CENTRAL BANK OF BELIZE

Eighteenth Annual Report and Accounts

1999

Central Bank of Belize

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Abbreviations and Conventions used in this Report

Abbreviations:

ACP	African Caribbean and Pacific
BEL	Belize Electricity Limited
BFIA	Banks and Financial Institutions Act, 1995
BIS	Bank for International Settlements
BSI	Belize Sugar Industries Limited
BSSB	Belize Social Security Board
BTL	Belize Telecommunications Ltd.
CARICOM	Caribbean Community and Common Market
CCMS	Caribbean Centre for Monetary Studies
CDB	Caribbean Development Bank
CET	Common External Tariff
CFATF	Caribbean Financial Action Task Force
CFZ	Commercial Free Zone
CPI	Consumer Price Index
CSO	Central Statistical Office
DFC	Development Finance Corporation
ECCB	Eastern Caribbean Central Bank
ECU	European Currency Unit
EDF	European Development Fund
EIB	European Investment Bank
EU/EEC	European Union
FY	Fiscal Year
GATS	General Agreement on Trade and Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GOB	Government of Belize
IBC	International Business Company
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
IFS	International Financial Statistics
IMF	International Monetary Fund
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
PAYE	Pay As You Earn
PETROJAM	Petrojam Belize Limited
PGIA	Phillip Goldson International Airport
RECONDEV	Reconstruction and Development Corporation
ROC	Republic of China, Taiwan
SIF	Social Investment Fund
UK	United Kingdom
US/USA	United States
VAT	Value Added Tax
WTO	World Trade Organisation
WASA	Water and Sewerage Authority

Notes and Conventions:

--$ refers to the Belize dollar unless otherwise stated
--mn denotes million
--The figures for 1999 in this report are provisional, and the figures for 1998 have been revised.
--Since May of 1976 the Belize dollar has been tied 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.

April 28, 2000

Hon. Said Musa
Prime Minister and Minister of Finance
and Foreign Affairs
Office of the Prime Minister
Belmopan
BELIZE

Dear Prime Minister:

In accordance with Section 56 of the Central Bank of Belize Act,1982, I have the honour of submitting to you , in your capacity as Minister of Finance, the Report on the Central Bank of Belize's operations for the period January 1 to December 31, 1999, together with a copy of the Bank's Statement of Accounts, as certified by the External Auditors.

I am
Yours faithfully,

Keith Arnold
Governor

DIRECTORS AND PRINCIPALS

At December 31, 1999

BOARD OF DIRECTORS

KEITH ARNOLD
Chairman

YVETTE ALVAREZ
Vice Chairman

JAIME BRICEÑO

DEREK COURTENAY

FRANCIS FONSECA

ROBERT SWIFT

JAIME ALPUCHE
Financial Secretary

PRINCIPAL OFFICERS

KEITH ARNOLD
Governor

YVETTE ALVAREZ
Deputy Governor - Operations

SYDNEY CAMPBELL
Deputy Governor - Research

CECILE REYES
Manager, Administration Department / Bank Secretary

DWAIN DAVIS
Manager, Finance Department

CAROL HYDE
Manager, Human Resource Department

MARILYN GARDINER
Manager, Banking and Currency Department

KENT HAYLOCK
Chief of Security

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OVERVIEW OF THE BANK

Mission, Goals and Objectives

The Central Bank of Belize's objectives are stated in the Central Bank of Belize Act, 1982.

> "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."

In light of these objectives, the Bank has the following Mission:

> "***to foster the development of an economic and financial environment in Belize that will facilitate economic growth.***"

In the pursuit of its mission, the Bank sets a number of goals and operating objectives. These are listed below. Emphasis is added in the first section to indicate the respective **client(s)** to which each of the Bank's goals is geared.

Goals

- √ Provide prompt and well-considered macroeconomic 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 organisations** 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 organisation 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 monitor the financial environment.
- √ Foster credit and exchange conditions.
- √ Foster the development of money and capital markets in Belize.

Organization And Functions

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

Office of the Governor

- Managing the operations of the Bank.
- Co-ordinating the various functions of the Bank's Departments.
- Formulating, developing and reviewing the Bank's policy prescriptions.
- Maintaining security operations within the Bank.
- Streamlining and monitoring systems and procedures to ensure appropriate internal controls.
- Ensuring that all communications necessary for the deliberations of the directors are prepared and submitted.
- Promoting and conducting anti money-laundering surveillance.

Administration

- As secretariat to the Board, ensuring that the decisions and relevant directives of the Board are communicated to all parties concerned.
- 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.
- Maintaining the Bank's library of information.
- Managing the Bank's numismatic operations.

Human Resources

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

Finance

- Preparing the Bank's budget and monitoring and controlling the Bank's financial activities.
- 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.
- Management of the Central Bank's foreign reserve holdings.
- Conducting clearing-house operations for the domestic banking system.

Financial Sector Supervision

- Screening and processing applications for domestic and offshore bank licenses.
- Conducting on-site examination and off-site surveillance of commercial banks and offshore banks.
- Processing of applications for large credit exposures under section 21(2) of the Banks and Financial Institutions 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.
- Preparing monthly, quarterly and annual economic reports.
- Processing and monitoring foreign exchange transactions of the financial system.
- Producing appropriate statistics.

Office of Deputy Governor (Operations)

- Monitoring and maintaining the Bank's information technology requirements.
- Internal Audit
- Maintaining the Bank's plant and equipment.

Table I.1: Major Economic Indicators

	1994	1995	1996	1997	1998R	1999P
POPULATION AND EMPLOYMENT						
Population (Thousands)	211.0	216.5	222.0	230.0	238.0	243.0
Employed Labour Force (Thousands)	62.4	62.6	65.0	70.7	73.3	77.8
Unemployment Rate (%)	9.0	12.5	13.8	12.7	14.3	12.8
INCOME						
GDP at Current Market Prices ($mn)	1,126.0	1,177.4	1,220.8	1,244.4	1,267.6	1,374.1
Per Capita GDP ($, Current Mkt. Prices)	5,336	5,438	5,499	5,410	5,326	5,655
Real GDP Growth (%)	1.4	4.0	1.5	4.0	1.5	6.2
Sectoral Distribution of Constant 1984 GDP (%)						
Primary Activities	19.8	20.2	21.1	22.8	22.1	23.2
Secondary Activities	25.6	25.4	24.7	24.1	23.4	23.3
Services	54.6	54.4	54.2	53.1	54.5	53.5
MONEY AND PRICES ($mn)						
Inflation (Annual average percentage change)	2.6	2.9	6.4	1.0	-0.8	-1.2
Currency and Demand deposits (M1)	157.2	165.0	177.6	186.0	206.1	255.1
Quasi-Money (Savings and Time deposits)	355.6	448.5	467.8	524.1	561.3	585.1
Money Supply (M2)	512.8	613.5	645.4	710.1	767.4	840.1
Ratio of M2 to GDP (%)	45.5	52.1	52.9	57.1	60.5	61.1
CREDIT ($mn)						
Commercial Bank Loans and Advances	405.7	440.7	480.9	547.3	625.6	654.5
Public Sector	0.4	2.7	2.9	5.2	12.8	8.4
Private Sector	405.3	438.0	478.0	542.1	612.8	646.1
INTEREST RATE (%)						
Weighted Average Lending Rate (WALR)	15.0	16.3	16.2	16.6	16.3	16.3
Effective 3-year APR of above WALR	26.0	28.0	27.8	28.5	28.0	28.0
Weighted Average Deposit Rate	6.1	7.2	6.2	6.7	6.0	5.7
CENTRAL GOVERNMENT FINANCES ($mn)						
Current Revenue	265.1	259.9	276.6	282.9	294.5	313.9
Current Expenditure	233.8	239.8	234.7	252.2	260.0	279.3
Current Account Surplus(+)/Deficit(-)	31.3	20.1	41.9	30.7	34.5	34.6
Capital Expenditure	111.0	83.2	75.3	81.8	93.6	158.2
Overall Surplus(+)/Deficit(-)	-65.2	-46.9	-4.6	-25.3	-28.6	-22.5
Ratio of Budget Deficit to GDP at mkt. Prices (%)	-5.8	-4.0	-0.4	-2.0	-2.3	-1.6
Domestic Financing (Net)	24.5	33.1	-40.9	19.5	14.4	-6.2
External Financing (Net)	27.1	3.7	46.6	5.8	14.2	28.7
BALANCE OF PAYMENTS (US $mn)						
Merchandise Exports (f.o.b.)	156.3	164.3	171.3	199.9	194.4	201.4
Merchandise Imports (f.o.b.)	233.2	230.5	229.5	280.8	292.8	330.2
Trade Balance	-80.4	-67.7	-58.2	-80.8	-98.4	-128.8
Remittances (Inflows)	13.0	25.4	24.4	27.8	31.2	32.9
Tourism (inflows)	71.4	87.1	93.1	96.5	101.0	103.2
Services (Net)	50.1	56.0	53.1	52.1	49.6	48.9
Current Account Balance	-20.3	7.3	2.3	-16.6	-39.5	-62.2
Capital and Financial Flows	34.4	-25.9	-1.2	21.3	23.1	87.2
Gross Change in Official International Reserves *	4.3	-3.1	-20.9	-1.0	15.4	-27.2
Gross Official International Reserves	34.1	37.4	58.3	59.3	43.9	71.1
Import Cover of Reserves (in months)	1.3	1.3	2.7	2.5	1.6	2.2
PUBLIC SECTOR DEBT						
Disbursed Outstanding External Debt (US $mn)	184.0	184.3	219.8	240.7	260.7	243.7
Ratio of Outstanding Debt to GDP at Mkt. Prices (%)	32.7	31.3	36.0	38.7	41.1	35.5
External Debt Service Payments (US $mn)	24.0	29.8	29.7	30.7	33.2	33.4
External Debt Service Ratio (%)	8.1	9.9	9.6	9.0	9.8	9.4
Disbursed Outstanding Domestic Debt ($ mn)	150.2	164.2	171.9	171.9	180.0	169.5
Domestic Debt Service Payments ($ mn)	n.a.	n.a.	12.9	18.4	15.7	12.2

Sources: Ministry of Finance
Central Statistical Office
Central Bank of Belize

R – Revised P- Provisional
*Minus = increase
n.a – not available


Central Bank of Belize
$100
ONE HUNDRED
CA242292
Central Bank of Belize
$50
FIFTY
Central Bank of Belize
$20
TWENTY
Central Bank of Belize
$10
Central Bank of Belize
$5
FIVE
$2
AC929273
$2

ECONOMIC REVIEW

Overview

Belize's economy rebounded during 1999 with real GDP growth of 6.2%, an expansion that was driven by growth in all sectors of the economy. The primary sector in particular surged upward by 11.5% led by increased production in the citrus and banana sectors and with marine production also recording a substantial increase mainly due to higher output of farmed shrimp. A construction boom that was dominated by residential housing projects led to a 4.6% increase in the secondary sector. Growth of 4.7% was also recorded for the services sector driven by expansions in trade & tourism and the transport & communication sub-sectors. The former reflected the 2.1% increase in the number of stay-over bonafide tourists and the doubling of cruise ship arrivals (all day-trippers).

As the economy picked up pace, the rate of unemployment fell by 1.5% to 12.8%. Not surprisingly, most of the new jobs were generated in the primary sector, particularly in the agriculture and farmed shrimp sub-sectors. The services sector provided the remainder, the majority being in transport and community, social, personal and other services.

Following its 0.8% decline in 1998, the Consumer Price Index (CPI), registered a further decline of 1.2% largely due to the replacement of the 15% VAT with the Sales Tax and a decline in the export index of the United States, a major source of imports. Reductions were recorded in price levels of all commodity groups except for ***'Rent, Water, Fuel & Power'*** and ***'Medical Care'.***

The broad measure of money supply (M2) rose by 9.5% with M1 and quasi-money up by 23.7% and 4.1%, respectively. M1's upsurge was the highest that has ever been recorded while the growth rate of quasi-money declined for the second year in a row and was the third lowest since 1980. Monetary growth was driven by a substantial increase in net foreign assets derived from foreign loans and the sale of assets such as BEL shares, home mortgage securitization, Belize Food Products and the Fiesta Inn. These inflows contributed to significant increases in the net foreign asset holdings of the Central Bank and commercial banks and facilitated a slowing in the growth rate of net domestic credit to 3.0% (11.7% lower than in 1998).

With deposit growth exceeding that of loans, excess statutory liquidity in the banking system rose to record highs during the year and stood at $62.9mn at year-end. Holdings of approved liquid assets expanded by 24.5% to $252.9mn against a 9.6% increase to $190.0mn in required holdings. Significant increases were recorded in average holdings of short-term foreign balances as well as in other approved assets, the latter of which was comprised of new loans for residential housing that became eligible for inclusion after November 1998. Excess cash reserves fell by $1.5mn to $2.5mn during the year in contrast with the $4.0mn increase in 1998.

Against the backdrop of continuing high levels of excess liquidity, the weighted average deposit rate offered by the commercial banks declined by 30 basis points during the year while the weighted average lending rate remained unchanged. The interest rate spread of the commercial banks consequently continued on its upward trend to reach 10.7% at the end of the year.

Central Government's fiscal operations generated a current surplus of $34.6mn (2.5% of GDP) during the year with current revenues and expenditure up by 6.6% and 7.4%, respectively. A substantial increase of $57.9mn was recorded in capital revenues as a result of further sales of BTL shares and privatization of BEL. With sharp increases in capital expenditure on basic infrastructure, housing and educational and health facilities, the overall deficit stood at $22.5mn at the end of December which nevertheless represented an improvement from 2.3% of GDP in 1998 to 1.6% of GDP in 1999. The deficit was financed from external sources as loan disbursements outweighed amortization payments.

