

# CENTRAL BANK OF BELIZE



**2010**



**ANNUAL REPORT**

Cover Photo: The Central Bank of Belize main entrance door, which depicts the national symbols of Belize, is a mahogany wooden door carved by Frank Lizama in 1998. The photograph was taken by Richard Holder for the Central Bank of Belize Annual Report.





29 April 2011

Hon. Dean Barrow  
Prime Minister and Minister of Finance  
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 2010, 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





# **CENTRAL BANK OF BELIZE**



## **Twenty-ninth Annual Report & Statement of Accounts**

**For the Year Ending 31 December 2010**

### Abbreviations and Conventions used in this Report

ACLs	Adversely Classified Loans	f.o.b.	free on board
BEL	Belize Electricity Limited	GDP	Gross Domestic Product
BTL	Belize Telemedia Limited	GOB	Government of Belize
BFIA	Banks and Financial Institutions Acts, 1995	GST	General Sales Tax
BMC	Belize Mortgage Company	HR	Human Resource
BNTF	Basic Needs Trust Fund	IBRD	International Bank for Reconstruction and Development
BSI	Belize Sugar Industries Limited	IDB/IADB	Inter-American Development Bank
BSSB	Belize Social Security Board	IFSC	International Financial Services Commission
BTB	Belize Tourism Board	IMF	International Monetary Fund
BTL	Belize Telemedia Limited	Imp. Gal.	Imperial Gallon
BWSL	Belize Water Services Limited	IT	Information Technology
CARICOM	Caribbean Community and Common Market	KHMH	Karl Heusner Memorial Hospital
CAR	Capital Adequacy Ratio	MLTPA	Money Laundering and Terrorism (Prevention Act)
CARTAC	Caribbean Regional Technical Assistance Centre	n.a.	not available
CBB	Central Bank of Belize	NFC	Not from concentrate
CDB	Caribbean Development Bank	NPLs	Non-Performing Loans
CFZ	Corozal Free Zone	OECS	Organisation of Eastern Caribbean States
CGA	Citrus Growers Association	PGIA	Phillip Goldson International Airport
c.i.f.	Cost, Insurance and Freight	ps	Pound solid
CLICO	Colonial Life Insurance Company Limited	PUC	Public Utilities Commission
CPI	Consumer Price Index	ROA	Return on Assets
CPBL	Citrus Products of Belize Ltd.	ROC/Taiwan	Republic of China/Taiwan
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System	ROE	Return on Equity
DFC	Development Finance Corporation	SDR	Special Drawing Right
ECLAC	Economic Commission for Latin America and the Caribbean	SIB	Statistical Institute of Belize
EPZ	Export Processing Zone	SIF	Social Investment Fund
EU	European Union	VAT	Value Added Tax
FDI	Foreign Direct Investment	UK	United Kingdom
		US/USA	United States of America
		WOCCU	World Council of Credit Unions

#### Notes and Conventions:

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

-- mn denotes million

-- bn denotes billion

-- The figures for 2010 in this report are provisional, and the figures for 2009 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, 2010

### BOARD OF DIRECTORS

ALAN SLUSHER  
Chairman

RALPH FEINSTEIN  
Vice Chairman

KERRY BELISLE

DARRELL BRADLEY

GLENFORD YSAGUIRRE  
Ex officio Member

CHRISTINE VELLO  
Ex officio Member

JOSEPH WAIGHT  
Ex officio Member

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### PRINCIPAL OFFICERS

Glenford Ysaguirre  
Governor

Christine Vellos  
Deputy Governor - Economic Intelligence

Marilyn Gardiner-Usher  
Deputy Governor - Operations

Stephen Heusner  
Chief of Security

Carol Hyde  
Director, Human Resources

Rabey Cruz  
Director, Information Technology

Angela Wagner  
Director, Administration

Michelle Estell  
Director, Banking & Currency

Neri Matus  
Director, Financial Sector Supervision

Effie Ferrera  
Director, Internal Audit

Hollis Parham  
Director, Finance

Azucena Quan-Novelo  
Director, Research



## OVERVIEW OF THE BANK



*“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 conditions conducive to the growth of the economy of Belize.” Central Bank of Belize Act, 1982, Clause 6*

### MISSION STATEMENT

***To regulate and encourage the development of the financial system and to formulate economic policies that foster monetary and financial stability, confidence and economic growth. The Bank is committed to serving the interest of the people of Belize through highly motivated and skilled professionals who operate under the ethos of integrity, efficiency and transparency.***

In the pursuit of its mission, the Bank sets a number of goals and operating objectives. These are listed below:

### GOALS

- Provide prompt and well-considered macroeconomic information and advice to the Government, the business sector and the general public.
- Provide efficient banking services to the commercial banks, the government and 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 and organization so as to encourage higher levels of attainment in the Bank.

