

CENTRAL BANK OF BELIZE

30TH ANNIVERSARY



2011 Annual Report
and
Statement of Accounts



30 April 2012

Hon. Dean Barrow
Prime Minister and Minister of Finance & Economic Development
Ministry of Finance & Economic Development
Sir Edney Cain Building
Belmopan
BELIZE

Dear Prime Minister:

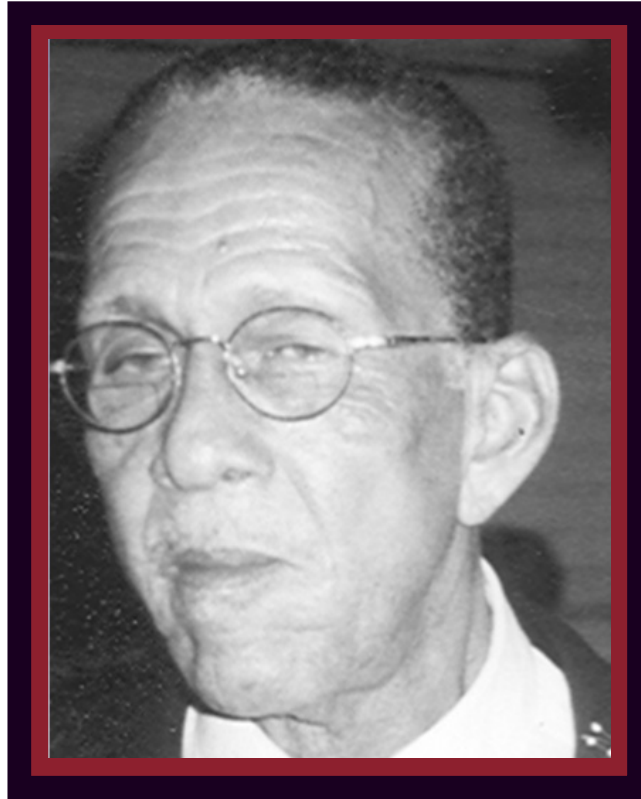
It is my honour to submit to you in your capacity as the Minister of Finance, the Annual Report of the Central Bank of Belize's operations for the year 2011, together with a copy of the Bank's Statement of Accounts as certified by the External Auditors, Castillo Sanchez & Burrell, LLP.

These reports are submitted in accordance with Section 58 of the Central Bank of Belize Act, Chapter 262, Revised Edition 2000.

Respectfully,

Glenford Ysaguirre
Governor

DEDICATION



(1932 - 2012)

The 2011 Annual Report is dedicated to Frank Garbutt Sr. who served the Central Bank of Belize for close to 19 years in various positions including Chief Accountant (eleven years), Deputy Governor (almost four years), General Manager (two years) and Consultant (two years). A career civil servant who worked in Central Government from January 1955 to October 1976, Mr. Garbutt was seconded to the Monetary Authority (the institution which preceded the Central Bank) on 1 November 1976 and was one of the founding members of staff when the Central Bank was established on 1 January, 1982. He maintained an unbroken record of exemplary service until his retirement on 6 January 1996.

The Board of Directors, Management and Staff of the Central Bank of Belize, and by extension the nation of Belize, acknowledge Mr. Garbutt for his dedicated years of leadership and direction to the Bank and people of Belize.

MISSION AND VISION

“Within the context of the economic policy of the Government, the Bank shall be guided in all its actions by the objectives of fostering monetary stability, especially as regards stability of the exchange rate, and promoting credit and exchange conditions conducive to the growth of the economy of Belize.” Central Bank of Belize Act, 1982, Clause 6

MISSION STATEMENT

To advance the wellbeing of Belize by facilitating sustained economic growth, protecting the value of the Belize dollar, and assuring a safe, sound and efficient financial system.

VISION STATEMENT

An organization defined by a culture of excellence, leading financial transformation and enabling national development.

Objectives

- Promote monetary stability.
- Regulate the issue and availability of money and its international exchange.
- Regulate and maintain the integrity and reputation of the financial system.