Foreign inflows enabled Central Government's domestic debt to fall by $10.5mn to $169.5mn during the year reflecting amortization payments of $7.3mn and a net reduction of $3.1mn in the overdraft balance held with the Central Bank. Meanwhile, the disbursed outstanding external public sector debt fell by $33.9mn to $487.5mn due to the exclusion of BEL loans subsequent to its privatization in October. The exclusion, combined with principal and interest payments and negative valuation adjustments exceeded loan disbursements of $73.0mn. The largest disbursement of $38.0mn was received from the Republic of China/Taiwan for housing improvements, improvements to the Southern Highway and financing of small and medium sized enterprises.

Strong activity in the non-tradable sector led to a widening of the merchandise trade deficit as imports grew at a faster pace than exports. Approximately three-quarters of the growth in imports was due to increased purchases of capital goods, goods in transit to export processing zones, fuel and electricity. Domestic exports rose by 7.0% largely due to higher earnings from citrus products, bananas and farmed shrimp. On the other hand, receipts from exports of sugar and molasses declined because of the reduction in the US quota and depressed world market prices.

Continuing a trend since 1997, the current account deficit expanded further from US$39.5mn to US$62.2mn. As in the case of the previous years, the widening of the visible trade deficit was the single most important contributory factor to the increase. However, inflows on the capital and financial accounts enabled an overall balance of payments surplus of US$27.2mn to be achieved in contrast to a US$15.4mn deficit in 1998. Financial inflows included net increases in direct foreign investment and portfolio investment of U$42.3mn and US$32.9mn, respectively.

Present prospects for the year 2000 are that economic growth will continue on its upward trend based on strong performance by agriculture and fishing. Production of sugar, citrus, banana, papaya, shrimp and conch are all expected to increase substantially. The secondary sector should see moderate growth that will be driven by construction due to the continued implementation of several housing development schemes throughout the country. Strong activity in tourism & trade, transport & communications, and real estate & business services are projected for the services sector and this should result in further growth for this sector as well. With all three sectors of the economy projected to expand, the unemployment rate is expected to fall by at least another one percentage point during the year while inflation will be held in check by further reductions in import duties on over 1,000 commodities in line with Government's implementation of the Common External Tariff.

International and Regional Developments

The global economy grew by 3.0% in 1999, compared with 2.0% in 1998. This was aided by a booming United States (US) economy, the easing of monetary policy in several of the major developed countries, the stabilisation of global financial markets, the ending to the Japanese recession and faster than expected recovery of south-eastern Asian economies. While the increase in global economic activity benefited some developing countries, others continued to suffer from low commodity prices and a deteriorating environment for private capital flows. In Latin America, growth actually contracted as trade declined and interest rates rose. The value of the Euro vis-à-vis the dollar was further weakened by rising US interest rates which offered some hope for trade revitalisation within the European Union (EU).

Developments in Select OECD and Newly Industrialised Countries

The **US** economy continued to boom with GDP growing by 3.9%, the fourth successive year of growth at such levels. Growth was fuelled by domestic demand as private consumption rose in response to rising personal wealth, employment, and consumer confidence. Strong consumer demand enabled firms to continue major investments into software and hi-tech equipment to further improve productivity. In contrast to 1998, the external sector expanded with exports growing by an average of 4% as sales to Europe and Asia rose in response to improved economic growth in these countries. Despite a tightening in the labour market where the rate of unemployment fell from 4.5% to 4.1%, the strong economic performance was accomplished with only a moderate rise in inflation from 1.6% in 1998 to 2.2% in 1999.

Although industrial production doubled to 1.5% due to recovery in domestic as well as export demand, GDP growth in the **United Kingdom** slowed to 1.8% during 1999. The strong US economy and the economic turn-around in East Asia and Japan fuelled exports to these countries. The strong sterling, however, squeezed margins in the manufacturing, distributive and export sub-sectors. Job creation in the services sector led to a drop in the unemployment rate from 6.2% in 1998 to 5.9% in 1999. Overall retail goods prices also fell, causing the rate of inflation to decline from 3.4% in 1998 to 1.9% in 1999.

In **Canada**, real GDP grew strongly by 3.8%. The export sector was a major contributor as commodity prices rose due to strong North American demand and improved economic prospects in Europe, East Asia and Japan. Also instrumental in the economic pickup was a strengthening of domestic demand in response to high levels of confidence and relatively low interest rates. Industrial production rose sharply from 1.8% in 1998 to 6.0% in 1999. The economic boom

Table II.1: Selected Indicators for Some OECD and Newly Industrialized Countries

Country	GDP Growth Rate (%)		Industrial Production (%)		Inflation Rate (%)		Unemployment Rate (%)	
	1998	1999	1998	1999	1998	1999	1998	1999
Taiwan	4.6	5.7	2.7	7.5	1.7	0.2	2.8	2.9
United States	4.3	3.9	4.2	4.3	1.6	2.2	4.5	4.1
United Kingdom	2.2	1.8	0.7	1.5	3.4	1.9	6.2	5.9
Canada	3.1	3.8	1.8	6.0	1.0	1.7	8.3	6.9
Japan	-2.8	0.7	-8.0	1.3	0.7	-0.3	4.1	4.5

Sources: The Economist; International Financial Statistics; Taiwan Council for Economic Planning and Development was accompanied by rising employment (unemployment fell from 8.3% to 6.9%) and relatively low and stable inflation of 1.7%.

The **Japanese** economy made a shaky recovery in 1999, registering marginal growth of 0.7%. Much of this was due to a fiscal stimulus package introduced during the first half of the year. The recovery was also assisted by an increase in exports to the Asian economies. After an 8.0% contraction in the previous year, industrial production expanded by 1.3%. The cost of living fell by 0.3% during the year as unemployment rose from 4.1% to 4.5%. The recovery remains tenuous as major structural reforms are still needed in both the financial and industrial sectors.

In **Taiwan,** real GDP grew by 5.7%, notwithstanding the devastation caused by the earthquake that occurred in the third quarter of 1999. The recoveries being effected in the East Asian and Japanese economies revived demand in these markets and contributed significantly to a 9.9% surge in Taiwanese exports and a near tripling of industrial production from 2.7% in 1998 to 7.5% in 1999. Reconstruction efforts also stimulated domestic demand, further boosting GDP growth. Despite a growth in imports, the trade balance yielded a surplus of $10.6bn, an increase of $4.7bn over that of 1998. Unemployment rose by 0.1% to 2.9% as a consequence of the earthquake, while inflation fell by 1.5% to 0.2% in 1999 as productivity gains outweighed nominal wage increases and the price of construction materials was kept stable in view of reconstruction efforts.

Developments in Select Regional Economies

The Caribbean

After recording relatively strong uninterrupted growth for six consecutive years, the **Barbadian** economy grew by only 2.5% in 1999 driven by growth of the non-tradable sector that was led by construction and merchandise trade. Conversely, the tradable sector contracted slightly. The current account deficit therefore widened as imports grew faster than exports. Inflation was kept in check by a tightening of monetary policies in the face of a relatively large commercial and fiscal deficit. Contributing significantly to the slowing of growth was a 1.4% contraction in the tourist sub-sector (influenced largely by a 21.2% decline in cruise ship arrivals). This compared with an average annual growth of 3.8% experienced over the last six years. Net international reserves increased by US$78.3mn due to external public sector loan disbursements of US$75.0mn.

The **Jamaican** economy continued to contract, declining by 1.0%. Civil unrest early in the year had an adverse impact on tourism, while declining prices for aluminium and bauxite on the world market caused the closure of a plant and led to a lower mining output. In contrast, sugar production increased by 1.2%, after recovering from drought in the previous year. Inflation moderated, falling by 3.1% to 5.6% in 1999, while unemployment increased marginally by 0.3% to 15.8% during the same period.

Table II.2: Selected Indicators for Some Caribbean Countries

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		Deficit/GDP Ratio (%)	
	1998	1999	1998	1999	1998	1999	1998	1999
Barbados	4.8	2.5	1.7	1.2	11.8	10.6	2.5	n.a.
Jamaica	-0.7	-1.0	8.7	5.6	15.5	15.8	-9.3	-7.5
Trinidad	3.3	7.0	5.6	2.6	14.2	13.6	n.a	n.a.

n.a not available
Source: ECLAC.

In **Trinidad & Tobago**, economic growth surged to 7.0% buoyed by the vibrant performance of the petroleum sector that was aided by higher oil prices as well as the initiation of liquefied natural gas production. In contrast, the agricultural export sector did poorly due to unfavourable weather conditions, increased labour costs and low international prices.

The increased economic activity was accompanied by a 0.6% fall in unemployment to 13.6% in 1999. Despite a persistent fiscal deficit, inflation also slowed to a modest 2.6%. The strong performance of petroleum exports led to a current account surplus for the first time in two years. Despite this, the balance of payments registered a US$71.4mn deficit due to a reduction in foreign investments and an increase in capital repatriation at the end of the first quarter. By the end of June 1999, international reserves had fallen from US$984.8mn to US$892.5mn.

For the first six months of 1999, **Guyana's** major economic indicators showed improved economic performance, despite a disruption of economic activities due to a 57-day public sector strike and declining commodity prices. Real GDP grew by 2.1% in the first half of 1999 compared with a 2.4% reduction for the same period of 1998.

Driving this growth were agriculture, manufacturing and services with noteworthy performance in the sugar, rice, livestock, forestry and financial services sub-sectors. Inflation rose by 2.4% to 5.8% in response to a 7.1% depreciation of the Guyanese dollar against the US dollar. Higher export receipts and lower imports resulted in an improvement in the current account which recorded a surplus of US$13.6mn compared with a deficit of US$48.4mn during the first half of 1998. The overall deficit narrowed to US$12.0mn and was financed by a reduction in the net foreign assets of the Bank of Guyana.

OECS

Although the economic performance of the Eastern Caribbean island states varied, overall growth for the group as a whole slowed. Growth was driven primarily by activities in the construction and tourism sub-sectors, fuelled by investments into tourism and public and private sector construction. Hurricane damage to **Antigua** and **Barbuda, Dominica**, and **St. Kitts** significantly affected production and depressed growth in these economies.

The total number of visitors to the region declined by 2.8% to just under 2.4mn, prompted by a reduction in the number of cruise ship visitors since stay over visitors actually rose by 3.2%. Gross visitor expenditure, nonetheless, grew by 5.0% to $2.26bn.

Manufacturing output weakened due to declines in soap, sugar, paper products and wearing apparel productions. The agricultural sector delivered a mixed performance as well. Banana, sugarcane and cocoa production contracted while nutmeg and mace outputs rose substantially. In the external sector, indications are that the current account balance may have deteriorated since export receipts, especially from banana, a major export crop, contracted while the value of gross imports increased.

A healthy fiscal performance yielded a combined current surplus of $115.6mn, a 7.2% increase over that of 1998 as current revenues rose proportionately faster than current expenditures.

Mexico

The Mexican economy decelerated during 1999, growing by 3.5% as compared to 4.8% in 1998. Inflation declined by 2.4% to 13.5% as foreign exchange and interest rates reduced their volatility. Foreign direct investment funded about 80.0% of the current account deficit and helped to maintain foreign reserves above the $30.0bn level throughout the year. With oil prices trending upwards, Mexico relaxed its previous restrictions and invited foreign oil exploration companies to invest in the petroleum sector. Improvement in export prices (particularly for petroleum) helped the trade deficit to narrow from US$7.9bn in 1998 to US$5.6bn and also contributed to a decline in the unemployment rate to 2.7%.

Central America

For the second consecutive year, the international financial crisis continued to be the dominant factor affecting the economies in Latin America. A sharp decline of capital inflows, coupled with increased external payments due to interest and dividends, resulted in a net outflow of resources for the first time in the region, since 1990. Low prices of basic products (except for petroleum), along with a contraction of intra-regional commerce in South America led to a decline in export receipts of almost all countries. Despite efforts to contain negative external forces, GDP remained unchanged during 1999.

In the region as a whole, unemployment increased from 8.0% to 8.7% while inflation remained under control at around 10%, despite the depreciation of various currencies. While both exports and imports contracted, the latter declined at a faster pace, causing the current account deficit to narrow from US$87.0bn (4.5% of GDP) in 1998 to US$56.0bn (3.2% of GDP).

The **Costa Rican** economy experienced strong growth of 7.5%, the major share of which (4.0%) was attributable to the Intel plant. Inflation declined by 2.6% to 9.4% due to a restrictive monetary policy and weak domestic demand. Central Government's deficit increased further, causing the public sector deficit as a percentage of GDP to rise from 3.3% in 1998 to 3.9% in 1999.

Growth in **El Salvador** decelerated to 2.5% due to stringent monetary policies and a slowdown in the external, construction and commerce sectors. In general, the macroeconomic variables were stable with very low inflation of 0.5%, a stable exchange rate and declining interest rates. Nevertheless, the public sector deficit increased from 1.6% to 2.4% of GDP.

GDP growth in **Guatemala** slowed to 3.5% in response to a contraction in exports and domestic demand, a more cautious credit policy and solvency problems affecting various entities in the financial sector. Low commodity prices and a reduction in electricity rates helped to keep inflationary pressures low (5.2%). The public sector deficit, however, doubled to 3.2% of GDP. External trade contracted as both exports and imports fell, with

Table II.3: Selected Indicators for Mexico and Central America

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		Deficit/GDP Ratio (%)		Trade Balance US$ bn	
	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
Costa Rica	6.2	7.5	12.0	9.4	5.4	6.2	-3.3	-3.9	-0.2	0.3
El Salvador	3.2	2.5	2.5	0.5	8.0	7.6	-1.6	-2.4	-1.3	-1.4
Guatemala	5.2	3.5	6.6	5.2	5.9	n.a.	-1.6	-3.2	-1.4	-1.2
Honduras	3.0	-2.0	13.7	10.6	5.8	5.4	-3.5	-5.0	-0.3	-0.8
Mexico	4.8	3.5	15.9	13.5	3.3	2.7	-1.4	-1.3	-7.9	-5.6
Nicaragua	3.5	6.0	17.9	7.7	12.2	10.5	-0.1	-2.7	-0.8	-1.1
Panama	4.2	3.0	0.7	0.8	15.6	14.0	-4.0	-0.9	-1.4	-1.2

Sources: International Financial Statistics, Banamex, ECLAC imports declining at a proportionately faster pace, causing the trade deficit to decline from US$1.4bn to US$1.2bn.

