes to another 381 grant-aided schools, supports some level of direct scholarship funding for 4,000 students at the tertiary level and effectively bankrolls the national education system, from Kinder to UB for 102,679 students; and, this Budget will provide an additional \$2m for Youth and Sporting Programs.

- Our National Referral Hospital, regional hospitals and clinics, and the entire public health system is subsidized by this Budget;
- The Budget funds the national infrastructure system, maintaining 527 miles of paved roads, 2,294 of gravel surface roads, 300 bridges, not to mention the entirety of new infrastructure projects;
- Rural development, the land registry and land surveys, the provision of passports, the facilitation of trade and investments, the regulation of every sector from tourism to aviation to agriculture is, to some degree, subsidized by the national Budget.

Whether you live, go to school or work in any of our 2 cities, 7 towns or almost 200 villages, this Budget touches your life positively in some way or another.

What distinguishes this new Budget, and the current one, is the extent to which my Administration strives to collect the people's revenues, strives to secure value for money in spending and strives to ensure that in the main, the People's Budget is an instrument for equitable national development and prosperity.

IMPACTS OF THE NEW BUDGET

Madam Speaker,

To address our principled priorities, I wish to outline just a few of the pertinent capital spending targets that will be enabled by this Budget, first with those that are funded from external loan and grant resources - the so-called Capital III Program:

- \$4.0 million for continuation of the Strengthening of Tax Administration and for the full roll out of the IRIS (Integrated Revenue Information Systems), a multi-year program supported by the IDB.
- \$1.0 million for the Strengthening of Public Expenditure Management, also supported by the IDB.
- \$13.5 million to the Education Sector to improve access, equity and quality in our all-important Education System, supported jointly by the IDB and CDB.
- \$2.0 million of additional funds for the COVID -19 response – for purchase and administration of the Vaccine program, this supported by the World Bank.
- \$1.5 million for the new Climate Resilient and Sustainable Agriculture Program (CRESAP) to be funded by the World Bank.
- \$3.5 million for the Institutional Strengthening and Capacity Building in our Ministry of Foreign Affairs, Foreign Trade, and Immigration, this support provided by the Government of the Republic of China on Taiwan.
- \$1.5 million for Sustainable Tourism, to fortify this anchor industry, supported by the IDB.
- \$68.0 million, in aggregate, for the transformative Road Infrastructure Program, including continued work on the upgrading of the Coastal Road, the CARACOL Road, the George Price Highway, the Philip Goldson Highway, and for a new Haulover Bridge – just to name a few of the main infrastructure projects currently underway.

- \$8.0 million for the Integral Security Program funded by CABEL, to include new Police Stations for the twin town of San Ignacio/Santa Elena and for Caye Caulker; a new Dormitory at Price Barracks; a crime-reduction, state of the art surveillance system in Belize City; new office, transport and communications equipment for the Police and the BDF; a new deep-water vessel for the Coast Guard and a new medical center at Fairweather Camp in Punta Gorda.
- \$3.0 million for the Resilient Rural Belize Program funded by the IFAD to support our agricultural sector through development of climate smart agriculture and rural infrastructure;

But the list does not end there, Madam Speaker:

Under the Capital II Program - that is the local capital programs which are funded from our own resources - we are making the following investment provisions:

- \$ 1.5 million to commence work on the Electoral Re-Districting Program.
- \$6.0 million for the continuation of the Constituency Development Program which touches all 31 Constituencies;
- \$ 9.2 million to meet our Conservation Funding commitments under the Blue Bond Debt for Marine Protection Swap Program, of which 40 percent should flow to public sector agencies involved in marine conservation programs;
- \$7.0 million for COVID -19 response, if this is required;
- \$1.0 million for Survey and Mapping of the 8,000 new lots to be distributed this year, and a further \$12.0 million under the Land Development /Land Acquisition program;
- \$6.0 million under Social Assistance to provide food support to the urban and rural poor, and to the most vulnerable groups in our population;
- \$24.2 million for maintenance of highways, streets and drains, rural roads, and feeder roads;

- \$5.0 million for the purchase of heavy equipment and vehicles for the Ministry of Infrastructure Development – as the Ministry builds its own in-house road construction / rehabilitation Unit that will more efficiently and cost effectively upgrade and maintain rural and village roads countrywide;
- \$14.8 million for local counterpart contributions to some of the major road rehabilitation projects financed from foreign sources including the CARACOL Road, the Coastal Road, and the Haulover Bridge;
- \$5.0 million for Low-Income Housing Assistance.

This year, Government also proposes to commence implementation of the long-overdue expansion of the National Health Insurance Program, the NHI. Healthcare, especially community-based, preventative care is the backbone of a vibrant, industrious, and healthy population. NHI is the brainchild of the last PUP Administration and 14 years later, we return to finish the good thing we started. So, this initiative is the expansion of the Program to certain areas of the country that do not currently have access, as well as to increase the number of registered participants in those areas that are currently in the Program but that have long ago reached the maximum intake by service providers.

To expand the Program, we include an additional provision of \$3.2 million this year, elevating the total allocation now to \$22 million for the NHI. This will enable the commencement of the roll out of services to the Orange Walk District, expand the range of healthcare coverage for the Corozal District, as well as raising the current limits on the number of NHI participants from Belize City's Southside.