Goals

- Provide prompt and well-considered macroeconomic information and advice to the Government of Belize, the business sector and the general public.
- Provide efficient banking services to the commercial banks, the Government of Belize, various public sector bodies and regional and international organizations that hold accounts at the Bank.
- Provide guidelines to the banking community on matters such as money supply, interest rates, credit and exchange rates.
- Set high standards of efficiency.

Abbreviation and Conventions used in this Report

ACLs	Adversely Classified Loans	f.o.b.	Free on Board
AEIR	Annual Effective Interest Rate	fl. oz.	fluid ounce
AML	Anti Money Laundering	FSAP	Financial Sector Assessment Program
BAHA	Belize Agricultural Health Authority	GDP	Gross Domestic Product
BEL	Belize Electricity Limited	GOB	Government of Belize
BFIA	Banks and Financial Institutions Acts, 1995	GST	General Sales Tax
BNE	Belize Natural Energy Limited	IAS	International Accounting Standards
BNTF	Basic Needs Trust Fund	IBA	International Banking Act
BPM	Balance of Payments Manual	IBRD	International Bank for Reconstruction and Development
BSI	Belize Sugar Industries Limited	IDB/IADB	Inter-American Development Bank
BSSB	Belize Social Security Board	IFC	International Finance Corporation
BTB	Belize Tourism Board	IFRS	International Financial Reporting Standards
BTL	Belize Telemedia Limited	IFSC	International Financial Services Commission
CARICOM	Caribbean Community and Common Market	IMF	International Monetary Fund
CAR	Capital Adequacy Ratio	Imp. Gal.	Imperial Gallon
CARTAC	Caribbean Regional Technical Assistance Centre	M2	Broad Money Supply
CBB	Central Bank of Belize	MOU	Memorandum of Understanding
CCMF	Caribbean Centre for Money and Finance	MW·h	Megawatt hour
CDB	Caribbean Development Bank	NFC	Not from concentrate
CEMLA	Centre of Monetary Studies for Latin America	NPLs	Non Performing Loans
CFZ	Commercial Free Zone	NPS	National Payment Systems
CFT	Combating the Financing of Terrorism	OECD	Organisation for Economic Cooperation and Development
CGA	Citrus Growers Association	OIRSA	International Regional Organization for Agricultural Health
c.i.f.	Cost, Insurance and Freight	OPEC	Organisation of Petroleum Exporting Countries
CPI	Consumer Price Index	PMO	Project Management Office
CPBL	Citrus Products of Belize Ltd.	ps	Pound solid
DFC	Development Finance Corporation	ROA	Return on Assets
EBS	Enterprise Business System	ROC/Taiwan	Republic of China/Taiwan
ECCU	Eastern Caribbean Currency Union	ROE	Return on Equity
ECLAC	Economic Commission for Latin America and the Caribbean	SDR	Special Drawing Right
EU	European Union	SIB	Statistical Institute of Belize
FDI	Foreign Direct Investment	SIF	Social Investment Fund
FINTRAC	Financial Transactions and Reporting Analysis Center	SSS	Securities Settlement System
		UK	United Kingdom
		US/USA	United States of America

Notes and Conventions:

-- \$ refers to the Belize dollar unless otherwise stated

-- mn denotes million

-- bn denotes billion

-- The figures for 2011 in this report are provisional, and the figures for 2010 have been revised.

-- Since May of 1976 the Belize dollar has been fixed to the US dollar at the rate of US\$1.00 = BZ\$2.00.

-- Totals in tables do not always equal the sum of their components due to rounding.