The devastation produced by Hurricane Mitch during October 1998 caused the **Honduran** economy to contract by 2.0% during 1999. The agricultural sector suffered the most, especially production of banana, a major export crop. The other productive sectors were not as seriously affected as assembling plants showed stable growth while the construction and mining sub-sectors performed well due to reconstruction activities. On the other hand, the cost of reconstruction caused the fiscal deficit as a percentage of GDP to rise from 3.5% in 1998 to 5.0% in 1999 and the current account deficit rose steeply from US$66.0mn in 1998 to US$380.0mn in 1999. In the face of these trends, a tight monetary policy was implemented which helped inflation to fall to 10.6%. The country was assisted by a rise in foreign exchange inflows in the form of family remittances, aid for reconstruction and the lowering of external debt payments negotiated through the Program of External Debt Relief.

The **Nicaraguan** economy delivered strong growth of 6.0% during 1999. Although external demand was weak, growth was driven by increased public spending for hurricane rehabilitation and reconstruction activities and the expansion of social projects. The current account deficit increased as imports rose at a faster pace than exports. This was financed by external donations, foreign investments and drawing down on international reserves. Inflation and unemployment declined to 7.7% and 10.5%, respectively.

In **Panama**, growth measured 3.0%, driven by high levels of capital and consumption spending prior to the general elections that took place in the last quarter of the year. Although merchandise trade weakened, international services, like the Panama Canal, the International Banking Centre and transhipment operations performed well. Inflation was stable at 0.8% while the public sector deficit as a percentage of GDP was 0.9% for the first semester of the year.

Domestic Production, Employment and Prices

Production

The economy performed robustly throughout 1999, registering real growth of 6.2% that was driven by expansions in all sectors.

After a contraction of 1.6% in 1998, real growth in the primary sector surged by an impressive 11.5%, propelled by strong growth of 7.4% in agriculture and 33.3% in fishing. The performance of agriculture was driven primarily by increased production of citrus and banana while production in the sugarcane sub-sector remained stable. For the third consecutive year, output from the fishing sub-sector registered an increase above 30.0% as investments into farmed shrimps matured and boosted production to a higher plateau.

The secondary sector grew by 4.6% in 1999 as compared to a 1.2% decline in 1998. This was primarily due to the sharp upswing (18.1%) in the construction sub-sector that was dominated by residential construction, a major share of which was financed by funds acquired through the securitisation of mortgages and housing loans from Taiwan.

The services sector also expanded by 4.7%, driven by expansions in the trade & tourism (4.7%) and the transport & communication (7.7%) sub-sectors. The vibrant performance of the latter sub-sector reflected the capital investments into transportation (as evidenced by the surge in capital imports for transport and telecommunication equipment) as well as the upgrading of the telecommunication infrastructure for year 2000 readiness.

The upsurge in economic activity fuelled job growth, causing unemployment to fall from 14.3% in 1998 to 12.8% in 1999. Approximately two-thirds of new jobs created were in the primary sector in response to its heightened production levels. The remainder was in the services sector, reflecting its development priority, especially with respect to employment generation.

During the year, the cost of living, as measured by the Consumer Price Index (CPI) fell by 1.2% largely due to the replacement of the 15% value added tax with a sales tax of 12% on alcohol, cigarettes and fuel and 8% on all other goods and services. In addition, the price of imports as measured by the US export index decreased during 1999. This exerted a downward pressure on prices since the basket of goods and services comprising the CPI has a high import content.

Table III.1: Annual Percent Change in Selected Indicators

	1997	1998	1999
GDP at Current Market Prices	1.9	1.9	8.4
Real GDP at Factor Cost (1984 prices)	3.9	1.5	6.2
Primary Activities	12.5	-1.6	11.5
of which: Agriculture	12.0	-9.1	7.4
Fishing	31.1	36.2	33.3
Forestry	-2.5	-3.1	-6.9
Secondary Activities	1.2	-1.2	4.6
of which: Construction	-5.6	-1.8	18.1
Services	2.1	4.0	4.7
of which: Trade & Tourism	8.2	6.6	4.7
Public Administration	-4.1	1.9	0.6
Transport and Communication	-2.9	2.5	7.7
Consumer Price Index			
Average	1.0	-0.8	-1.2
End of period	-0.5	-0.9	-1.0

Source: Central Statistical Office

Table III.2: Sugarcane Production

	1996/97	1997/98	1998/99
Sugarcane deliveries (long tons)	1,188,847	1,159,657	1,162,577
Sugarcane deliveries to BSI	1,134,042	1,159,657	1,162,577
Sugarcane deliveries to PETROJAM	54,805	-	-

Sources: Belize Sugar Board; Belize Sugar Industries Ltd.

Agriculture

Sugarcane

Sugarcane deliveries for the 1998/99 crop totalled 1.2mn long tons, a 0.3% increase over the 1997/98 crop. This was due to the factory operating for an extra 3 days in 1998/99 (227 days) as compared to the previous year (224 days) since the acreage under cultivation remained stable. Standover cane amounted to approximately 40,000 long tons, compared to 60,000 long tons for 1997/98.

The quality of the 1998/99 crop was lower than that of the previous year with cane purity (the ratio of sugars to solids in the juice) falling from 85.46% to 84.20%. General climatic conditions, specifically rainfall and ambient temperatures, were not as favourable for the accumulation of sugars in the crop. Further exacerbating the drop in cane purity was an increase in periods when the cane harvested exceeded the factory's daily grinding requirements. The sugars in the plant begin deteriorating from the moment of harvesting, and hence, delays in milling the cut sugarcane reduced its sugar levels.

For the second consecutive year, the Petrojam factory at Libertad remained closed. The factory was purchased by the government during the year, and several studies were conducted to examine the feasibility of its re-opening. So far, a feasible course of action has still not been identified. Any decision regarding Libertad, however, will not impact the 1999/2000 crop since major refurbishments would be needed to make the factory operational.

Citrus

A bumper crop of citrus was reaped during the 1998/99 season with deliveries amounting to 5.7mn boxes, a 16.6% increase over the 1997/98 crop. Orange and grapefruit deliveries rose by 17.2% and 14.9%, respectively. The surge in production was attributable to inherent crop factors, where a production trough is usually followed by a bumper harvest. Since production was depressed in 1997/98, a larger harvest was expected for the subsequent year. Acreage under cultivation remained stable at approximately 48,441 acres of oranges and 8,497 acres of grapefruit. The focus of the industry at present, given the current low export market prices, is to rehabilitate existing groves and intensify management practices to improve productivity. Much scope exists for improvements since the average yield of oranges per acre currently stands at 100 boxes, far below the yields of 300 to 400 boxes obtained in other countries.

Although oranges experienced a bumper crop, the fruit quality was lower than that of 1997/98, meaning that the out-turn of pound solids per box of orange was lower. Because exports are sold on

Table III.3: Production of Citrus Fruits

	1997	1998	1999
Deliveries ('000 boxes)	5,974	4,917	5,734
Oranges	4,555	3,766	4,412
Grapefruits	1,419	1,151	1,322

Sources: Belize Food Products; Citrus Company of Belize

Box 1: Competitive Survival of the Citrus Industry

Since the late 1980's, the citrus industry has expanded to become the second largest commodity export after sugar. Unlike sugar that enjoys both a quota and relatively high prices under preferential trade arrangements, citrus products have benefited only from duty-free access into the US and EU. This arrangement means that the local industry faces volatile world market prices for their products as well as direct competition with large, low cost producers such as Brazil. With the formation of free trade areas and the promotion of WTO principles, the competitive edge provided by duty-free access into certain markets is being eroded.

Depressed international prices for citrus products, especially during the last three years squeezed profit margins and exacerbated the need for a fresh infusion of capital to revitalise the industry and finance the investments necessary to improve its competitiveness and ensure its future survival.

Within the last two years, the entrance of the Commonwealth Development Corporation (CDC) into the industry has allowed the consolidation of the processing aspect and a part of the grove production. Rationalisation of processing with an emphasis on increasing factory productivity while lowering costs has begun. In addition, rehabilitation of groves has begun with the objective of doubling field productivity over five years. To increase value added, the processors will be launching the marketing of the fruit pulp in 2000. The industry is seriously exploring development of organically certified products to further maximise revenues. With respect to marketing, CDC has consolidated all of its efforts into one company, a move that not only reduces costs but also provides for a more focused and coherent marketing strategy. In addition, the company has secured a more direct shipping route into Europe at lower costs.

It is expected that the impact of the changes being effected will contribute significantly to the competitive survival of this important export industry.

a pound solids basis, the average price received per box of fruit fell since more boxes were required to produce a unit of pound solid. Although the export prices received per pound solid were higher, these price improvements were unable to compensate for the lower out-turn of pound solids per box of fruit. Consequently, after several downward adjustments, the price per box settled at $5.37, a 5% reduction on the 1997/98 price. The price per box of grapefruit improved from an average of $2.10 in 1997/98 to $2.56.

Banana

Banana production during 1999 outperformed the previous year's with yields up by 10.4% to 56,188 tonnes. At the start of the year, yields were depressed as a result of excessive rains in the latter part of 1998 and prolonged periods of cool weather in the early part of 1999. However, intensification of management practices improved yields during the latter part of the year, leading to the production increase.

Although a cloud of uncertainty has shrouded the future of the industry and hindered expansion plans since the WTO ruled in April 1999 that the new banana regime did not conform to its principles, industry insiders feel strongly that to increase their competitiveness, they need to increase production so economies of scale in shipping can be achieved. This would help to lower costs substantially. Hence, during 1999, growers not only increased their field productivity but also began replanting acreages that were taken out of production in 1997. Between October 1998 to October 1999, land area planted increased from 3,883 to 4,076 acres.

Papayas

During 1999, approximately 452 acres of papayas were under cultivation, consisting of 274 producing and 178 non-producing acres. Cultivation was concentrated in the northern districts (369 acres), Cayo (68 acres) and Stann Creek (15 acres).

Yields overall during 1999 were lower than those of the previous year due to a combination of agronomic and climatic factors. The heavy rains in late 1998 increased the incidence of disease and depressed yields, especially during the first part of 1999. An inconsistent planting regime in 1998 also contributed to lower yields by varying the amount of acreage being harvested throughout the year. This resulted in production troughs and a reduced harvest. Fruit quality, however, improved considerably due to good management practices.

The bulk of production consisted of the small papayas although some producers have been working with the larger papayas to diversify the varieties exported. For 1999, approximately 25.0% of total acreage consisted of the larger variety.

Other Agricultural Production

Production of all other major agricultural commodities rose during 1999. Output of basic grains expanded with significant increases of 25.8% and 23.6%, respectively, in rice and bean. The year was also good for livestock production. Whereas out-turn of poultry and cattle marginally increased, pig production rose by 7.6%. In line with the respective animal production, both milk and egg production also increased marginally over that of 1998.

Marine Products

For the second consecutive year, production of farmed shrimp achieved another significant expansion as new acreages were harvested. Since 1997, investment into this sub-sector has been increasing and this accounts for the higher output levels. The lobster catch was bigger during 1999 as compared to that of the previous year but the conch catch was noticeably smaller. Among the reasons advanced for the smaller catch were the belated effects of Hurricane Mitch on the conch population and the gradual reduction in the harvestable population due to over exploitation.

Forestry, Mining and Construction

Forestry continued its decline with a 6.9% contraction during the year. Efforts at developing a strong export market for secondary woods have not met with much success, prompting a significant reduction in the output and export of these types of woods. Additionally, the past years of intensive logging have reduced the abundance of the primary species and called for a closer focus on managing this natural resource in a more sustainable manner.

The mining sub-sector virtually doubled its output from real growth of 3.4% in 1998 to 6.7% in 1999, fuelled by the booming growth of the construction sector.

After contracting by 2.9% in 1998, manufacturing expanded by 4.9% driven by increased production in fertilisers, citrus products, beer and soft drinks.

Box 2: Development of Shrimp Farming

Shrimp farming first started in Belize in the 1980's as entrepreneurs sought to exploit the natural advantages offered by Belize's coastal environment to develop the industry.

The two decades of developmental efforts in this industry have been fraught with difficulties but have allowed the industry to reach a viable and sustainable threshold of survival. The first farms operated during the 1980's all failed due to a variety of reasons. Foremost among these were the lack of adequate financing needed for such a capital intensive industry, the lack of an appropriate production technology suited to Belizean conditions and management difficulties. Another teething problem in this nascent industry was the need for larvae seed to stock the ponds. Dependence on imports of the larvae seed not only raised costs of production but also provided an avenue to import diseases that could undermine the survival of the fledgling business. Early efforts to produce the seed larvae met with little success since the first hatcheries could not produce the larvae variety needed for local production.

After the string of failures during the 1980's, several farms were developed in the 1990's, with the largest located in the Belize district and the rest in the southern region of the country. These farms have also had their share of difficulties, as they have had to contend with disease threats (such as the Taura Syndrome) in addition to other problems. During the last five years, substantial infusions of capital along with consolidation of some of these farms have allowed the industry to become a major exporter. In fact, since 1997, production of farmed shrimps has grown exponentially each year, rising from 1.7mn pounds valued at $12.8mn to 4.6mn pounds valued at $35.7mn in 1999. The ownership structure of the industry has however had a moderating effect on foreign exchange inflows as funds are brought in strictly to cover operating costs.