Madam Speaker,

the Ministries of Health and Finance are actively seeking ways to fund the Program permanently and fully, on a national level and our goal is for this fully funded, national program to be operational by the end of this first term of office.

TAX RECOVERY

Madam Speaker,

There has been much speculation about outstanding, uncollected taxes. This issue, rightly, gained much attention from the Unions in the circumstances where wages for public officers and teachers were reduced for this fiscal year. I had insisted that the Unions bear in mind, as they leveled their random assessment on this issue, two factors: first, that whatever taxes remained uncollected was on the account of the previous administration and second, that public officers, not Ministers, were responsible for all tax collections. Therefore, the criticism of uncollected taxes was effectively self-criticism.

Cabinet committed to establishing a Tax Recovery Unit. This Unit began operations in October of last year. With help from CARTAC, the Unit reviewed the 18,830 accounts that carried nominal arrears of some \$645 million and relating to the Belize Tax Service Department (that is, the GST, Business Tax and the PAYE levies).

Of this \$645 million: only 6 percent or \$38 million were assessed within the last two years; less than 20 percent or \$111 million are less than 5 years in arrears; approximately \$419 million or 67 percent are noncollectable by law due to the statute of limitations or because they related to the now obsolete Sales Tax;

Moreover, the IMF's Fiscal Affairs Department experts have advised based on the US's IRS guidance that arrears beyond three years are deemed non collectable. Nonetheless, the TRU will pursue with vigor the collection of the remaining arrears not deemed uncollectible by law.

In addition, preliminary estimates indicate that some \$334 million relating to 328,721 land accounts are outstanding. Responsibility for these accounts is in the process of being assigned to the Tax Recovery Unit. Determining what proportion of this estimate is actually collectible is a process well underway.

The Unit's tactics will include publishing the names of defaulters, triggering court proceedings, and activating lien and all other actions provided for by the Tax Administration and Procedure Act.

The Ministry of Finance, supported by the Cabinet, is unreservedly committed to the collection of every penny legitimately owing to the Government, which is to say owing to the people of Belize.

I have directed that the Tax Recovery Unit provide periodic public updates as it pursues its important assignment.

THE WAGE REINSTATEMENT

Madam Speaker,

Following a special Cabinet Working Session from February 24-26, I announced the policy decision to restore the 10 percent wage adjustment, which had become effective July 01 of last year. Wages will therefore be restored 2 years ahead of schedule. When I announced the adjustment in last year's Budget, I committed that it will not last one day longer than absolutely necessary. The Cabinet and I are keeping that commitment.

The decision to restore, in dollar terms, translates into an additional \$40 million in the Personal Emoluments and \$15 million in the Subsidies and Transfer line, for a total of \$55 million.

Increments, as previously programmed, are projected for reinstatement in Fiscal Year 2024/25, contingent on the fiscal circumstances.

This year, \$101 million is being allocated for pension payments.

Taken all together, wages and pensions, including the wage-related subsidies categorized as Subsidies and Transfers, will total some \$704 million.

Let me repeat, for necessary emphasis that stunning figure: Wages, wage-related subsidies and pensions will cost Government \$704 million in the coming Budget year.

62 cents of every dollar Government collects in recurrent revenues will therefore be spent on wages and pensions.

Using the new Budget estimates, if you account for the additional \$384 million required to fund Goods & Services, Debt servicing and the non-wage component of Subsidies and Transfers, what remains for capital investments is \$134 million, or 11 cents of every dollar collected.

Belize cannot fund its capital investment needs on this meagre level of capital spending.

Not with a dispersed population of 433,000 citizens, spread over 2 cities, 7 towns and 200 villages. Not with a commitment for the State to provide adequate health care, a quality education, border and citizen security, a national network of roads and bridges that foster efficient economic growth, to mention just a sampling of the many purposes to be served by a national budget.

Here are some stark facts: when the previous Administration took office in 2008, the wage bill was \$234 million. When we returned to office in 2020, that obligation was an astonishing \$577 million, an increase of \$343 million or 150 percent. In 2008, pension spending was \$38 million. Now it's \$100 million.

Neither revenue growth nor GDP growth kept pace with wage and pension growth. Not even close. So how did the previous Administration fund this bloated wage and pension bill?

Well, they spent money they did not have, and they borrowed, effectively to pay wages and pensions; borrowing was at a pace of \$1 million per day when we took office. It is that record of reckless borrowing and spending that enfeebled the public finances and the economy, so that when Covid-19 hit us, the country was brought to the brink of default and devaluation.

To ensure medium term stability, and in the context of the wage restoration, I wish to make these policy positions clear:

First, national prosperity can only be achieved if the public service – those to whom \$704 million will accrue in 2022 – carry out their functions effectively, which includes revenue collection. My Administration seeks an empowered, well-informed, well-trained and equipped, motivated public service as the partner of and implementer for Executive policies. There is no other proven governance recipe for national success.

Second, Government retains a sacred obligation to all Belizeans to administer the National Budget in a manner that's fair, that serves the national interest, that fosters justice, equality, and prosperity.

Third, enhanced revenue collection as well as spending reform are non-negotiable priorities of this Administration. So, for example, the Tax Recovery Unit is empowered to collect what is legally due to Government, nothing more nothing less. And in the case of Public Pensions, a restructuring of the non-contributory framework is a national emergency. The strength of the public finances, a central pillar upon which the State fulfills its Constitutional obligations, will not be put at risk for a pension program which is patently unsustainable.