### 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.

## ORGANIZATION AND FUNCTIONS

The Bank's mission and objectives are pursued through its various departments with core functions as follows:

### Office of the Governor

- Executive management of the operations of the Bank in advancement of the stated objectives of fostering monetary and exchange rate stability, promotion of credit and economic growth.
- Corporate Governance in accordance with the relevant laws, policies and directives of the Board.
- Strategic planning and leadership to develop and promote environment and culture that is supportive of stated goals and objectives.
- Public Relations and external communications to foster national and international confidence, promote financial stability, literacy and institutional credibility.

### Administration

- Procuring supplies, and conducting stock keeping and inventory exercises.
- Managing the Bank's records management system.
- Disseminating information produced by the Bank, particularly economic reports and bulletins, research papers, relevant acts and regulations and related guidelines.
- Managing the Bank's numismatic operations.
- Maintaining the Bank's facilities, plant and equipment.
- Providing reprographic services to the Bank.
- Managing meeting(s) and conferences.

### Human Resources

- Advising on personnel policy matters.
- Promoting the conditions necessary for staff development and training.
- Providing employee assistance.
- Administering and processing of staff compensation and benefits.
- Recruiting and selecting suitable staff.
- Fostering healthy industrial relations between the Bank and its employees' unions.

**Finance**

- Advising the Governor on the state of the finances of the Central Bank.
- Preparing the Bank's budget while monitoring and controlling the Bank's financial activities in the context of a risk management framework.
- Overseeing the development and implementation of goals, policies, priorities, and procedures necessary for auditing, budgeting, financial analysis and property management.
- Producing all financial reports, including special analyses and requested information reports.
- Performing fiscal agent functions on behalf of the Central Government and other public sector entities for the trading of securities.

**Banking and Currency**

- Issuing notes and coins.
- Providing banking services to Central Government, other public sector entities and financial institutions.
- Managing the Central Bank's foreign reserve holdings.
- Conducting clearing-house operations for the domestic banking system.

**Financial Sector Supervision**

- Screening and processing applications for financial institutions, domestic and international bank licenses and registration of credit unions.
- Supervising and regulating banks, financial institutions and credit unions through on-site examination and off-site surveillance.
- Processing of applications for large credit exposures under section 21(2) of the Banks and Financial Institutions Act (BFIA) and 21(2) 2 of the International Banking Act (IBA).
- Promoting and conducting anti-money laundering surveillance of financial institutions licensed under BFIA, IBA and the Credit Unions Act.

**Research**

- Monitoring economic activities in Belize on a continuing basis.
- Conducting focused economic research on the Belizean economy and aspects pertaining to its development.
- Maintaining the Bank's library.
- Preparing monthly, quarterly and annual economic reports.
- Processing and monitoring foreign exchange transactions of the financial system.
- Producing appropriate statistics.

**Internal Audit**

- Verifying Central Bank compliance with accounting policies, laws and regulations.
- Evaluating and verifying the operational effectiveness of internal controls to safeguard assets and to ensure the integrity of financial reports.
- Reviewing operations and programs to ascertain if goals and objectives are being achieved.

**Security Services**

- Analyzing potential threats to the Bank's security and devising strategies for avoiding or mitigating all such risks.
- Ensuring the security of the Bank's premises, staff and visitors.

**Information Technology**

- Monitoring and maintaining the Bank's information technology, introducing and maintaining appropriate automated information systems for the Bank and administering controls to protect the integrity, security, accuracy, and confidentiality of information.
- Ensuring proper functioning and business continuity of the Bank's ICT infrastructure.