The future prospects of this industry are very promising with plans in progress to increase production capacity substantially over the next two to three years.

Chart 1a: Exports of Farmed Shrimp, 1992-1999

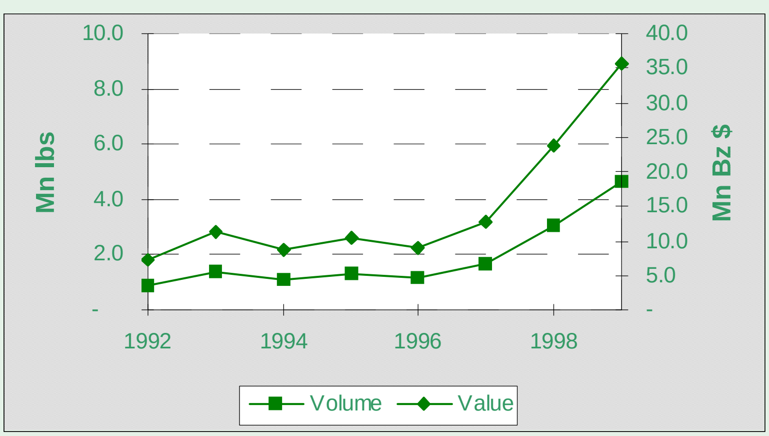


Table III.4: Sugar and Molasses Production

	1996/97	1997/98	1998/99
Sugar Processed (long tons)	123,782	118,111	116,067
Molasses Processed by BSI (long tons)	42,681	44,844	41,361
Cane juice molasses processed by PETROJAM	9,092	-	-
Performance			
Overall Factory Efficiency	91.61	91.11	89.39
Cane Purity (%)	85.28	85.46	85.68
Cane/Sugar Ratio	9.07	9.82	10.02

Source: Belize Sugar Industries Ltd.

Manufacturing

Sugar and Molasses

Notwithstanding the 0.3% increase in sugarcane deliveries and the installation of a new evaporator at the start of the crop-year to improve the sugar extraction process, sugar production declined by 1.7% to 116,067 long tons when compared to 1997/98.

The lower output was due to a reduction in factory efficiency (from 91.11% to 89.39%) that was caused by mechanical problems with the milling and cane acceptance equipment early in the harvest and sub-optimal grinding rates during the latter part of the crop. These efficiency losses overshadowed the marginal increase in cane purity and resulted in an increase in the cane sugar ratio from 9.82 to 10.02 (meaning that more tons of cane were required to produce a given unit of sugar).

Molasses production also decreased by 7.8%, as the new evaporator reduced the output of this by-product.

Citrus Concentrates and Not-from-concentrate Juices

Paralleling the rise in fruit deliveries, production of citrus concentrates grew by 9.2% to 3.6mn gallons. The increase was attributable to a 12.3% expansion in orange concentrates as the bulk of deliveries was used to produce concentrate rather than not-from-concentrate juices (NFC) due to quality reasons. On the other hand, production of grapefruit concentrates declined by 2.5%, as a higher quality this year allowed the majority of fruits to be used in the manufacturing of NFC rather than concentrate. Consequently, the output of orange NFC contracted by 15.5% while that of grapefruit NFC rose by 70.1%.

Total citrus juice production (concentrates and NFC) from the 1998/99 crop measured 6.3mn gallons, a 1.6% increase above the previous year's. While the amount of fruit harvested was greater than 1997/98, the out-turn of pound solids per box of fruit was lower, resulting in a smaller than anticipated production volume.

Table III.5: Production of Citrus Concentrate and Juices

	1997	1998	1999
Production ('000 gals)	8,685	6,200	6,297
Orange Concentrate	3,040	2,580	2,897
Grapefruit Concentrate	716	674	657
Not-from-concentrate (NFC)	4,929	2,946	2,743

Sources: Belize Food Products; Citrus Company of Belize.

Table III.6: Bonafide Tourism Arrivals

	1997	1998	1999
Arrivals	153,822	163,634	167,096
Air	97,889	104,178	110,162
Land	44,737	47,601	45,708
Sea	11,196	11,855	11,226
Cruise Ship	2,678	14,183	34,130

Sources: Immigration Department
Belize Tourist Board
Central Bank of Belize

Other Manufacturing Production

The performance of other manufacturing production was mixed. While flour, cigarettes, and nails & roofing outputs declined, production of beer, soft drinks and fertilisers registered sizeable increases. Garment and battery production levels remained stable through 1999.

Tourism

Stayover bonafide tourist arrivals rose by 2.1% to 167,096 with a 5.7% increase in arrivals at the PGIA more than offsetting the decline in arrivals through the land borders and seaports. The PGIA continued to be the major entry point for tourists, accounting for approximately 66.0% of all arrivals during the year. The northern and western borders accounted for another 27.4% of total arrivals, almost evenly distributed between the two.

The two major markets, the United States and Europe, accounted for 56.4% and 15.3%, respectively, of arrivals through the PGIA and the two land borders. Belizeans living abroad who returned home for visits represented another 4.4%.

An increase in the number of cruise lines visiting the country caused cruise ship arrivals to more than double to 34,130 when compared to 1998. These visitors were catered to by a tourist village operating near the seaport as well as tour agencies offering a series of tour packages.

Paralleling the increase in arrivals, tourism expenditure rose from $201.6mn in 1998 to $206.1mn in 1999.

Employment

The labour force (consisting of employed and unemployed persons), rose by 4.2% to 89,210 during 1999. Buoyant economic activity led to a 6.0% (4,410) increase in the number of persons employed to a total of 77,755. The unemployment rate consequently fell by 1.5% to 12.8% during the year.

Table III.7: Employed Labour Force by Industrial Group

Industrial Group	1997	1998	1999
Agriculture, Forestry & Fishing	21,140	18,340	21,360
Mining and Quarrying	95	275	300
Manufacturing	7,980	7,515	7,305
Electricity & Water	985	1,160	1,025
Construction	3,835	4,235	4,580
Trade, Restaurant & Hotels	15,155	18,230	17,775
Transport	3,655	3,770	4,230
Financing & Real Estate	2,360	2,625	2,940
Community, Social & Personal & Other Services	15,140	16,835	18,020
of which: Public Administration	4,185	4,980	4,925
Activities not classified elsewhere	335	360	220
Total, All Sectors	70,680	73,345	77,755

Source: Central Statistical Office

Box 3: Tourism Developments and Prospects

Developments in 1999

The industry intensified its marketing efforts during the year utilizing the print media extensively as well as a US$1.0mn advertising campaign. Belize was featured in a total of 17 consumer magazines, 7 trade publications, and various major international publications' country reports. Over a period of three months various US television stations also highlighted the country as a preferred vacation destination. In addition, a web page was launched, as was a twenty-four hour 800-number for international inquiries. The primary focus was to build awareness in North America, the industry's primary market.

The cruise ship season opened in November and efforts were made to maximize the benefits to be gained from this potential new market by setting up a temporary "tourism village" at the Memorial Park under the auspices of the Belize City Council. Goods on display are expected to lure arriving passengers, specifically 50.0% of all passengers normally categorized as "walkers"-passengers who do not go on any organized tours. Although this undertaking was met with complaints of unsatisfactory revenue generation in 1999, performance is expected to improve in early 2000.

During the year, plans were also finalized for the Tourism Management Project; an IDB funded venture for site and access improvements of various Mayan sites throughout the country. At a total cost of US $11.4mn, this project will encompass physical infrastructure, technical assistance, and human resource development.

A Border Management Authority was also established which will oversee the improvement of the northern and western borders scheduled to commence in 2000. Also in January, legislation establishing the Belize National Tourism Council (BNTC) was passed. Comprised of representatives of both the private and the public sectors, the BNTC will serve as the highest advisory body to the Ministry of Tourism.

Prospects

For the year 2000, the industry plans to pursue the following:

- Marketing Belize aggressively to promote it as a potential vacation destination.
- Completion and specialization of brochures in response to inquiries received through the 800-number.
- Actively pursuing the Tourism Management Project.
- Border improvement project-includes construction of new buildings & gift shops, improved facilitation of traffic, and human resource development.
- Pursuance of the Small Hotel Consultancy Project.
- Lobbying for a greater portion of the budgets of the DFC and the Small Farmers & Business Bank
- Implementation of the Cruise Ship Policy.

The largest increases occurred in the primary sector due to expansions of the banana, citrus and farmed shrimp sub-sectors. Employment in the secondary sector stayed at 1998 levels as contractions in manufacturing and utilities (electricity & water) were offset by an increase in construction jobs. The upswing in the latter reflected the prominence of loans for residential and business construction and government spending on Capital II infrastructure projects. Employment in the services sector grew by 1,365 jobs, approximately 31.0% of the jobs created throughout the year due to growth in transportation and community, social, personal and other services.

A marginal increase was recorded in the average monthly salary from $780 in 1998 to $790 in 1999 reflecting improvements in the average monthly salary of workers in the primary and secondary sectors while that of workers in the services sector remained stable.

Prices

For the second consecutive year, the cost of living, as measured by the Consumer Price Index (CPI), declined with prices falling by an average of 1.2%. This was primarily attributable to the replacement in April, 1999, of the 15% value added tax with a broad-based sales tax of 12% on fuel, alcohol and tobacco and 8% on all other goods and services. The largest drop in prices (1.5%) occurred during the second quarter when merchants, in anticipation of the sales tax, held widespread sales to reduce their existing inventories. The new tax reduced prices for all commodities in the basket of goods and services comprising the CPI except for '*Rent, Water, Fuel & Power*' and '*Medical Care*'. Global petroleum prices rose during the last quarter, pushing up the costs of fuel imports. The increase in medical care costs was primarily attributable to the sales tax since prior to April, 1999, medical services were exempted from indirect taxation.

The continuing decline in the US export index during 1999 also contributed to the downward pressure on prices. Since the basket of goods comprising the CPI has a high import content, reductions in import prices are an important factor, and it was therefore not surprising that the '*Clothing and Footwear*' and '*Household Goods & Maintenance*', categories which have a high import content, showed the largest declines in prices.

Table III.8: Quarterly Percentage Change in CPI Components by Major Commodity Group

Major Commodity	Weights	Feb-99	May-99	Aug-99	Nov-99	Inflation Rate
Food, Beverage and Tobacco	346.6	-0.6	-2.5	0.9	-0.9	-2.1
Clothing and Footwear	92.0	-1.4	-2.1	-1.5	1.5	-4.9
Rent, Water, Fuel and Power	167.0	0.4	-0.2	-0.0	0.0	0.7
Household goods & Maintenance	85.3	-0.4	-1.9	-0.4	0.4	-2.3
Medical Care	20.1	1.0	-1.1	1.2	-1.2	1.4
Transport and Communication	170.1	0.2	-0.7	-0.9	0.9	-0.4
Recreation , Education, Culture	80.4	0.1	-0.8	-0.1	0.1	-1.3
Personal Care	37.9	-0.1	-1.1	-0.1	0.1	-1.7
All items	**1000.0**	**-0.2**	**-1.5**	**0.0**	**0.7**	**-1.2**

Source: Central Statistical Office

Monetary and Financial Developments

Money Supply

In a reversal of the trend exhibited in the previous two years, monetary growth during 1999 was primarily driven by a substantial increase in net foreign assets that came mainly from foreign loans and asset sales. Some of these funds were used to finance the Capital II budget and otherwise reduce net domestic credit to Central Government. A significant portion was sterilized in the Central Bank in the form of deposit liabilities owed to DFC and the BSSB. Hence, M2 (the broad measure of money supply) rose by 9.5%, only 1.4% higher than in 1998. Other financial developments included a notable build-up of liquidity (albeit unevenly distributed) in the domestic banking system, which contributed to a 30 basis points decline in the weighted average rate offered on deposits and an equal increase in the commercial banks' spread.

Growth in M1 (the narrow measure of money supply) accelerated to 23.7% during the year with currency and demand deposits up by 19.5% and 25.9%, respectively. It appeared that Y2K concerns may have partially stimulated the large increase in the amount of cash held by the public as 59.1% ($8.1mn) of the expansion occurred in December. In comparison, the average growth in currency over the previous 5 years totalled 5.3%. The 25.9% increase in demand deposits reinforced an upward trend initiated in 1998 when growth nearly tripled to 13.6% after averaging 5.2% between 1993 and 1997. With economic activity picking up pace, the expansion in demand deposits more than doubled that of 1998 and included marked increases in balances held by individuals, business enterprises and other organizations.

In contrast, quasi-money slowed to 4.1%, down from a 7.1% expansion in the previous year as vigorous growth in savings deposits (13.1%) was moderated by a marginal 1.5% increase in time deposits. Individuals accounted for most of the growth in both savings and time deposits. The latter in particular would have registered higher growth were it not for withdrawals of $9.0mn by business enterprises and $17.2mn by the BSSB which subsequently used these funds to diversify its portfolio through loans to various individuals and businesses.