I therefore invite the Public Service Union and all stakeholders to join in a spirit of mutual interest so that this high priority issue can be properly evaluated and a new framework formalized during this fiscal year. That is Government's firm and necessary timeline.

I make one final point: Cabinet is, without exception, aware of and grateful for the thousands of exemplary public officers whose competence and initiative represent the highest ideal of service. These men and women of integrity and grit plow at all levels, in all Ministries, in Government and quasi-government departments and institutions.

I offer them our respect and gratitude, and most importantly, an assurance that we will continue to manage the public finances in a manner that makes the stability and sustainability of your job our foremost objective.

STRUCTURAL AND TECHNICAL REFORM

Madam Speaker,

This Government is transforming the way it does the people's business. Never before, in such a short period of time, have structural reforms been embraced with such enthusiasm and efficiency. And much of the focus is on the critical functions and processes of public finance management.

First is the introduction of active cash/money management of government's finances to minimize interest expenses and finance charges. Recall that when we took office, the Government was borrowing almost \$1 million per day. This led to habitual almost addictive recourse to issuance of treasury securities and a ballooning of Government's overdraft with the Central Bank of over \$90 million. In less than one year, this overdraft balance has been entirely eliminated under my administration without increasing the issue of domestic debt securities.

Second is the introduction of market-based yield curve management of government issued securities. In the history of Belize, successive governments arbitrarily determined interest rates on treasury securities to its detriment. The effect was that the government paid tens of millions more in interest expense than it should have paid. It also meant that by such above-market yields on its benchmark government securities, government was contributing to higher interest rates in the financial system. My administration is bringing that to an end in a phased manner through market-based yield curve management effective January 1, 2022. This is already materially reducing the interest expense of government that will yield millions in savings but will also create a downward pressure on interest rates in the financial system.

Third is the comprehensive Public Finance Management Reform Program evidenced and supported by the recent Loan Motion authorized by the National Assembly for Government to access funding from the IDB in the sum of US\$8.0 million.

This funding will support a Program consisting of four sub-component objectives which aim at strengthening public financial management: (i) improve the efficiency of key expenditure functions; (ii) promote economies of scale and competitiveness among suppliers in the procurement of all goods and services; (iii) promote a more sustainable technological

infrastructure enabling processes to be more reliable and faster; (iv) improve institutional capacity for personnel to carry out processes and operate systems efficiently.

Work in these areas have already commenced. A draft centralized public procurement Bill is in its final stages, with assistance from the IDB, while an Internal Audit Bill is being finalized as well. The former Bill will make provisions with respect to public procurement and for the retention and disposal of public property in accordance with the principles of good governance, accountability, transparency, integrity, fair competition, and value for money. It will largely align with the CARICOM model procurement law but go further. It will establish a Central Procurement Unit, a Procurement Board, and a Procurement Review Commission.

Fourth is the Public Financial Management Support Programme, funded by the EU under the 11th EDF, which provides long term technical assistance in achieving a Public Finance Management Reform Action Plan with clear objectives linked to improving the PFM legal framework, specifically in internal and external audit and the Contractor General, as well as strengthening PFM oversight and control functions. Under this Programme, the capacity of the Auditor General's Department and the Contractor General's Office has been strengthened with improved working procedures, strategic planning and capacity building actions through extensive guidance, collaboration, training and development of relevant documentation; an Internal Audit Unit in the Ministry of Finance was created and the legal framework to support the work of the new unit is being developed; a large number of public officers are to be trained in the areas of audit, financial procedures, training techniques, among others; and new computer equipment was handed over to these departments, including the Accountant General's Department, to better equip these key departments to effectively carry out their mandates.

Fifth is the pursuit of a Fiscal Balance Sheet approach to public sector finance.

The Government, in a phased manner and over the medium term, aims to develop full and comprehensive fiscal financial statements including a Fiscal balance sheet and a government asset inventory.

This will be done through the implementation of Accrual Basis accounting in accordance with INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS).

The aim is for Belize to have a comprehensive Balance Sheet that both captures the government asset inventory of financial and non-financial assets and shows the financial net worth of the country, a Statement of Cashflows that shows the cash receipts and payments for Government's operations, investing activities and financing activities and an Income Statement that shows the annual performance of revenues and expenses for the year.

Over time Belize will be on a path to ensure sustainability in the face of challenges like climate change, pandemics, geo-political shocks. Belize will be able to responsibly create and manage fiscal space required to implement Plan Belize and the reforms required to improve the quality of life for all Belizeans. Most of all this will be done in a transparent and accountable way that is likely to prevent any future undermining of value that Belize has suffered due to fiscal imprudence and will create the atmosphere of confidence required to encourage investment and attract resources on better terms.

In this regard, Madam Speaker, Belize has approached our IFI partners for Technical Assistance and the response has been positive. We expect to commence work on this program in the upcoming fiscal year.

Madam Speaker, we intend to table this proposed legislation in this upcoming fiscal year for House consideration and approval as we strive to modernize our public financial management systems and bring greater efficiency and accountability in the management of our public finances.