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DIRECTORS AND PRINCIPALS

At December 31, 2011

BOARD OF DIRECTORS

Rt. Hon. Sir Manuel Esquivel
Chairman

Ralph Feinstein
Vice Chairman

Damian Gough - **Member**

Darrell Bradley - **Member**

Glenford Ysaguirre - **Governor, Ex officio Member**

Joseph Waight - **Financial Secretary, Ex officio Member**

Christine Velloso - **Deputy Governor, Ex officio Member**

Marilyn Gardiner-Usher - **Deputy Governor, by invitation**

PRINCIPAL OFFICERS

Glenford Ysaguirre
Governor

Christine Velloso
Deputy Governor - Economic Intelligence

Marilyn Gardiner-Usher
Deputy Governor - Operations

Carol Hyde
Director, Human Resources

Angela Wagner
Director, Administration

Hollis Parham
Director, Finance

Neri Matus
Director, Financial Sector Supervision

Azucena Quan-Novelo
Director, Research

Rabey Cruz
Director, Information Technology

Effie Ferrera
Director, Internal Audit

Stephen Heusner
Chief of Security

Michelle Estell
Director, Banking & Currency

GOVERNANCE

Board of Directors

The Board comprises the Governor, a Deputy Governor, and the Financial Secretary as ex officio members and four other members who are appointed by the Minister of Finance. The chairman is appointed by the Minister and the vice-chairman is elected by the members. Decisions of the Board are by majority of votes cast with the presiding chairman having a second or casting vote in the event of a tie.

The terms of office for Mr. Alan Slusher, former Board chairman, and Mr. Kerry Belisle, expired in 2011. A new chairman, the Right Honourable Sir Manuel Esquivel, and a new member, Mr. Damian Gough, were appointed to the Board on 18 January 2011 and 1 April 2011, respectively.

Section 12 (1) of the Central Bank Act requires the Board to meet no less than 10 times in each year, on dates designated by the chairman. A quorum for any meeting of the Board is three members, one of whom must be the Governor or a Deputy Governor. In 2011, the Board met 11 times and considered 70 submissions.

Attendance at Board Meetings in 2011	
Rt. Hon. Sir Manuel Esquivel - Chairman	10
Mr. Ralph Feinstein - Vice-Chairman	10
Mr. Damian Gough - Member	7
Mr. Darrell Bradley - Member	9
Mr. Glenford Ysaguirre - Governor (ex officio)	11
Mr. Joseph Waight - Financial Secretary (ex officio)	10
Mrs. Christine Velloso - Deputy Governor (ex officio)	11
Mrs. Marilyn Gardiner-Usher - Deputy Governor (by invitation)	10

On appointment to the Board, each member is required under Section 18(1) of the Central Bank of Belize Act to maintain confidentiality in relation to the affairs of the Board and the Bank. Further, members must meet and maintain general conditions of qualification of directors as laid out in Section 15 of the Central Bank Act and also subscribe to that set standard of conduct for directors and officers of the Bank.

Over and above these legislated requirements, members recognise their responsibility for maintaining a reputation of integrity and propriety on the part of the Board and the Bank in all respects. Directors commit to:

- Discharging their duties with care and diligence;
- Acting in good faith, and in the best interest of the Bank;
- Not using their position to benefit themselves or any other person, or to cause

- detriment to the Bank or any person;
- Not using any information obtained by virtue of their position to benefit themselves or any other person, or to cause detriment to the Bank or any person; and
- Declaring any material personal interest where a conflict arises with the interests of the Bank.

Ex officio directors who are also executives of the Bank are further subjected to the Code of Conduct adopted by the Bank that provides a number of general principles as a guide for their conduct in fulfilling their duties and responsibilities as employees of the Bank.