Table IV.1: Factors Responsible for Money Supply Movements

$mn

	Position as at			Changes During 1999
	Dec 1997	Dec 1998	Dec 1999	
Net Foreign Assets	**129.3**	**101.7**	**185.0**	**83.3**
Central Bank	111.4	84.6	140.2	55.6
Commercial Bank	17.9	17.1	44.8	27.7
Net Domestic Credit	**649.3**	**751.1**	**774.0**	**22.9**
Central Government (Net)	94.4	123.3	117.5	-5.8
Other Public Sector	9.5	18.0	7.5	-10.5
Private Sector	545.4	609.8	649.0	39.2
Central Bank Foreign Liabilities(Long-term)	**27.1**	**25.9**	**24.6**	**-1.3**
Other Items (net)	**41.4**	**59.5**	**94.3**	**34.8**
Money Supply M2	**710.1**	**767.4**	**840.1**	**72.7**

Box 4: Trends in Money Supply

Following the significant decline associated with the economic slowdown in 1993, M1 (the primary indicator for the transactions demand for money) maintained a basically stable growth pattern until 1997. Since then sharp increases have been observed. Notably, the percentage rate of growth in 1999 is the highest that has been recorded over the past 20 years. Although inflation has been very low, the ratio of M1 to GDP has grown by 4.8% (from 14.1% in 1995 to 18.9% in 1999). This is much higher than the 0.8% increase between 1990 and 1995. While higher demand for liquid balances is partly indicative of increased currency demand due to the Y2K problem and the rise in domestic economic activity that has been spearheaded by public sector spending over the past two years, other forces may be at work that would need further investigation. The historical patterns do show that M1 has increased its growth rate for more than 2 years in a row only once before in Belize. In the context of the open economy, a disproportionate rise in M1 signals rising import demand, which impacts negatively on the visible trade deficit and the current account of the balance of payments. Hence, action must usually be taken to address the causes of the imbalance.

In contrast with the recent behaviour of narrow money, growth in quasi-money (savings and time deposits) has been rather sluggish except for the historic high achieved in 1995. Whereas M1 is strongly linked to the number and level of transactions, quasi-money tends in varying degrees to reflect the performance of the export sector, the terms of trade and general levels of confidence permeating the system inter alia. In 1999, the percentage change in quasi-money was the third lowest since 1980. While withdrawals by the BSSB provide part of the explanation for the deceleration, the full range of contributory factors are yet to be completely specified.

Chart 4a: Annual Percentage Change in Money Supply

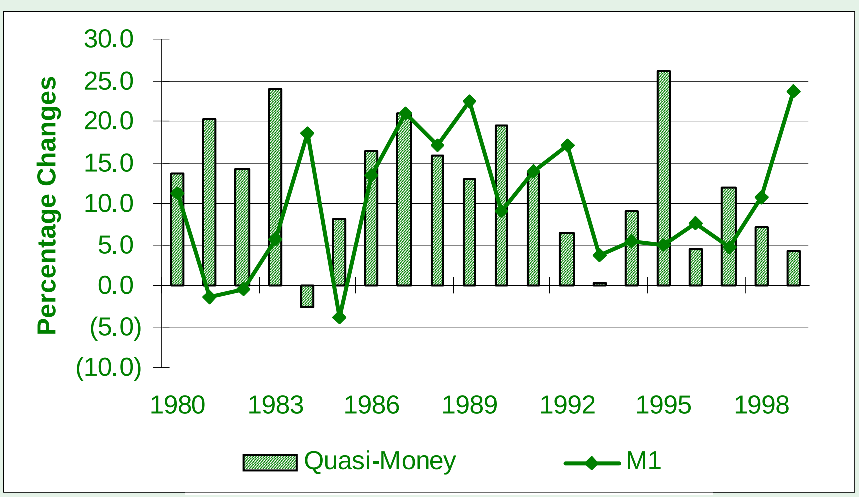


Table IV.2: Money Supply

$mn

	Position as at			Changes During 1999
	Dec 1997	Dec 1998	Dec 1999	
Money Supply (M2)	**710.1**	**767.4**	**840.1**	**72.7**
Money Supply (M1)	**185.9**	**206.1**	**255.0**	**48.9**
Currency with the Public	66.4	70.4	84.1	13.7
Demand Deposits	119.5	135.7	170.9	35.2
Quasi-Money	**524.2**	**561.3**	**585.1**	**23.8**
Savings Deposits	128.2	133.4	150.9	17.5
* Time Deposits	396.0	427.9	434.2	6.3

* Includes Non-Resident Foreign Currency Time Deposits of $ 30.0 mn.

Net Foreign Assets

Notwithstanding a significant widening of the current account deficit, the net foreign assets of the banking system rose by $83.3mn (81.8%) after registering declines in each of the previous 2 years. Inflows from foreign loan disbursements and assets sales were the primary factors behind the marked improvements in the net foreign position of the Central Bank and commercial banks of $55.6mn and $27.7mn, respectively.

Central Bank foreign asset holdings rose by $54.4mn with foreign exchange purchases totalling $343.5mn, a $161.8mn increase over the previous year. The main sources were ROC/Taiwan loans and grants to Central Government (34.0%), BSI export earnings (21.5%), DFC/BSSB home mortgage sales to Royal Merchant Bank of Trinidad (19.5%) and loan disbursements from multilateral lending institutions (12.2%). The remaining 12.8% came from commercial banks, the Economic Citizenship programme and interest earned on foreign investments. The Bank's foreign exchange sales

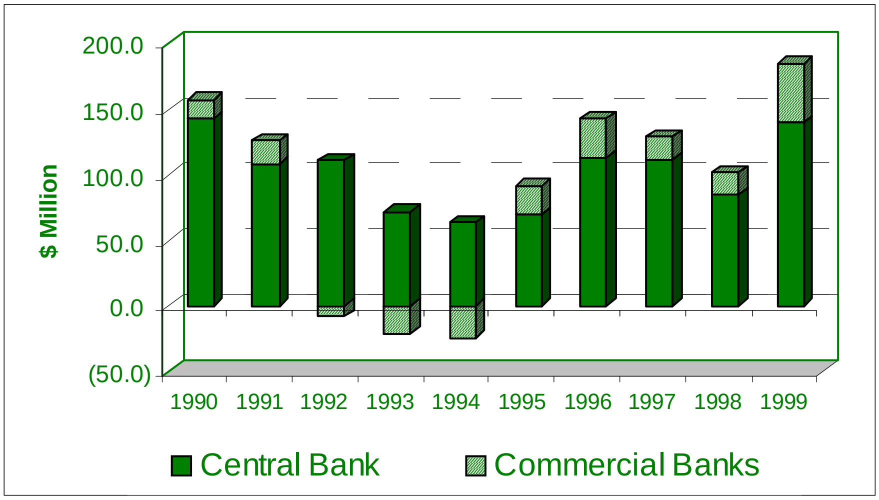
Table IV.3: Net Foreign Assets of the Banking System

$mn

	Position as at			Changes During 1999
	Dec 1997	Dec 1998	Dec 1999	
Net Foreign Assets of Banking System	**129.3**	**101.7**	**185.0**	**83.3**
Net Foreign Assets of Central Bank	**111.4**	**84.6**	**140.2**	**55.6**
Central Bank Foreign Assets	118.7	87.8	142.3	54.5
* Central Bank Foreign Liabilities (Demand)	7.3	3.2	2.1	-1.1
Net Foreign Assets of Commercial Banks	**17.9**	**17.1**	**44.8**	**27.7**
Commercial Bank Foreign Assets	69.6	73.8	86.3	12.5
# Commercial Bank Foreign Liabilities	51.7	56.7	41.5	-15.2

* Does not include Central Bank Long-term Foreign Liabilities of $ 24.6 mn.
# Does not include Non-Resident Foreign Currency Time Deposits of $ 30.0 mn held with Commercial Banks.

Chart IV.1: Net Foreign Assets of the Banking System



totalled $291.0mn, some 36.2% higher than in the previous year. With private sector demand for imported goods and services growing vigorously in tandem with the surge in activity in the construction sector, gross sales to commercial banks rose by $64.2mn to $159.3mn. Sales to Central Government and the statutory bodies (primarily BEL) totalled $93.4mn and $29.7mn, respectively, a significant portion of which was for external debt servicing. The balance was utilized by the Central Bank for miscellaneous payments abroad including the cost of importing notes and coins and loan servicing. Meanwhile, foreign demand liabilities declined by $1.1mn as withdrawals from the Primary Education Project, BEL/EIB, EDF, and GOB-IBRD Power 2 Project accounts exceeded increases in the Caricom Bilateral Clearings balance and a small increase in deposits held in IDB accounts.

As in the case of the Central Bank, commercial banks experienced an increase in net foreign assets after two successive years of decline. A $12.5mn increase in foreign asset holdings occurred as inflows from exports of goods and services were supplemented by receipts from the sale of Belize Food Products, Fiesta Inn and BEL shares as well as net purchases of $120.7mn from the Central Bank. Outflows were largely comprised of sales to the private sector for imports of goods and services, foreign loan payments and profit remittances. Foreign liabilities declined by $15.2mn reflecting repayments of $13.4mn to foreign banks and head offices, a $1.1mn decline in IBC demand deposits and $0.7mn fall in other foreign liabilities.

Net Domestic Credit

Higher inflows from abroad during 1999 paved the way for a deceleration in the growth of net domestic credit from 14.7% to 3.0%. The slow-down reflected lower growth in credit to the private sector (6.4% as compared to 11.8% in the previous year), and actual reductions in net credit to statutory bodies and Central Government.

The latter in particular represented a deviation from the upward trend in domestic financing of the fiscal deficit over the decade, ROC/Taiwan loan inflows during 1996 making that year the only other exception. Increases in 1997 (23.8%) and 1998 (23.3%) were followed by a $5.8mn (4.7%) decline in 1999 that was facilitated by exceptional receipts from the privatization of BEL and higher grant and loan inflows, which also provided the wherewithal for a substantial increase of 58.2% in capital expenditure. At year-end, the overdraft balances held with the Central Bank and commercial banks had declined by $3.1mn and $1.3mn, respectively, while deposits rose marginally. Securities held by the domestic banking system also declined

Table IV.4: Net Domestic Credit - Summary

$mn

	Position as at			Changes during 1999
	Dec 1997	Dec 1998	Dec 1999	
Total Credit to Central Government	**152.2**	**153.5**	**147.9**	**-5.6**
From Central Bank	90.3	95.0	67.8	-27.2
From Commercial Banks	61.9	58.5	80.1	21.6
Less Central Government Deposits	57.8	30.5	30.4	-0.1
Net Credit to Central Government	94.4	123.3	117.5	-5.8
Plus Credit to Other Public Sector	9.5	18.0	7.5	-10.5
Plus Credit to the Private Sector	545.4	609.8	649.0	39.2
Net Domestic Credit of the Banking System	**649.3**	**751.1**	**774.0**	**22.9**

by $1.2mn reflecting secondary trading activity in which the Central Bank sold $24.1mn in Treasury Bills including $22.9mn to the commercial banks and the balance to offshore banks and insurance companies.

Sectoral Distribution of Domestic Credit

Meanwhile, substantial repayments from entities in real estate and citrus cultivation contributed to the slow-down in the growth of credit to the private sector. Whereas the tertiary sector and personal loans were the main driving forces behind the expansion in private sector credit in 1998, new loans were largely targeted to the secondary sector and to personal loans during 1999. The bulk of loans to the secondary sector were allocated for building & construction in keeping with the Government's strategy of spurring economic activity through residential home construction.

Loans for manufacturing also rose briskly with more than one half going to traditional producers of beverages for the domestic market and the balance for agricultural processing. Loan repayments from financial institutions and the real estate sub-sector were largely responsible for a decline in credit to the tertiary sector. Smaller net declines were also

Chart IV.2: Net Domestic Credit ($ mn), 1990-1999

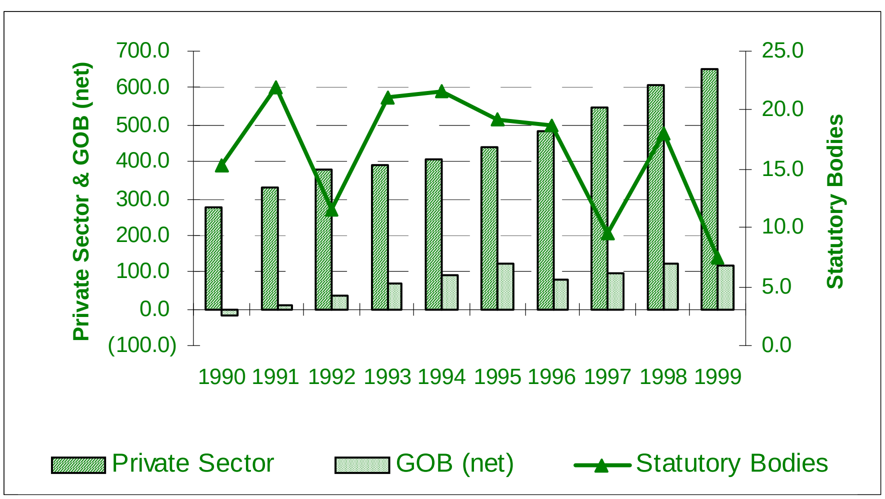


Table IV.5: Sectoral Composition of Commercial Banks' Loans and Advances

$mn

	Position as at Dec 1997	Dec 1998	Dec 1999	Changes During 1999
PRIMARY SECTOR	**78.5**	**78.6**	**68.1**	**-10.5**
Agriculture	73.6	69.2	55.6	-13.6
Commercial Fishing	2.2	6.8	10.9	4.1
Forestry	1.4	1.2	0.8	-0.4
Mining & Exploration	1.3	1.4	0.8	-0.6
SECONDARY SECTOR	**158.1**	**153.7**	**190.3**	**36.6**
Manufacturing	41.5	28.6	44.4	15.8
Building & Construction	112.1	119.0	142.5	23.5
Public Utilities	4.5	6.1	0.0	-6.1
Private Utilities	0.0	0.0	3.4	3.4
TERTIARY SECTOR	**196.6**	**248.1**	**226.2**	**-21.9**
Transport	15.8	19.1	28.6	9.5
Tourism	20.9	33.6	31.9	-1.7
Distribution	103.5	123.0	117.3	-5.7
*Other	56.4	72.4	48.4	-24.0
Personal Loans	**114.1**	**145.2**	**169.9**	**24.7**
TOTAL	**547.3**	**625.6**	**654.5**	**28.9**

*Includes government services, real estate, financial institutions, professional services, and entertainment.

recorded by the tourism and distribution sub-sectors, which outweighed $9.5mn in new loans for transport (mainly for road haulage and passenger services). A 13.4% ($10.5mn) decline was recorded in loans to the primary sector largely as a result of repayments from citrus growers following the sale of Belize Food Products to CDC. Growers of sugar and other crops and the forestry and mining sub-sectors also reduced outstanding loan balances during the year in contrast to increased financing for commercial fishing and the banana industry.