These structural reforms are not exhaustive by any means: two other examples stand out. First, the work of the Wages Council, from which I expect the minimum wage adjustment to be implemented during this fiscal year. And second, the People's Constitutional Commission whose core task will be to propose ways of enhancing our democratic processes and deepening citizen participation in the governance of our communities.

EXTRAORDINARY FINANCING

Madam Speaker,

I am pleased to confirm that Belize is one of only two countries chosen by the Millennium Challenge Corporation (MCC), an independent United States Government foreign aid agency, to give support to micro, small, and medium enterprises in its effort to reduce poverty through growth. The compact and threshold programs, which will be signed between the Government of Belize and MCC could result in Belize gaining between \$300 million and \$1 billion in grant funding to aid in the nation's economic development.

Belize was chosen by the MCC Board having satisfied themselves that the current administration is committed to governing justly, investing in the development of our people and its economic policy.

The MCC-funded projects are expected to commence in 2023 and last for a period of five years. MCC awards countries based on the principle that aid is most effective when it is reinforced by good governance.

Madam Speaker, my Government is actively pursuing this initiative and has established a small dedicated unit in the Office of the Prime Minister to implement this program.

I wish to take this opportunity to publicly acknowledge and thank the Government and people of the United States of America for this support and for this apparent vote of confidence in my Government and by extension, the people of Belize.

In addition to the MCC Coordination Unit, we have set up the first-ever Climate Finance Unit in the Ministry of Economic Development to actively pursue grant funding from the specialized climate funds, primarily the Green Climate Fund (GCF).

The Unit has hit the ground running and in the space of less than one year, has been successful in obtaining pre-accreditation support from the GCF to facilitate both the Belize Social Investment Fund and the Ministry of Economic Development itself to become fully accredited members of the Fund and in doing so bridge the gap in services provided by national accredited entities. It has also been successful in reviving tens of millions of dollars in concessionary and grant funding from

IFAD and GCF under the Resilient Rural Belize Program for climate smart agriculture and rural infrastructure, funds that were almost entirely lost due to lax behaviour and avoidable delays in implementation by the past UDP administration.

Government is also engaged with the GCF to facilitate the direct access of the private sector through collaboration with the Caribbean Development Bank as the Delivery Partner and Belize's Chamber of Commerce and Industry as the lead Executing Entity. And efforts are underway to provide technical support to strengthen the operational policies of the Development Finance Corporation to enable it to comply with GCF accreditation requirements and therefore gain direct access to CGF financing.

And finally, the Office of the Prime Minister has also activated a special desk to coordinate our commitments and capitalize on opportunities related to the Financing for Marine Conservation Program, the Blue Bonds. \$168 million over 20 years will flow to the Conservation Trust under this agreement, at least 40 percent of which can be directed at financing public sector marine conservation. This Special Desk will also serve as the focal point for our exciting, high-potential new collaboration with the World Wildlife Fund called the Project Finance Permanence.

With a high degree of confidence, I predict that Belize will benefit from massive new grant flows when all these various programs get into gear.

ACCELERATED FUNDING FROM THE REPUBLIC OF CHINA ON TAIWAN

Madam Speaker,

I am pleased to inform this House and the Belizean people that our Mission to Taiwan last week secured extraordinary gains for this Budget and for the economy. Last year, as you will recall, Belize and Taiwan agreed to a 5-year program of grant and concessionary loan funding that totaled US 105m. So far, and including this Budget for Fiscal Year 2022/23, Government will have drawn down US\$15m in grants and US\$42m in soft loans. Taiwan has now agreed that in this Fiscal Year, Belize can proceed to apply for the entire remainder USD 48m under this Agreement, in effect, converting a 5-year program to a 2-year program. In principle, the focal areas for investing these additional funds will be in education - expanding the Healthy Start Feeding Program and eventually, the Digital Devices Program; in Housing - expanding our current target for distributing quality, low cost housing units countrywide; and in financing SME credit, especially low interest loans in the Agro-productive sector.

In the coming months, I will table a supplementary appropriations bill that will confirm each Program along with its funding amounts, for consideration and approval.

And there is more exceptional news: I am elated to formally announce a USD 16.8m grant from Taiwan for the design and construction of a new hospital for Ambergris Caye, that hospital to commence construction in this fiscal year. The new hospital will be a 45-bed, 28,000 square feet state of the art facility providing primary and secondary care services. Others before us made hollow promises to build this much needed facility. It is this PUP Government that will finally deliver for the people of Ambergris Caye and of Belize Rural South.

MEDIUM TERM BUDGET FORECAST

Madam Speaker,

Our Finance Team has included in the Budget a medium term, 4-year forecast, with targets through to Fiscal Year 26/27.

We envision revenues growing in the early years by 3 to 4 percent and levelling off at 2 percent growth in the outer years of the forecast period. Our goal is to hold firm on spending limits, at least for the short term, with expenditures rising by 2 to 3 percent starting in FY 25/26.

To stabilize the public finances, a primary surplus of at least 2 percent of GDP is the bare minimum necessary. This is the goal identified in these projections, mainly because of restoring wages and withholding new revenue adjustments.

Overall net financing for the 5-year period, including the new Budget, will be some \$243 million; that is, the difference between required Budget financing and amortization payments. On the basis that GDP growth will exceed this new debt, the country's debt to GDP will fall over the medium term.

I would also emphasize that Government expects capital investments – the combination of Capital II and III financing – to total \$1.42 billion over this 5-year period.