Audit Committee

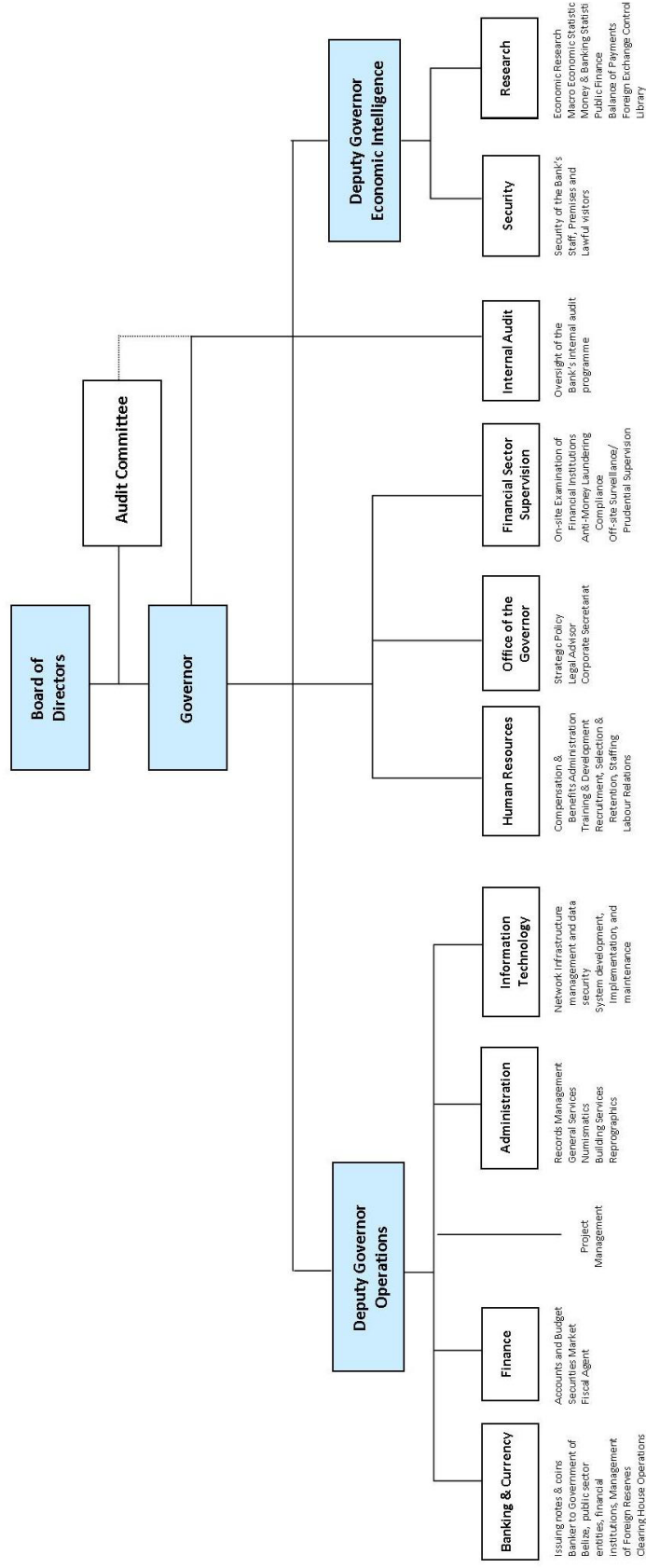
The objectives of the Audit Committee of the Board of Directors are to:

- Assist in the selection of the external auditors and recruitment of internal audit staff;
- Ensure a high-quality, independent and effective audit process;
- Assist the Governor and the Board in fulfilling their obligations relating to financial reporting, compliance with laws and regulations, internal control and risk management, employee conflicts of interest, business ethics and prevention of fraud; and
- Enhance transparency of relation between management and the Internal Audit Department.

The Audit Committee is made up of two non executive board members, Mr. Damian Gough (Chairman) and Mr. Darrell Bradley as well as Mrs. Marilyn Gardiner-Usher (Deputy Governor Operations). Mrs. Effie Ferrera (Chief Internal Auditor) is secretary to the Committee.

The new Chairman of the Audit Committee was appointed in 2011. During the year the Committee considered the quarterly interim financial audits and the various audits and reviews conducted by the Internal Audit Department and made subsequent presentations to the Bank's Board.

FUNCTIONAL CHART



GOVERNOR'S FOREWORD

The Central Bank is marking its 30th year of existence against the backdrop of difficult world economic conditions and heightened challenges for domestic policy makers. Growth in the country's major trading partners has been weakening recently and there was some deceleration in the domestic economy in 2011 although GDP growth remained above that of other CARICOM countries except for Guyana and the Bahamas. The slowdown has been accompanied by continued sluggishness in private sector credit although strong foreign exchange inflows from public and private sources enabled the banking system to maintain a healthy level of foreign assets. At the end of 2011, the Central Bank's external asset ratio was 80.0% of its domestic demand liabilities or twice the amount legally required.