Credit to statutory bodies fell by $10.5mn with amounts owed by DFC, and Recondev to the commercial banks down by $5.0mn and $0.1mn, respectively, and the reclassification of BEL as a private entity subsequent to its privatization in October accounting for the remaining decline. Balances owed to the Central Bank by Recondev and the NDFB also declined by a total of $1.3mn. These combined repayments exceeded increases in commercial bank loans to the Belize City Council, the Belize Marketing Board and other statutory bodies.

Liquidity

The excess statutory liquidity of commercial banks reached record highs during the year as stronger deposit growth relative to loans contributed to a $33.1mn expansion up to a level of $62.9mn at year-end. This approximately doubled the previous year's expansion, which had itself been facilitated by the lowering of the reserve requirements in November that year. Also contrasting with 1998 (when excess liquidity peaked during the first quarter), the largest increases of $10.9mn and $17.4mn occurred during the second and third quarters respectively, after registering a slight decline during the first quarter. The change from the usual

Table IV. 6 : Commercial Banks' Holdings of Approved Liquid Assets

$mn

	Position as at			Changes During 1999
	Dec 1997	Dec 1998	Dec 1999	
Holdings of Approved Liquid Assets	**188.3**	**203.1**	**252.9**	**49.8**
Vault Cash	13.4	15.6	19.5	3.9
Balances with Central Bank	48.3	43.2	42.3	-0.9
Money at Call and Foreign Balances (due within 90 days)	67.6	67.3	85.2	17.9
Treasury Bills maturing in not more than 90 days	53.0	49.8	53.5	3.7
Treasury Notes	0.8	17.8	23.3	5.5
Other Approved assets	5.2	9.4	29.1	19.7
Required Liquid Assets	**175.2**	**173.3**	**190.0**	**16.7**
Excess/(Deficiency) Liquid Assets	**13.1**	**29.8**	**62.9**	**33.1**
Daily Average holdings of Cash Reserves	48.5	40.1	42.1	2.0
Required Cash Reserves	47.2	36.1	39.6	3.5
Excess/(Deficiency) Cash Reserves	**1.3**	**4.0**	**2.5**	**-1.5**

seasonal pattern was apparently linked to the prominent role of fluctuations in nonresident foreign currency holdings and the rise in loans for housing construction.

Average holdings of approved liquid assets rose by $49.8mn ($35.0mn higher than the 1998 increase) while required holdings expanded by only $16.7mn. Apart from a $0.9mn decline in balances held with the Central Bank, all components of the banks' approved liquid asset portfolio expanded. The most significant increases occurred in average holdings of short-term foreign balances ($17.9mn) and other approved assets ($22.7mn), the latter being largely comprised of new loans for residential construction, which became qualified for inclusion in the secondary liquidity of the banks with effect from 1st November, 1998. While secondary liquidity surged to record levels, primary liquidity contracted as daily average holdings and required cash reserves rose by $2.0mn and $3.5mn, respectively, resulting in a $1.5mn decline in excess cash reserves.

Chart IV.3: Liquid Assets (Excess/Deficiency)

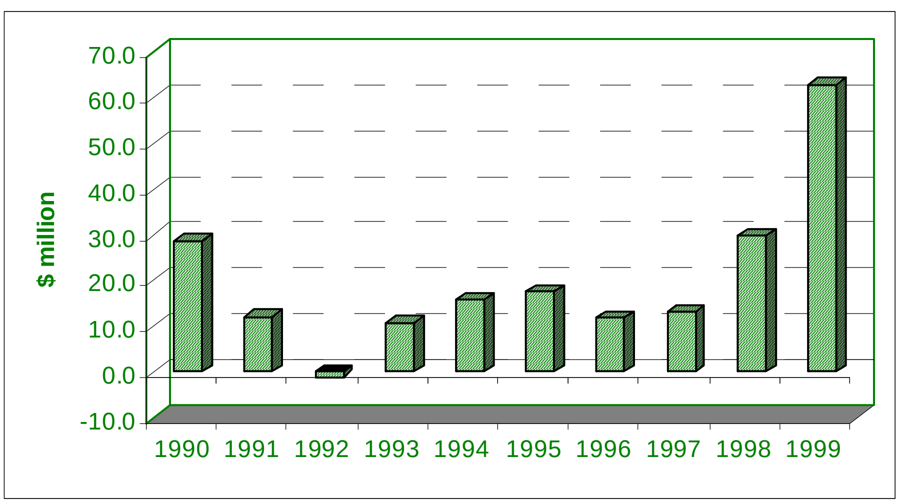


Table IV.7: Commercial Banks' Weighted Average Interest Rates

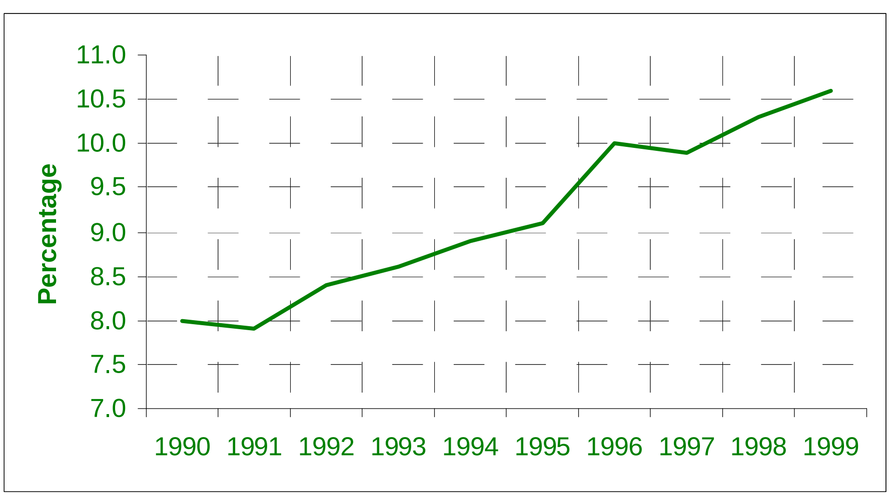
Percentages

	Dec 1997	Position as at Dec 1998	Dec 1999	Changes During 1999
Weighted Average Lending Rates				
Personal Loans	17.4	16.8	16.9	0.1
Commercial Loans	16.4	16.3	16.2	-0.1
Mortgage Loans	15.7	15.7	15.3	-0.4
Other	15.2	10.5	14.2	3.7
Average	*16.6*	*16.3*	*16.3*	*0.0*
Weighted Average Deposit Rates				
Savings	5.4	5.4	5.3	-0.1
Time	9.3	8.3	8.0	-0.3
Average	*6.7*	*6.0*	*5.7*	*-0.3*
Weighted Average Spread	**9.9**	**10.3**	**10.6**	**0.3**

Interest Rates

With high levels of excess liquidity being maintained in the banking system, the weighted average deposit rate continued to trend downward during 1999, ending at 30 basis points lower than at the start of the year. With the weighted average lending rate holding steady at 16.3%, the spread accruing to commercial banks also increased by 30 basis points to 10.7% at the end of the year. The behaviour of the banks was in line with their traditional practice of opting for an increased spread rather than attempting to stimulate credit demand through lower lending rates. During the year, the marginal rates on new loans generally increased resulting in a 49 basis points rise in the weighted average lending rate on such new loans to 17.38%. The single exception to this trend was a reduction of the rate on new mortgage loans to 12% by some of the banks, which was apparently stimulated by the recent expansion in lending activity by building societies and their desire to maintain a share of this section of the credit market.

Chart IV.4: Weighted Average Interest Rate Spread



Central Government Operations and Public Debt

Central Government Operations

During 1999, Central Government's fiscal operations resulted in a current surplus of $34.6mn, representing 2.5% of GDP as compared to the 2.7% of GDP realised in 1998. The overall deficit amounted to $22.5mn, an improvement from 2.3% of GDP in 1998 to 1.6% of GDP in 1999.

Current revenues rose by 6.6% to $313.9mn, the increase being driven entirely by higher non-tax receipts in the form of transfers from non-financial public sector enterprises including the sale of home mortgages to the BSSB, repayment of old loans and contributions from government departments. Tax revenues declined marginally as a 15.5% reduction in receipts from levies on goods and services following the replacement of the VAT by the Sales Tax was only partially offset by an 11.3% expansion in tax receipts from international trade and transactions.

A substantial increase of $57.9mn was recorded in capital revenues due to the sale of BTL shares in February, the privatization of BEL in October and debt service support from the ROC/Taiwan. Grant receipts also rose by $12.8mn with the ROC/Taiwan providing the largest contribution of $10.0mn to aid in the acquisition of the Petrojam Sugar Facility.

Compared with a 3.1% increase in 1998, current expenditure rose by 7.4% to $279.3mn as higher outlays on goods and services ($10.2mn), wages, salaries and pensions ($9.7mn), and interest payments on the public debt ($4.2mn) outweighed a decline in subsidies and current transfers ($4.8mn).

Expenditure under the Capital II and Capital III budgets spiralled upward by $64.6mn to $158.2mn, an increase that was nearly six times higher than that of 1998. These outlays reflected an emphasis on the upgrading of basic infrastructure, housing, and educational and health facilities.

Capital II (domestically funded) expenditure rose dramatically by 63.5% to $83.0mn mainly to cover works on roads, streets and drains and rural electrification . Other targeted projects included Land Development & Acquisitions, Community Service Projects and redemption of Promissory Notes to public officers.

Table V.1: Government of Belize-Revenue and Expenditure

$mn

	Jan-Dec 1997	Jan-Dec 1998	Jan-Dec 1999	Change during 1999
Current Revenue	282.9	294.5	313.9	19.4
Tax Revenue	250.9	265.3	264.4	-0.9
Non-Tax Revenue	32.0	29.2	49.5	20.3
Current Expenditure	252.2	260.0	279.3	19.3
CURRENT BALANCE	30.7	34.5	34.6	0.1
Capital Revenue	22.3	19.7	77.6	57.9
Capital Expenditure (Capital II local sources)	56.3	50.7	83.0	32.3
OPERATING SURPLUS	-3.3	3.5	29.2	25.7
Total Grants	3.6	10.8	23.6	12.8
(of which non-project)	1.4	5.0	10.0	5.0
Total Revenue and Grants	308.8	325.0	415.1	90.1
Total Capital Expenditure	81.8	93.6	158.2	64.6
Total Expenditure	334.1	353.6	437.5	83.9
OVERALL BALANCE	-25.3	-28.6	-22.5	6.1
FINANCING	25.3	28.6	22.5	-6.1
Domestic Financing	17.6	27.6	-8.6	-36.2
Financing Abroad	5.8	14.2	28.7	14.5
Other	1.9	-13.2	2.4	15.6

Sources: Central Bank of Belize; Ministry of Finance

Box 5: The 1999 Tax Policy Initiatives

Effective April 1, 1999, the Government implemented two tax measures that virtually overhauled the tax system in Belize. This involved the introduction of the Sales Tax and further amendments to the Income and Business Taxes.

The Sales Tax Act, 1999

The introduction of the Sales Tax System coincided with the repeal of the Value Added Tax (VAT) regime as the primary means of collecting a broad-based tax on goods and services. The VAT, which had a rate of 15%, was introduced in April 1996. The Sales Tax imposed a 12% levy on alcohol, tobacco, and fuel and 8% on all other goods and services that do not benefit from an exemption.

Except for persons who supply exempt goods and services, all producers of goods or providers of services are required to register as Sales Tax Agents provided that the total taxable proceeds of such persons exceed $4,500 in any one month or $54,000 in any one year. The registration certificate that is issued to a registered agent must be displayed in public view at the location(s) where the agent conducts business.

The Sales Tax system has a provision to prevent cascading (the payment of taxes on taxes) whereby producers of goods and services provide the Sales Tax Department with a list of the essential inputs that are necessary for the production of a good or service. The Commissioner of Sales Tax can make a determination as to whether a producer can become eligible for a tax exemption certificate which would exempt the producer from the payment of the sales tax on certain inputs.

In addition to the above exemptions that must be approved by the Commissioner of Sales Tax, fifteen categories of goods and services are exempted from the sales tax, and these include:

- the supply of electricity, water and sewerage services;
- basic food items such as flour, rice, beans corn and fresh meat;
- certain medicines, books, and certain financial services; and
- goods exported/ intransit to an Export Processing Zone / Commercial Free Zone.

The Customs Department is also empowered to levy the sales tax on the imports of persons who are not registered Sales Tax Agents.

Persons may challenge the assessments made by officials of the Sales Tax Department by presenting their case to a three-member Appeal Board. Persons dissatisfied with the decision of the Appeal Board or the Commissioner of Sales Tax may make an appeal relating to a point of law to the Supreme Court.

The Income and Business Tax (Amendment) Act, 1999

The main provisions of the Income and Business Tax (Amendment) Act, 1999 were:

- The tax rate on the chargeable income of employed persons was set at 25%;

- Except for providers of telecommunication services, the rates payable under the business tax would range from 0.75% to 4.0%, and the 4% rate would be imposed on professionals who are engaged in an occupation or vocation in Belize. These rates would be applied to the gross receipts of companies and self-employed persons.

- The business tax payments made by a business establishment, during the course of a basis year, would count as a credit towards the tax payable on the chargeable income of the establishment for that year.