CONCLUSION

Madam Speaker,

The journey of sound public finance management is a constant, never-ending endeavor.

No matter how much progress is made in one budget period, risks arise in another that can quickly undo that progress.

In just the last few weeks, war has erupted in Eastern Europe. The unimaginable specter of oil at over US\$200 per barrel presents a real and present danger to the Belizean economy and public finances.

At US\$200 per barrel, the cost of fuel imports could more than double to over Belize \$30 million dollars per month, representing a massive drain on foreign exchange and, at some point, a substantial loss of revenue.

Rising oil prices will worsen the recessionary risks, and clearly, inflationary pressures, such pressures escalating even before the Russian invasion of the Ukraine. This is an urgent situation about which I intend to consult later this week with our social partners and key sectoral representatives.

Covid-19, another prominent risk, has receded in recent weeks but the scientists have certainly not ruled out the possibility of a new variant which could disrupt the delicate recovery of the travel and tourism sectors. When compared to 2019, Belize's 2021 economic rebound entailed only a 46 percent recovery in overnight tourism arrivals and an 18 percent recovery in cruise arrivals. In other words, for our most vital economic subsector, 2021's bounce-back represented only a partial recovery.

In addition to these external variables, there is the urgent need for the Budget to permanently balance the mix between recurrent and capital spending. In this fiscal year, as I highlighted before, 85 cents of every recurrent dollar in revenue will be spent on recurrent expenditure, the largest component of which is Government's wage and pension obligations.

With pride and purpose, we have proposed this Fiscal Year 22/23 construct to allow time for the economic recovery to solidify and for wage relief to offset rising inflation.

This posture must evolve as the circumstances evolve.

For sustainability, I emphasize, revenue buoyancy must continue, and recurrent spending must remain within strict limits, if we are to avoid subsequent adjustments to both tax revenue and recurrent spending.

Despite these broad cautions, my colleagues and I carry ever more optimism about the future of our young nation. As businesses and schools accelerate their re-opening, with public wages restored and private minimum wages soon to be raised, as Government's capital investments converge on bridging the welfare and opportunity gaps, with trade and investment policies reaping increased dividends, I eagerly anticipate a multi-year economic expansion, with the thousands of new jobs and hundreds of new enterprises envisioned in our Manifesto.

That every Belizean should win, and in that glorious sum of collective betterment, for our precious Jewel to shine ever brighter among nations, this shall remain our Administration's clarion call.

When I presented my Government's first Budget last year, I proposed a 5-Point Recovery Plan. Despite the doubt of the then leader of the opposition who said it could not and would not be done, every single one of these points have been effectively addressed during this year:

Our Budget pared wages and kept spending within projected parameters;

A historic debt restructuring eliminated half a billion in public debt;

Revenues over-performed allowing us the flexibility to table supplementary investments during the financial year;

Every major investment-climate indicator has improved: the trade balance narrowed, the current account balance was the smallest in years, bank capital and liquidity are ample, lending rates are down and reserves up, while the official and private sector are more enthused about Belize than in recent memory.

And Pension Reform is programmed for this year.

These are the unmistakable measures of progress, the bellwethers of even greater, more inclusive expansion and prosperity.

If Belize is to grow and develop, all of us must be committed to a strong Belizean economy and society, grounded in credible, practical plans and solutions to the social and economic challenges we face.

With hands and hearts joined together in this great experiment we move forward to build a nation of prosperous citizens. To live out those fundamental principles enshrined in our Constitution and we remain dedicated to the enhancement of a nation people who not only believe but remain committed to social economic and environmental justice.

I thank my Parliamentary colleagues, the technicians at the line Ministries and the Ministry of Finance and the Central Bank, and the many professions involved with the preparation of this National Budget for Fiscal Year 2022/23.

I commend this Appropriations Bill for the House's consideration.

Thank you.