Temporary roadblocks impeding progress in the Bank's programme of monetary policy reform included the insufficiency of marketable securities, weaknesses in the domestic legislation and inadequate payments infrastructure. Nevertheless, given the continued buildup in domestic bank liquidity, the Central Bank's policy initiative to foster competitive activity in the market for short term government paper resulted in the continuation of a downward trend in Treasury bill yields; and the Bank's decision to lower the interest rate floor on savings deposits to 2.5% aimed at bringing down the lending rates of the commercial banks also yielded positive results as the notoriously sticky lending rates of the banks began to evince a declining trend during the year. The Central Bank also took steps to ensure that the interest paid to depositors on savings deposits was reflective of actual daily balances and fostered greater transparency on the part of commercial banks by requiring their disclosure of the annual effective interest rate on savings accounts.

Notable strides were made in 2011 toward improving the regulatory oversight of the financial system in order to strengthen its resiliency to various threats. Internationally, many of the rules and standards for financial system governance are being re-examined and upgraded in an effort to counteract the trend towards increased complexity and risk of financial institutions and markets. While many of these efforts are focused on the developed economies, small countries like Belize are also expected to adopt international "best practices" wherever these are considered relevant in order to remain in good standing internationally. Furthermore, given the interconnectedness of international financial institutions, there is a worldwide and regional push to elevate the quality of oversight in all jurisdictions in order to minimize systemic risk and contagion. It was therefore strategically important for Belize to undergo its first Financial Sector Assessment Programme (FSAP) in mid 2011 in order to identify any deficiencies in the regulatory framework and devise a programme of corrective measures to strengthen the governance of the financial system.

The results of the FSAP provide a cohesive framework for moving forward to assure the safety and soundness of the financial system. Hence, loan loss provisioning standards were upgraded in December to bring these into conformity with international best practices and to incentivize the banks to focus on borrowers' capacity

to repay as well as to set aside adequate provisions to cover non-performing loans. Some of the recommended improvements to the regulatory framework hinge on the future enactment of several amendments to the legislation. Substantial work has been done to revise the Banks and Financial Institutions Act and the Credit Union by-laws and these draft revisions have been circulated to stakeholders for comments before submission to the legislature. The Central Bank has also been pushing forward with its efforts to reform the national payments system and establish a credit bureau, both of which are expected to have a positive developmental impact on the Belizean economy. The former is furthest advanced with a national payments system law having been drafted and a strategy paper prepared to carry the process forward. It is anticipated that the momentum of the payments system project will be maintained in 2012 as steps are taken to put in place the necessary financing arrangements.

Simultaneous with the Bank's increased attention to risk management in the domestic system and development of the financial infrastructure are its on-going efforts to protect the value of the Belize dollar. Legally mandated to protect Belize's fixed exchange rate, the Central Bank has maintained this as its primary goal during the cyclical peaks and troughs of the national economy. In addition to the fiscal and monetary adjustments periodically required, the fixed exchange rate has been buttressed for 35 years by exchange control regulations that govern foreign currency movements into and out of Belize. While this has yielded a generally low inflation environment that is suitable for investment and forward planning, the Central Bank is still being challenged from time to time by elements in the private sector who chafe at the restrictions. Increased priority must therefore be placed on public educational outreaches to build awareness and voluntary cooperation with this system which plays such a foundational role in Belize's long term stability and growth.

In taking stock of the international and domestic environment upon reaching the 30 year milestone, it becomes increasingly clear that strategic planning and efficient execution are a vital necessity if the country is to achieve its goal of economic growth and development. The Central Bank has therefore been committing more time and resources to this type of effort. In the last quarter of 2011, work began with a view to developing a corporate strategic plan for the Bank. The ultimate goal is an increase in the Central Bank's contribution and its effectiveness in the national effort to develop Belize.



Glenford Ysaguirre
Governor