Meanwhile, expenditure on capital III (externally funded) projects climbed to $62.8mn or some $24.5mn above that of 1998. A wide range of projects were implemented including works at La Democracia ($8.0mn), various housing projects ($7.9mn), the Hummingbird Highway ($5.7mn) and the Financial Management Development Project ($5.0mn). Other sums were disbursed for the Southern and Western Highways, the Social Investment Fund, equity investments in DFC and the Small Farmers and Business Bank, land development and acquisition, and the purchase of the Petrojam Sugar Facility.

In addition to these projects, some $12.4mn was expended on capital transfers and net lending, which covered repayments on the domestic debt and amortization payments made by Central Government on behalf of non-financial public sector enterprises.

The overall fiscal deficit was largely financed from external sources as loan disbursements ($58.1mn) outweighed amortization payments ($29.2mn). Financing from domestic sources was negative ($8.6mn) with a fall in net financing from the Central Bank being only partially offset by a rise in net financing from the commercial banks. In comparison with 1998, external financing rose by $14.5mn while domestic financing declined by $36.2mn.

Central Government's Domestic Debt

Central Government's domestic debt fell by $10.5mn to $169.5mn, (from 14.2% of GDP in 1998 to 12.3% of GDP in 1999). The decline reflected amortization payments of $7.3mn and a net reduction of $3.1mn in the overdraft balance with the Central Bank. The most substantial amortization payment was the sum of $5.0mn paid to DFC in full settlement of a bridge financing loan for housing. The remaining $2.3mn was paid to the BSSB ($1.3mn) with respect to Rice Crop II and Housing II loans, and the Belize Bank ($1.0mn) on a land acquisition loan.

In secondary trading, the Central Bank sold $24.1mn in Treasury Bills to the commercial banks ($23.0mn) and other organizations ($1.1mn), and the BSSB sold $1.7mn in Defense Bonds to other organizations.

Interest payments during the year totaled $12.2mn with approximately $6.2mn and $4.6mn being paid on government bonds & securities and the overdraft balance at the Central Bank, respectively, while the remainder was paid on loans. Interest payments on loans were comprised of $0.9mn to the BSSB (for rural electrification, Housing II, and Rice Crop II loans), $0.3mn to the Belize Bank, and $0.2mn to the DFC. Interest payments on bonds and securities were allocated to holders of Treasury Bills ($4.3mn), Treasury Notes ($1.1mn), Defense Bonds ($0.7mn), and Debentures ($0.1mn).

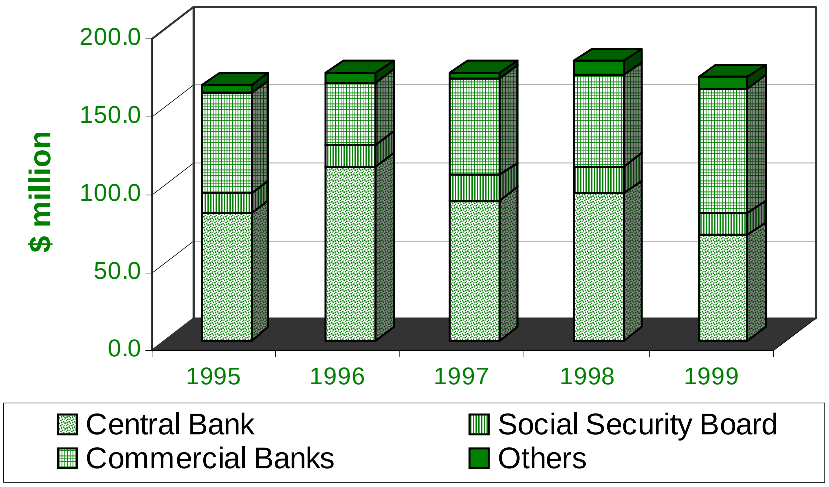
Table V.2: Central Government's Domestic Debt

$ mn

	1997	1998	1999
Loans & Advances	59.7	64.8	54.3
Treasury Bills	70.0	70.0	70.0
Treasury Notes	20.0	24.0	24.0
Defence Bonds	15.0	15.0	15.0
Debentures	7.2	6.2	6.2
Total	171.9	180.0	169.5

Sources: Ministry of Finance
Belize Social Security Board
Central Bank of Belize

Chart V.1: Sources of Central Government's Domestic Debt



External Public Sector Debt

The public sector's external debt declined by $33.9mn to $487.5mn resulting in a reduction in the debt to GDP ratio from 41.1% in 1998 to 35.5% in 1999. As was the case in 1998, bilateral and multilateral institutions were responsible for approximately 80% of the disbursed outstanding debt.

The reduction in the external debt was mainly due to the exclusion of BEL loans ($61.8mn) following its privatization in October. This, combined with amortization payments of $37.9mn and negative valuation adjustments of $5.9mn, outweighed disbursements of $73.0mn. Principal and interest payments totaled $66.9mn resulting in a debt service ratio of 9.4%, a slight reduction from total payments and debt service ratio of $66.5mn and 9.8%, respectively, in 1998.

Approximately 80.2% of total disbursements were to Central Government, and the remaining 13.9% and 5.9% were for the financial and non-financial public sector, respectively. The largest disbursement of $38.0mn came from ROC/Taiwan for housing, improvements to the Southern Highway, and financing of small and medium enterprises. Other significant disbursements were from CDB ($18.8mn), IDB ($7.7mn), and the IBRD ($6.1mn).

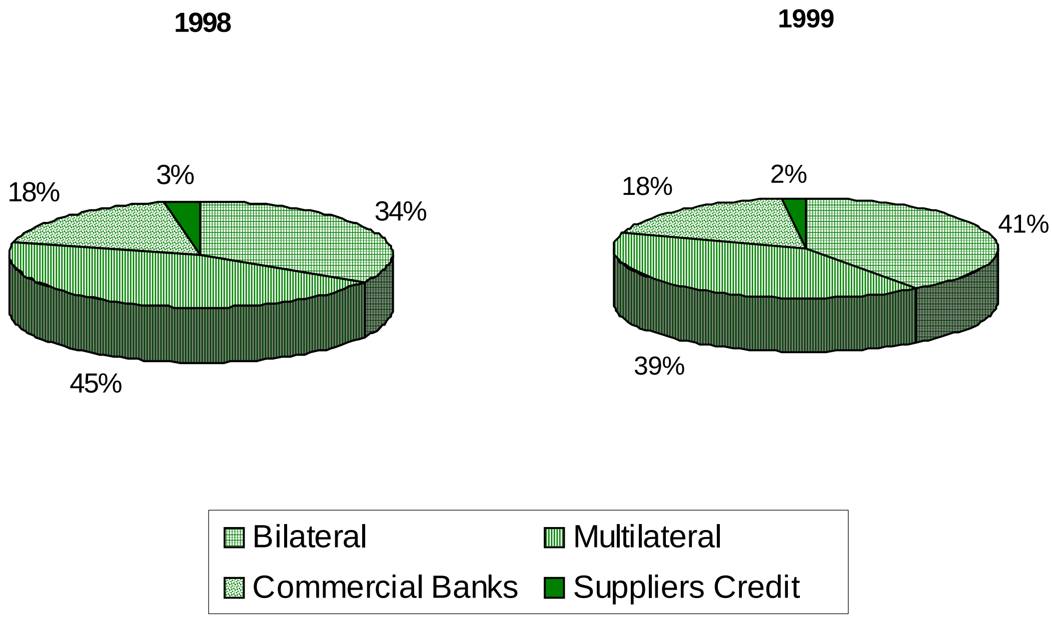
Amortization totaled $37.9mn with payments to the IBRD, ROC/Taiwan, CDB, the United States Government, the Government of Kuwait, and the Fondo de Inversiones de Venezuela making up 54.9% ($20.8mn) of the total. Commercial creditors such as miscellaneous commercial suppliers, the Instituto Nazionale di Credito, CIBC Bank and Trust Co., and Paine Webber Real Estate Securities received a total of $10.6mn (28.0%).

Table V.3: Financial Flows on Public Sector External Debt

$ mn

	1997	1998	1999
Disbursements	83.8	72.1	73.0
Repayments	41.3	40.8	37.9
Net Financing Flows	42.5	31.3	35.1
Interest Payments	20.2	26.4	29.0
Net Transfers	22.3	4.9	6.1

Chart V.2: Sources of Public Sector External Debt



Under the Commonwealth Debt Initiative, $4.7mn was written off debts to the UK Government during the period.

Depreciation of the euro and the pound sterling led to negative valuation adjustments of $5.9mn during the year. Euro-denominated loans from the EU and the Government of Spain consequently declined by a total of $4.5mn while loans denominated in pound sterling from the UK Government fell by $1.4mn.

Interest payments totaled $29.0mn, approximately 55.2% of which consisted of payments to the IBRD, the CDB, the ROC/Taiwan, and the US Government. Payments to commercial creditors totaled $9.3mn (32.1%) most of which was channeled to Citicorp Merchant Bank Ltd. in respect of GOB Bonds and Central Bank Building Bonds. The remainder consisted of payments to other commercial creditors such as CIBC Bank and Trust Co. and commercial suppliers.

Table V.4: Public Sector External Debt by Source

$ mn

	Disbursed Outstanding Debt December 1998	Transactions During 1999				Disbursed Outstanding Debt December 1999
		Disbursement	Amortization	Interest	Valuation Adjustments	
Bilateral	175.5	38.9	14.8	6.8	(1.9)	196.5
Multilateral	234.9	33.4	12.0	11.8	(4.0)	192.0
Commercial Banks	94.7	0.0	5.0	9.3	0.0	89.7
Suppliers Credit	16.2	0.8	6.1	1.2	0.0	9.2
Total	521.4	73.0	37.9	29.0	(5.9)	487.5

Foreign Trade and Payments

Financial transactions between residents of Belize and the rest of the world resulted in net receipts of US$27.2mn, which raised the gross official foreign reserves to US$71.1mn at the end of December, the equivalent of 2.2 months of imports.

The improvement in the reserves was attributable to net financial inflows that more than offset outflows resulting from the increase in the visible trade gap and consequent widening of the current account deficit.

Merchandise Trade

The visible trade deficit (as obtained from the balance of payment) widened further during the year as a US$37.4mn (2.7% of GDP) increase in imports overshadowed a US$7.0mn (0.5% of GDP) increase in exports. Imports rose mainly due to increased purchases of capital goods, goods in transit to export processing zones and electricity. Although fuel imports also rose, this was partially offset by fuel sales through the Commercial Free Zone.

Domestic Exports

After a contraction in 1998, vibrant activity in the export sector during 1999 pushed earnings up from $310.5mn to $332.3mn, a healthy 7.0% increase. Driving this growth were expansions in citrus products, bananas and farmed shrimps, which more than offset a fall in revenues from sugar, molasses, sawn wood and garments. The growth in revenues from citrus exports reflected both price and volume increases but that of banana and shrimp was determined by expansions in export volumes alone. Revenues from sugar, molasses and garments fell due to declines in average unit prices received since export volumes, except for molasses, actually increased. Sawn wood exports continued its secular decline with a smaller quantity of secondary woods being shipped during the year.

Sugar and Molasses

On a declining trend as well (since 1995), sugar exports amounted to 104,069 long tons valued at $82.0mn, some 7.9% below export revenues of 1998. The major cause of the continuing contraction in earnings has been the erosion of the United States

Table VI.1: Balance of Payments - Summary and Financing Flows

US$ mn

	1997 Net	1998 Net	1999 Net
CURRENT ACCOUNT	-16.6	-39.5	-62.2
Visible Trade	-80.8	-98.4	-128.8
Invisible Trade	28.7	20.5	18.3
Services	52.1	49.6	48.9
Factor Income	-23.4	-29.1	-30.6
Current Transfers	35.6	38.4	48.4
CAPITAL ACCOUNT	**-3.4**	**-2.5**	**0.8**
FINANCIAL ACCOUNT	**24.7**	**25.6**	**88.0**
NET ERRORS & OMMISSIONS	-3.8	1.0	0.6
OVERALL BALANCE	1.0	-15.4	27.2
FINANCING	-1.0	15.4	-27.2
Memo Items			
Import cover in months	**2.5**	**1.6**	**2.2**
Current Account/GDP Ratio (%)	**-2.7**	**-6.3**	**-9.2**

Box 6: Successor Agreement to the Lomé Convention

Preferential trade agreements such as the Lomé Convention have come under heavy scrutiny and attack because of the global movement towards free trade and WTO progress toward this end.

As signatory to the WTO, the EU has been challenged in this forum because of trade disputes arising from the preferential treatments afforded the ACP countries under the Lomé Convention. One example of this has been the case of bananas. Despite the waiver that the EU obtained from the WTO to allow more favourable market access to ACP exports, the WTO was able to declare that the banana import regime was not in conformity with WTO principles.

In forging a successor agreement to the Lomé Convention, trade has been a contentious area because of the obligations under the WTO for non-discriminatory and transparent trade practices based on the principle of reciprocity. In effect, both parties have recognised that trade arrangements based on non-reciprocity and preferential market access are fast becoming obsolete, given the free trade emphasis of organisations such as the WTO. Hence, both parties have agreed that they will seek to keep faith with the WTO principles of liberalisation and reciprocity in concessions.

The new Convention assumes that the ACP, non-LDCs, and EU will eventually form a Free Trade Area (FTA) within the confines of the relevant geographical regions. The non-LDCs will still have the option of exploring acceptable trading relationships other than the FTA. An 8-year preparatory period ending on January 1, 2007, will be allowed before the non-LDCs must start to phase in the FTA. In the interim, the EU will request a waiver from the WTO for the period during which the transitional and preparatory trade arrangements are to take place. To smooth the transition, the EU has pledged its commitment to provide assistance to enhance ACP competitiveness. In summary, most of the preferences allowed ACP exports have remained but a time frame for the duration of these arrangements has been set as well as the principle for future trade relations after January 2007. This has emphasised the urgent need for countries like Belize to diversify their export base, increase international competitiveness and develop market niches for products in which these countries enjoy a comparative advantage.

quota, a cause for concern that underscores the vulnerability of a high dependence on preferential markets. In fact, since 1997, the US market share declined from 26.2% to only 10.8% in 1999, while exports to the world market increased from 27.1% to 34.0% over the same time period. The residual volumes that could not be sold in either preferential market were sold on the world market, an arena subject to wide price fluctuations.