## GOVERNANCE

### The Central Bank of Belize Board

The Board comprises of 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, a total of seven members. There was no change in the composition of the Board during the year. The Chairman was appointed by the Minister and the Vice-Chairman was elected by the members.

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. 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 Board met 11 times and considered 68 submissions in 2010. All meetings were held at the Central Bank building in Belize City.

#### Attendance at Board Meetings in 2010

Alan Slusher - Chairman	11
Ralph Feinstein - Vice-Chairman	10
Kerry Belisle - Member	8
Darrell Bradley - Member	9
Glenford Ysaguirre - Governor ( <i>Ex officio</i> )	11
Joseph Waight - Financial Secretary ( <i>Ex officio</i> )	8
Christine Vellos - Deputy Governor ( <i>Ex officio</i> )	10
Marilyn Gardiner-Usher - Deputy Governor ( <i>by invitation</i> )	10

### Code of Conduct

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 the 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:

- discharge their duties with care and diligence;
- act in good faith, and in the best interest of the Bank;
- not use their position or any information obtained thereby to benefit themselves or any other person, or to cause detriment to the Bank or any person; and



- declare any material personal interest where a conflict arises with the interests 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 contact between management and the Internal Audit Department.

The Audit Committee is made up of two non-executive board members, Mr. Kerry Belisle (Chairman) and Mr. Darrell Bradley. Other members of the Committee are Mrs. Marilyn Gardiner-Usher (Deputy Governor) and Mrs. Effie Ferrera (Chief Internal Auditor).

The Audit Committee Charter requires the Committee to meet no less than 4 times annually. During 2010, the Committee met on five occasions. The Audit Committee also met two times with the external auditors in the absence of other management. During the year the Committee considered the quarterly interim financial audits and made subsequent presentations to the Bank's Board.