ANNEX 1: TABLES

Table 1: Select Indicators

	2017	2018	2019	2020 ^R	2021 ^P
POPULATION AND EMPLOYMENT (Average)					
Population (Thousands)	387.9	395.9	408.5	421.5	432.5
Employed Labour Force (Thousands)	150.1	155.9	167.7	145.5	174.2
Unemployment Rate (%)	9.3%	9.4%	9.0%	13.7%	10.2%
INCOME					
GDP at Current Market Prices (\$mn)	3,689.8	3,774.9	3,890.5	3,171.3	3,592.0
Per Capita GDP (\$, Current Mkt. Prices)	9,513.0	9,535.5	9,524.4	7,524.4	8,304.9
Real GDP Growth (%)	2.1	2.1	2.0	-16.7	9.8
Sectoral Distribution of Constant 2000 GDP (%)					
Primary Activities	10.2%	9.7%	9.1%	11.2%	11.4%
Secondary Activities	14.7%	14.2%	13.3%	15.1%	13.6%
Services	61.5%	62.6%	63.6%	60.0%	60.2%
TOURISM					
Stay Over Arrivals (Thousands)	402.1	453.1	464.1	133.7	212.5
Cruise Ship Passenger Arrivals (Thousands)	912.8	1,087.3	1,053.5	308.8	189.2
MONEY AND PRICES (\$mn)					
Inflation (Annual average percentage change)	1.1	0.3	0.2	0.1	3.2
Currency and Demand deposits (M1)	1,565.9	1,598.5	1,681.8	1,965.5	2,236.2
Quasi-Money (Savings and Time deposits)	1,372.6	1,418.8	1,510.4	1,568.3	1,735.5
Money Supply (M2)	2,938.5	3,017.3	3,192.3	3,533.8	3,968.5
Excess statutory liquidity	269.0	240.6	200.7	420.3	698.3
Excess cash liquidity	284.0	196.6	193.8	351.9	415.6
Excess securities	136.7	187.7	162.4	206.0	167.8
CREDIT (\$mn)					
Domestic Banks Loans and Advances	2,018.2	2,119.9	2,238.0	2,278.1	2,313.0
Public Sector	5.3	50.6	58.0	41.3	27.8
Private Sector	2,012.9	2,069.3	2,180.0	2,236.8	2,285.2
INTEREST RATE (%)					
Weighted Average Lending Rate	9.3	9.0	8.8	8.5	8.4
Weighted Average Deposit Rate	1.2	1.2	1.1	1.3	1.3
Weighted Average Interest Rate Spread	8.1	7.7	7.6	7.3	7.2
BALANCE OF PAYMENTS (US \$mn)					
Merchandise Exports (f.o.b.) ⁽¹⁾	457.1	451.7	425.3	289.0	315.8
Merchandise Imports (f.o.b.) ⁽¹⁾	848.3	896.9	968.5	731.4	674.0
Trade Balance ⁽¹⁾	-391.1	-445.2	-543.2	-442.4	-358.1
Remittances (Inflows) ⁽¹⁾	87.9	89.7	94.5	118.3	99.1
Tourism (inflows) ⁽¹⁾	389.2	439.2	526.7	246.9	260.6
Services (Net) ⁽¹⁾	300.3	396.8	442.5	255.2	240.7
Current Account Balance ⁽¹⁾	-143.7	-151.7	-184.6	-127.9	-73.2
Capital and Financial Flows ⁽¹⁾	67.3	134.5	145.7	183.1	92.2
Gross Change in Official International Reserves	-64.58	-17.8	-17.8	70.2	66.1
Gross Official International Reserves	313.0	295.6	277.9	348.1	415.0
Import Cover of Reserves (in months)	4.0	3.6	3.2	5.2	4.6

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

(1) Data for 2021 only includes information from January to September

Table 2: Summary of Recurrent and Capital Budgets, FY 2019/20 to FY 2026/27

	ACTUAL OUT-TURN 2019/20	ACTUAL OUT-TURN 2020/21	APPROVED BUDGET 2021/22	PROJECTED OUT-TURN 2021/22	SUBMITTED BUDGET 2022/23	FORECAST 2023/24	FORECAST 2024/25	FORECAST 2025/26	FORECAST 2026/27
TOTAL REVENUES AND GRANTS	\$1,184,947,004	\$742,663,730	\$998,840,092	\$1,192,034,399	\$1,262,985,744	\$1,315,240,526	\$1,361,257,872	\$1,389,374,265	\$1,419,971,422
RECURRENT REVENUE	\$1,142,273,721	\$716,967,175	\$965,459,970	\$1,136,668,000	\$1,222,619,345	\$1,273,905,334	\$1,320,570,884	\$1,348,526,145	\$1,378,957,335
TAX REVENUE	\$1,046,144,192	\$654,682,356	\$884,421,460	\$1,048,572,000	\$1,122,910,759	\$1,171,803,742	\$1,212,162,502	\$1,236,405,752	\$1,261,133,867
NON-TAX REVENUE	\$96,129,529	\$62,284,819	\$81,038,510	\$88,096,000	\$99,708,586	\$102,101,592	\$108,408,382	\$112,120,393	\$117,823,468
CAPITAL REVENUES:	\$5,690,259	\$5,249,518	\$2,556,350	\$5,366,399	\$5,366,399	\$5,495,192	\$5,686,988	\$5,848,120	\$6,014,087
GRANTS	\$36,983,024	\$20,447,037	\$30,823,772	\$50,000,000	\$35,000,000	\$35,840,000	\$35,000,000	\$35,000,000	\$35,000,000
TOTAL EXPENDITURES	\$1,323,786,542	\$1,295,003,233	\$1,203,152,298	\$1,217,691,000	\$1,361,094,026	\$1,369,298,624	\$1,384,298,624	\$1,419,298,624	\$1,459,619,332
RECURRENT EXPENDITURE	\$1,080,712,667	\$867,761,721	\$903,177,045	\$974,691,000	\$1,088,022,199	\$1,092,000,000	\$1,097,000,000	\$1,132,000,000	\$1,164,000,000
<i>of which DEBT SERVICE-INTEREST</i>	<i>\$125,647,028</i>	<i>\$57,871,389</i>	<i>\$68,344,905</i>	<i>\$87,801,000</i>	<i>\$111,984,383</i>	<i>\$120,000,000</i>	<i>\$125,000,000</i>	<i>\$130,000,000</i>	<i>\$135,000,000</i>
CAPITAL EXPENDITURES	\$243,073,875	\$427,241,512	\$299,975,253	\$243,000,000	\$273,071,827	\$277,298,624	\$287,298,624	\$287,298,624	\$295,619,332
<i>of which DEVELOPMENT EXPENDITURE</i>	<i>\$240,775,251</i>	<i>\$413,947,373</i>	<i>\$291,676,629</i>	<i>\$240,000,000</i>	<i>\$270,773,203</i>	<i>\$275,000,000</i>	<i>\$285,000,000</i>	<i>\$285,000,000</i>	<i>\$293,320,708</i>
RECURRENT SURPLUS/[DEFICIT]	\$61,561,054	-\$150,794,546	\$62,282,925	\$161,977,000	\$134,597,146	\$181,905,334	\$223,570,884	\$216,526,145	\$214,957,335
PRIMARY SURPLUS/[DEFICIT]	-\$13,192,510	-\$494,468,114	-\$135,967,301	\$62,144,399	\$13,876,101	\$65,941,902	\$101,959,248	\$100,075,641	\$95,352,090
AS A % OF GDP	-0.34%	-12.92%	-4.03%	1.68%	0.35%	1.63%	2.47%	2.38%	2.22%
OVERALL SURPLUS/[DEFICIT]	-\$138,839,538	-\$552,339,503	-\$204,312,206	-\$25,656,601	-\$98,108,282	-\$54,058,098	-\$23,040,752	-\$29,924,359	-\$39,647,910
AS A % OF GDP	-3.59%	-14.43%	-6.06%	-0.69%	-2.49%	-1.34%	-0.56%	-0.71%	-0.92%
AMORTIZATION	-\$97,254,352	-\$76,169,654	-\$119,509,672	-\$86,446,234	-\$97,471,635	-\$107,266,701	-\$131,327,453	-\$124,024,351	-\$124,024,351
FINANCING	-\$236,093,890	-\$628,509,157	-\$323,821,878	-\$112,102,835	-\$195,579,917	-\$161,324,799	-\$154,368,205	-\$153,948,710	-\$163,672,261
GDP (in billions of Bz) (Current prices)	3.865	3.827	3.373	3.707	3.948	4.043	4.124	4.206	4.290