**FUNCTIONAL CHART**

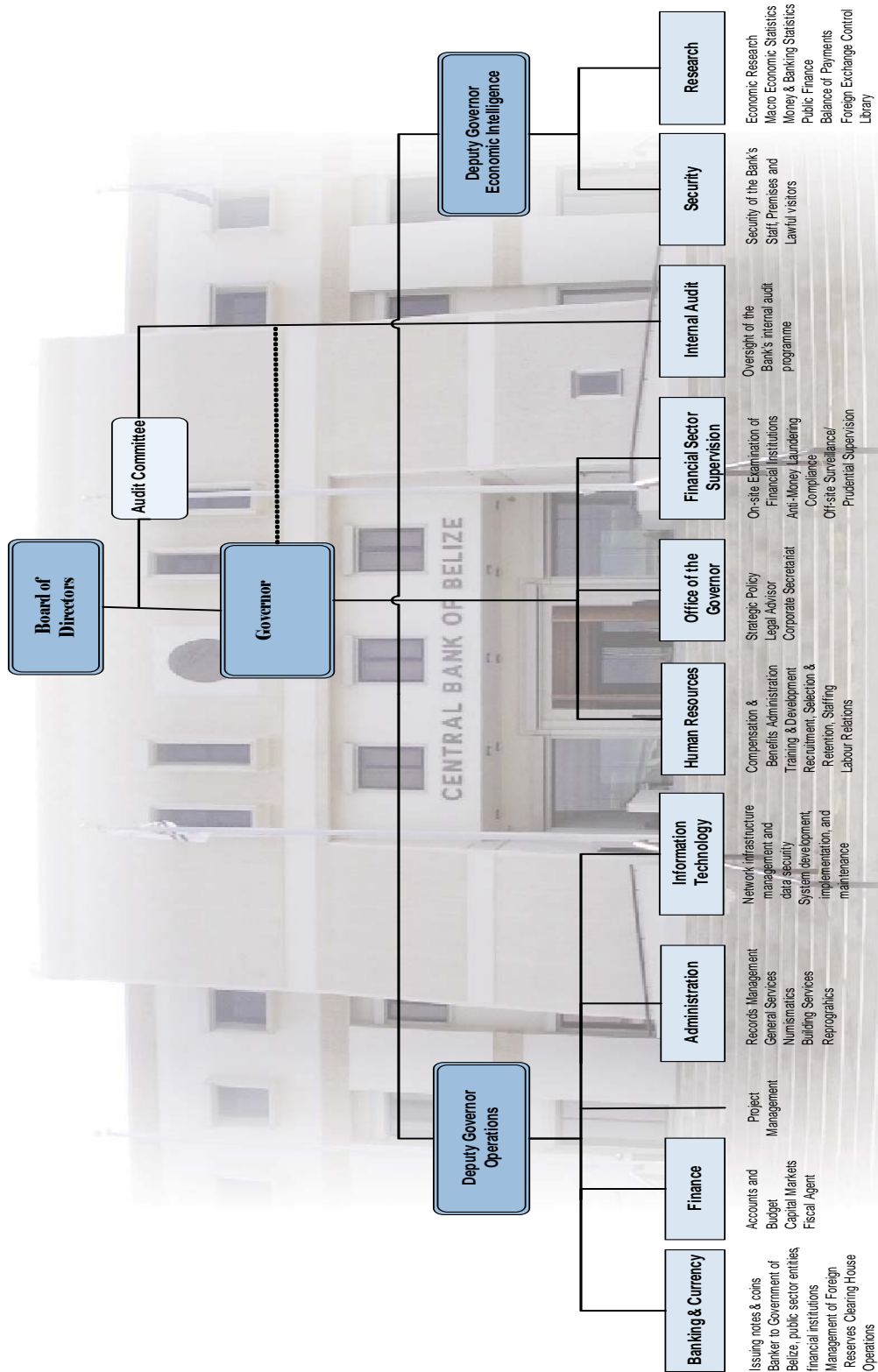


Table 1: Major Economic Indicators

	2003	2004	2005	2006	2007	2008	2009	2010
<b>POPULATION AND EMPLOYMENT</b>								
Population (Thousands)	271.1	281.1	289.9	299.8	309.8	322.1	333.2	313.0 <sup>1</sup>
Employed Labour Force (Thousands)	89.2	95.9	98.6	102.2	111.8	114.5	120.5	n.a.
Unemployment Rate (%) <sup>2</sup>	12.9	11.6	11.0	9.4	8.5	8.2	13.1	n.a.
<b>INCOME</b>								
GDP at Current Market Prices (\$mn)	1,976.4	2,112.6	2,229.7	2,426.2	2,553.5	2,727.0	2,698.0	2,802.0
Per Capita GDP (\$, Current Mkt. Prices)	7,290.3	7,515.1	7,691.9	8,093.6	8,243.5	8,466.3	8,097.2	8,952.9
Real GDP Growth (%)	9.3	4.6	3.0	4.7	1.3	3.6	0.0	2.9
Sectoral Distribution of Constant 2000 GDP (%)								
Primary Activities	16.9	17.7	17.7	15.8	12.4	12.0	11.7	11.4
Secondary Activities	15.2	15.6	15.1	17.9	18.1	19.2	21.4	20.9
Services	53.7	53.0	54.1	52.7	54.7	54.4	53.7	54.1
<b>MONEY AND PRICES (\$mn)</b>								
Inflation (Annual average percentage change)	2.6	3.1	3.7	4.2	2.3	6.4	-1.1	0.9
Currency and Demand deposits (M1)	442.6	492.2	516.1	617.9	704.4	706.2	713.3	707.9
Quasi-Money (Savings and Time deposits)	659.7	756.1	815.8	887.1	1,031.7	1,260.4	1,379.9	1,382.9
Annual Change of Money Supply (%)	3.7	13.2	6.7	13.0	15.4	13.3	6.4	-0.1
Ratio of M2 to GDP (%)	55.8	59.1	59.7	62.0	67.7	72.4	77.3	74.6
<b>CREDIT (\$mn)</b>								
Commercial Bank Loans and Advances	1,056.6	1,176.5	1,254.7	1,390.5	1,599.6	1,742.4	1,805.4	1,762.0
Public Sector	30.0	46.3	62.4	48.6	40.8	19.1	10.2	8.9
Private Sector	1,026.6	1,130.2	1,192.3	1,342.8	1,558.8	1,723.3	1,795.2	1,753.1
<b>INTEREST RATE (%)</b>								
Weighted Average Lending Rate	14.2	14.0	14.3	14.2	14.3	14.1	14.0	13.8
Weighted Average Deposit Rate	4.9	5.2	5.5	5.8	6.0	6.4	6.1	5.6
Weighted Average Interest Rate Spread	9.3	8.8	8.8	8.5	8.3	7.8	7.9	8.2
<b>CENTRAL GOVERNMENT FINANCES (\$mn)</b>								
Current Revenue	422.2	451.9	511.5	566.0	651.5	729.4	653.9	735.7
Current Expenditure	393.0	474.1	561.2	550.8	636.1	617.9	661.8	676.7
Current Account Surplus(+)/Deficit(-)	29.1	-22.2	-49.7	15.2	15.3	111.5	-7.9	59.0
Capital Expenditure	276.4	173.2	123.1	97.1	160.4	141.6	113.3	126.1
Overall Surplus(+)/Deficit(-)	-216.0	-133.6	-152.3	-46.7	-30.8	41.2	-76.3	-43.0