Table 3: Summary of Total Revenue and Grants, FY 2019/20 to FY 2026/27

	ACTUAL OUT-TURN 2019/20	ACTUAL OUT-TURN 2020/21	APPROVED BUDGET 2021/22	PROJECTED OUT-TURN 2021/22	SUBMITTED BUDGET 2022/23	FORECAST 2023/24	FORECAST 2024/25	FORECAST 2025/26	FORECAST 2026/27
TOTAL REVENUES AND GRANTS	\$1,184,947,004	\$742,663,730	\$998,840,092	\$1,192,034,399	\$1,262,985,744	\$1,315,240,526	\$1,361,257,872	\$1,389,374,265	\$1,419,971,422
RECURRENT REVENUE	\$1,142,273,721	\$716,967,175	\$965,459,970	\$1,136,668,000	\$1,222,619,345	\$1,273,905,334	\$1,320,570,884	\$1,348,526,145	\$1,378,957,335
TAX REVENUE	\$1,046,144,192	\$654,682,356	\$884,421,460	\$1,048,572,000	\$1,122,910,759	\$1,171,803,742	\$1,212,162,502	\$1,236,405,752	\$1,261,133,867
INCOME & PROFITS	\$292,795,237	\$185,119,342	\$247,498,378	\$254,628,000	\$268,944,420	\$275,399,086	\$290,890,284	\$296,708,090	\$302,642,251
TAXES ON PROPERTY	\$6,816,912	\$4,690,923	\$6,484,892	\$8,417,000	\$10,000,000	\$10,240,000	\$17,384,269	\$17,731,954	\$18,086,593
TAXES ON INT'L TRADE & TRANSACTIONS	\$161,449,291	\$101,473,894	\$137,660,755	\$174,346,000	\$189,000,000	\$198,450,000	\$202,419,000	\$206,467,380	\$210,596,728
TAXES ON GOODS & SERVICES	\$585,082,752	\$363,398,197	\$492,777,435	\$611,181,000	\$654,966,339	\$687,714,656	\$701,468,949	\$715,498,328	\$729,808,295
NON-TAX REVENUE	\$96,129,529	\$62,284,819	\$81,038,510	\$88,096,000	\$99,708,586	\$102,101,592	\$108,408,382	\$112,120,393	\$117,823,468
PROPERTY INCOME	\$10,794,049	\$6,337,602	\$4,945,164	\$19,550,000	\$17,180,000	\$17,592,320	\$14,900,000	\$15,000,000	\$15,000,000
LICENCES	\$28,194,671	\$10,685,308	\$13,070,689	14,014,000	\$16,813,865	\$17,217,398	\$21,554,534	\$23,527,241	\$27,056,327
ROYALTIES	\$25,034,785	\$20,365,874	\$29,423,297	\$22,986,000	\$34,273,829	\$35,096,401	\$37,070,574	\$33,412,363	\$34,414,734
GOVERNMENT MINISTRIES	\$31,090,843	\$24,568,611	\$32,577,284	\$31,142,000	\$30,875,892	\$31,616,913	\$34,348,274	\$39,053,951	\$40,225,569
REPAYMENT OF OLD LOANS	\$1,015,181	\$327,424	\$1,022,076	\$404,000	\$565,000	\$578,560	\$535,000	\$1,126,838	\$1,126,838
CAPITAL REVENUES:	\$5,690,259	\$5,249,518	\$2,556,350	\$5,366,399	\$5,366,399	\$5,495,192	\$5,686,988	\$5,848,120	\$6,014,087
SALE OF EQUITY	\$172,732	\$286,018	\$128,882	\$303,629	\$303,629	\$310,916	\$315,895	\$315,895	\$315,895
SALE OF CROWN LANDS	\$5,517,527	\$4,963,500	\$2,427,468	\$5,062,770	\$5,062,770	\$5,184,276	\$5,371,093	\$5,532,225	\$5,698,192
GRANTS	\$36,983,024	\$20,447,037	\$30,823,772	\$50,000,000	\$35,000,000	\$35,840,000	\$35,000,000	\$35,000,000	\$35,000,000

Table 4: Summary of Recurrent & Capital Expenditures, FY 2019/20 to FY 2026/27

	ACTUAL OUT-TURN 2019/20	ACTUAL OUT-TURN 2020/21	APPROVED BUDGET 2021/22	PROJECTED OUT-TURN 2021/22	SUBMITTED BUDGET 2022/23	FORECAST 2023/24	FORECAST 2024/25	FORECAST 2025/26	FORECAST 2026/27
TOTAL EXPENDITURES	\$1,323,786,543	\$1,295,003,233	\$1,203,152,298	\$1,217,691,000	\$1,361,094,026	\$1,369,298,624	\$1,384,298,624	\$1,419,298,624	\$1,459,619,332
TOTAL RECURRENT EXPENDITURE	\$1,080,712,667	\$867,761,721	\$903,177,045	\$974,691,000	\$1,088,022,199	\$1,092,000,000	\$1,097,000,000	\$1,132,000,000	\$1,164,000,000
PERSONAL EMOLUMENTS	\$454,176,200	\$463,003,829	\$412,498,116	\$415,106,000	\$461,893,193	\$460,000,000	\$460,000,000	\$473,000,000	\$487,000,000
PENSIONS & EX-GRATIA	\$92,084,487	\$72,522,716	\$90,818,016	\$96,784,000	\$100,865,711	\$98,000,000	\$98,000,000	\$100,000,000	\$100,000,000
GOODS & SERVICES	\$228,335,197	\$146,772,358	\$174,145,338	\$224,000,000	\$224,683,367	\$225,000,000	\$225,000,000	\$235,000,000	\$242,000,000
SUBSIDIES AND CURRENT TRANSFERS	\$180,469,756	\$127,591,429	\$157,370,670	\$151,000,000	\$188,595,545	\$189,000,000	\$189,000,000	\$194,000,000	\$200,000,000
DEBT SERVICE-INTEREST & OTHER CHARGES	\$125,647,028	\$57,871,389	\$68,344,905	\$87,801,000	\$111,984,383	\$120,000,000	\$125,000,000	\$130,000,000	\$135,000,000
TOTAL CAPITAL EXPENDITURES	\$243,073,875	\$427,241,512	\$299,975,253	\$243,000,000	\$273,071,827	\$277,298,624	\$287,298,624	\$287,298,624	\$295,619,332
CAPITAL II EXPENDITURES	\$95,037,305	\$251,313,974	\$108,466,165	\$140,000,000	\$155,761,574	\$155,000,000	\$160,000,000	\$160,000,000	\$165,000,000
CAPITAL III EXPENDITURES	\$145,737,946	\$162,633,399	\$183,210,464	\$100,000,000	\$115,011,629	\$120,000,000	\$125,000,000	\$125,000,000	\$128,320,708
CAPITAL TRANSFER & NET LENDING	\$2,298,624	\$13,294,139	\$8,298,624	\$3,000,000	\$2,298,624	\$2,298,624	\$2,298,624	\$2,298,624	\$2,298,624

Chart 1: Projected Current Revenue for FY 2021/2022

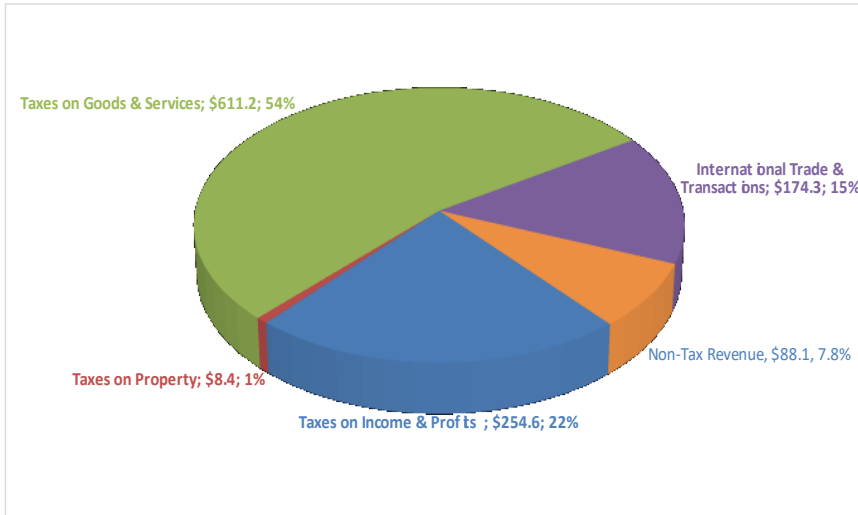


Chart 2: Projected Expenditure for FY 2021/2022