Ratio of Budget Deficit to GDP at mkt. Prices (%)	-10.9	-6.3	-6.8	-1.9	-1.2	1.5	-2.8	-1.5
Domestic Financing (Net) <sup>3</sup>	-62.4	-36.2	-19.0	-8.9	19.3	-23.3	20.1	37.4
External Financing (Net) <sup>4</sup>	380.7	179.9	127.6	56.0	-0.8	-3.3	60.5	4.9
<b>BALANCE OF PAYMENTS (US \$mn)</b>								
Merchandise Exports (f.o.b.) <sup>5</sup>	315.5	308.4	325.2	427.1	425.6	480.1	383.6	475.7
Merchandise Imports (f.o.b.)	522.3	480.7	556.2	611.9	642.0	788.2	620.5	649.8
Trade Balance	-206.8	-172.3	-231.0	-184.8	-216.5	-308.2	-236.9	-174.0
Remittances (Inflows)	29.3	30.9	40.9	57.8	70.8	74.1	76.2	75.8
Tourism (inflows)	149.7	168.1	213.6	254.7	288.7	278.5	256.2	264.4
Services (Net)	71.1	88.2	143.0	210.7	229.9	216.9	182.6	200.1
Current Account Balance	-184.3	-154.9	-151.2	-25.4	-52.1	-144.9	-83.1	-40.6
Capital and Financial Flows	188.5	127.3	147.3	83.2	123.7	214.5	135.5	33.0
Gross Change in Official International Reserves	-30.1	-31.2	-12.2	49.8	-22.9	-57.9	-47.3	-4.3
Gross Official International Reserves <sup>6</sup>	84.6	48.0	35.8	85.6	108.5	166.4	213.7	218.0
Import Cover of Reserves (in months)	2.1	1.4	0.8	1.8	2.3	2.8	4.2	4.5
<b>PUBLIC SECTOR DEBT</b>								
Disbursed Outstanding External Debt (US \$mn)	805.9	893.1	970.5	985.7	972.7	956.6	1,015.6	1,009.1
Ratio of Outstanding Debt to GDP at Mkt. Prices (%)	81.6	84.5	87.1	81.3	76.2	70.2	75.3	72.0
External Debt Service Payments (US \$mn)	82.8	96.8	88.9	134.3	133.4	96.9	81.3	76.1
External Debt Service Ratio (%) <sup>7</sup>	15.7	17.8	14.2	17.0	16.2	11.2	11.3	10.5
Disbursed Outstanding Domestic Debt (\$ mn)	256.5	278.5	279.4	299.9	321.9	332.8	320.2	367.8
Domestic Debt Service Payments (\$ mn)	13.7	18.8	23.1	27.5	30.4	47.7	39.1	40.1

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

n.a. = not available

(1) Based on 2010 Population &amp; Housing Census

(2) Time series is at April except 2008, which is at May

(3) Includes Proceeds from the sale of BTL shares with domestic sources.

(4) Includes Privatization Proceeds

(5) Includes CFZ gross sales

(6) Starting in 2005 these numbers have been revised to reflect only usable reserves as defined by BPM5.

(7) Excludes refinancing of US\$99.2mn (2002), US\$50.2mn (2003), US\$95.4mn (2004), US\$136.7mn (2005), the restructuring amount of US\$541.0mn (2007), US\$0.8mn (2008) and US\$1.0mn (2009).