During 1999, the total export volume contracted by 0.2%, reflecting the reduction of the US preferential quota from 15,875 to 11,275 long tons that was almost wholly offset by increased sales to the EU and world markets. Since the export quota to the EU is fixed, any increase in sales to this market would be due to quota re-allocations from other countries. During the year, Belize benefited from a

Table VI.2: Domestic Exports

$mn

	1997	1998	1999
Traditional Exports	300.6	290.1	309.7
Sugar	91.9	89.0	82.0
Citrus Products	71.7	61.3	73.8
Citrus Concentrate	48.1	43.1	54.9
Not-from-Concentrate	23.6	18.2	18.9
Molasses	6.6	2.2	0.4
Bananas	51.9	49.4	54.5
Marine	35.6	43.5	55.5
Garments	37.7	39.4	39.3
Sawn Wood	5.2	5.3	4.2
Non-traditional Exports	17.5	20.4	22.6
Total	318.1	310.5	332.3

Source: Central Statistical Office

reallocation of 3,930 long tons from Mauritius and Barbados caused by production shortfalls in these countries. Despite the larger export volume to the EU, however, the residual volume sold on the world market increased by 1,574 long tons to 35,386 long tons.

Lower average unit prices caused total export revenues to decline by $7.0mn during 1999. A global surplus on the world market, combined with high stock levels, caused prices to fall to historically low levels. The average unit price per pound fell from US$0.11 in 1998 to US$0.08 in 1999, a 27.3% drop. In the preferential markets, while average unit prices remained stable in the US, those in the EU (quoted on a CIF basis) slid downwards by 3.4% due to the depreciation of the euro against the dollar and an increase in freight costs.

Exports of molasses fell further by 22.1% and 80.5% in volume and value, respectively, when compared to 1998. Lower market demand and competition from low cost grains (molasses is a substitute for grains in animal feed) caused the average unit price per ton to plummet from US$23.82 to US$5.97. Although the delivered cost was lower than the selling price, the company had to supply a minimum amount of product as per its marketing agreement.

Citrus

A general intensification of marketing efforts contributed to robust export performance of the citrus sector which recorded aggregate increases in export volume and value of 9.2% and 20.5%, respectively.

Table VI.3: Exports of Sugar and Molasses

$mn

	1997		1998		1999	
	Volume	Value	Volume	Value	Volume	Value
Sugar (long tons)	108,957	91.9	104,255	89.0	104,069	82.0
E.U. (Quota, long tons)	50,696	54.2	54,568	57.4	57,408	58.4
USA (Quota, long tons)	28,691	22.7	15,875	14.4	11,275	10.3
Other (World, long tons)	29,570	15.0	33,812	17.2	35,386	13.3
Molasses	7,497	6.6	46,874	2.2	36,512	0.4

Source: Central Statistical Office

Table VI.4: Exports of Citrus Products

	1997	1998	1999
Concentrate ('000 gals)	3,619	3,301	3,750
Orange	3,127	2,548	2,904
Grapefruit	492	753	846
Concentrate value ($mn)	48.1	43.1	54.9
Orange	42.3	36.1	45.6
Grapefruit	5.8	7.0	9..3
Not-from-concentrate Exports ('000gals)	5,434	4,083	4,313
Not-from-concentrate Value ($mn)	23.6	18.2	18.9

Source: Central Statistical Office

Exports of citrus concentrates rose by 13.6% and 27.4% in volume and value, respectively, to 3.7mn gallons valued at $54.9mn. The average price received per gallon of orange concentrate rose from $14.17 to $15.69 and that of grapefruit increased from $9.26 to $11.02 per gallon. The higher orange concentrate price was obtained by selling the 1999 shipments on the futures market during late 1998 when the price for this product peaked. This safeguarded the industry from the low world market prices that prevailed during most of 1999, in response to the bountiful orange harvest in Florida and the large inventories held by Brazilian processors. On the other hand, prices for grapefruit concentrate increased as several large international producers reduced acreage under cultivation in response to the low prices that prevailed during the previous two years.

A higher average unit price for orange concentrate in the US market ($17.00 per gallon) diverted sales away from the EU market where the average price was $12.50 per gallon. This price differential caused the US market share to increase from 33.6% in 1998 to 48.7% in 1999 while that of the EU fell from 44.0% in 1998 to 22.2% in 1999.

Exports of not-from-concentrate juices (NFC) amounted to 4.3mn gallons valued at $18.9mn, increases of 5.6% and 4.1% in volume and value, respectively. The surge in export sales reflected the marketing emphasis placed on this product because of its higher operating margin when compared to concentrate.

Bananas

Despite the uncertainties plaguing the industry since the successful bid by the US and other Latin American countries to have the WTO rule against the new European banana regime, exports for the calendar year rose by 10.3% in volume and value, respectively, to 56,188 metric tons valued at $54.5mn.

Initial export volumes at the start of the year were low due to production problems but, higher volumes during the latter half of the year more than compensated for the slow start.

The new marketing contract with Fyffes Group Ltd. that was negotiated at the start of 1999 provided for the acceptance of up to 100,000 tonnes of bananas. The premise for this agreement was the open quota system proposed under the revised EU banana regime where the ACP countries would have an annual quota of 857,000 tonnes but the individual country quotas would be abolished. Growers have pushed for an increase in export tonnage because they feel that economies of scale in shipping can reduce costs substantially and assist the long-term survival of the industry.

Box 7: The Banana Trade Dispute

Under the Lomé convention, the European Union (EU) operates a banana import regime that favours African-Caribbean-Pacific (ACP) countries. Since its inception in 1994, this has been opposed on the grounds that it violated GATT and, subsequently, WTO principles. Following a successful challenge by the United States and several Latin American producers, the EU was given until January 1999 to implement a revised regime compatible with WTO guidelines. However, this was challenged even prior to its implementation and subsequently ruled against by the WTO in April 1999.

In its ruling, the WTO noted that the Lomé convention required the EU to provide duty free access for 857,700 tonnes of ACP bananas, but stated that ACP suppliers should only benefit from duty free access up to their individual, best ever pre-1991 exports. The collective allocation of 857,700 tonnes was therefore considered to be unacceptable since it would enable the more competitive ACP suppliers to exceed their best ever pre-1991 exports. In the case of Belize, the best ever pre-1991 exports totals 26,580 tonnes, far below the 55,000 tonnes permitted prior to 1999. The WTO also decided that the EU could not use 1994 to 1996 as a representative period to calculate country specific and “other suppliers” allocations since this was when non-WTO compatible arrangements were in place. The revised licensing system based on this reference period was ruled as being discriminatory against non-ACP suppliers. The EU was however authorized to set an “out of quota” tariff preference of 200 ECU/tonne for ACP bananas over non-ACP bananas.

Since April, discussions have continued in an effort to reach an arrangement agreeable to all parties involved. It now appears that the revised regime of January 1999 with some minor modifications in import licensing arrangements may be the most acceptable. This would leave two independent quotas in place – one for all ACP countries and one for non-ACP countries. This arrangement would continue during a transitional period of 6 to 7 years. After this non-ACP countries are hoping for a tariff only system where ACP bananas would enjoy only a tariff preference. It is expected that the level of this preference will be a subject of spirited debate since it is pivotal to the survival of ACP banana industries.

Table VI.5: Exports of Bananas

	1997	1998	1999
Volume ('000 lbs)	118,242	112,233	123,879
Tonnes	53,631	50,906	56,188
Value ($mn)	34.0	49.4	54.5
Quality Bonus ($mn)	18.0	n.a.	n.a.
Total Value ($mn)	52.0	49.4	54.5

Source: Central Statistical Office
n.a.= not available

Table VI.6: Exports of Marine Products

	1997		1998		1999	
	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)
Lobster Tail	559	14,870	504	14,822	561	16,493
Lobster Head	30	160	13	73	45	256
Whole Lobster	50	797	32	511	0	0
Shrimp	1,690	15,410	3,136	24,491	4,637	36,064
Conch	539	3,771	479	3,356	365	2,557
Whole Fish	311	460	108	160	65	96
Other	13	147	11	100	10	100
Total	3,192	35,615	4,283	43,514	5,683	55,566

Source: Central Statistical Office

Marine Products

For the third consecutive year, the strong export performance of the marine sub-sector was due to substantial increases in farmed shrimp exports, especially given the declines in export volume and value of most of the other products.

Marine exports amounted to 5.7mn pounds valued at $55.6mn, increases of 32.7% and 27.7% in volume and value, respectively, over 1998. This healthy performance was attributed primarily to farmed shrimp and lobster, since all other major marine exports contracted. Shrimp exports rose by 47.9% to 4.6mn pounds as a result of expanded acreage as well as improvements in farming techniques. Lobster, on the other hand, grew by a more modest 10.3% to 0.6mn pounds. Exports of conch contracted by 23.8%, reflecting the smaller harvestable population of conch during 1999 as compared to 1998. Whole fish exports, for the second consecutive year, registered a decline when compared to the previous year. Fishermen preferred to sell the bulk of their catch locally where prices were considered sufficiently lucrative and the handling requirements were not as stringent as that demanded by the export market.

Other major exports

Garment exports amounted to 2.3mn pieces valued at $39.3mn, an increase of 10.7% in volume but a reduction of 0.3% in value when compared to 1998. The marginal reduction in revenue was due to an export mix consisting of more low valued pieces.

Exports of sawn lumber totalled 2.1mn board feet valued at $4.2mn, decreases of 33.8% and 21.8% in volume and value, respectively. The fall in revenues was attributable to lower export volume since the average price per board feet increased from $1.70 in 1998 to $2.04 in 1999. Exports of

Table VI.7: Other Domestic Exports

	1997	1998	1999
Garments			
Volume (mn pieces)	2.0	2.1	2.3
Value ($mn)	37.7	39.4	39.3
Sawn Wood			
Volume ('000 bd ft.)	3,166	3,117	2,063
Value ($mn)	5.3	5.3	4.2
Papayas			
Volume ('000 lbs)	8,173	10,049	9,069
Value ($mn)	4.4	5.1	7.5

Source: Central Statistical Office

secondary woods declined since the demand for these woods is limited and focused more on the processed product rather than the sawn lumber.

Papaya exports amounted to 9.1mn pounds valued at $7.5mn. Despite a reduction of 9.8% in export volume, revenues rose significantly by 45.3% as superior fruit quality allowed premium prices to be commanded on the export market.

Non-traditional Exports

The value of non-traditional exports other than papaya fell marginally by 0.1% to $15.1mn during the year. A 37.4% increase in the value of red kidney bean exports from $2.8mn in 1998 to $3.9mn in 1999 was able to almost wholly compensate for contractions in the other commodities. In particular, exports of citrus oils plummeted since their delivered costs were higher than their selling price.

Re-exports

Re-exports grew marginally by US$0.6mn during the year as increases in re-exports of 'Chemicals & Related Products', 'Food & Live Animals' and 'Miscellaneous Manufactured Articles' offset declines in the 'Machinery & Transport Equipment' and 'Beverages & Tobacco' categories.

Box 8: Non-traditional Foreign Exchange Earner: Agro-processed Products

Non-traditional agro-processed products constitute a very small component of domestic exports. Nevertheless, certain persistent entrepreneurs, especially during the last two decades, have been able to create export market niches for their products. Pepper sauces have been one well-known quality product that has successfully established an export presence.

Creative entrepreneurs continue to explore the development of other processed products for export. These efforts have focused principally on tropical fruits rather than meat products due to the highly competitive and well established markets for the latter. Attempts have been made with various fruit juices and dehydrated fruits. Recent marketing efforts with dehydrated fruits into Europe have been very promising. One pioneering company based in the south has been able to develop a high quality dehydrated fruit product using a variety of different fruits, including papaya, mango, guava, pineapple and banana. Test marketing of this product has been well received in Europe and the company is now looking to secure a firm marketing contract.

Another fruit with export potential that is receiving some attention is cashew. Apart from marketing of the nuts, the potential for exporting the fruit in some processed form is also being investigated. Small exports of powdered hot peppers are also taking place.

Given the diversity of tropical fruits in the country and the enormous potential to expand the international market for agro-processed products, opportunities exist to carve out market niches in these non-traditional products as some successful entrepreneurs have already or are in the process of demonstrating.

Table VI.8: Direction of Visible Trade

	Exports			Imports		
	1997	1998	1999	1997	1998	1999
United Kingdom	41.9	23.5	30.5	5.4	4.2	4.2
United States	41.9	44.3	42.7	52.3	48.8	50.5
Mexico	3.5	3.7	3.6	13.5	11.1	13.1
CARICOM	2.8	4.0	5.5	3.8	3.3	3.5
Other countries	9.9	24.6	17.7	25.0	32.5	28.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Statistical Office

Gross Imports

Of the US$37.4mn increase in gross imports (f.o.b.), approximately three-quarters was due to higher imports of capital goods, fuels and goods in transit to export processing zones. The growth in fuel imports reflected an increase in the quantity of fuel sold in the Commercial Free Zone and the escalation of fuel prices, especially during the last quarter of 1999. 'Machinery and Transport Equipment' comprised the major portion of capital goods imports during the year.

Direction of Visible Trade

Almost three-quarters of total exports were directed to the United States and United Kingdom. While the US market share declined slightly from that of 1998 due to the reduction in the preferential sugar quota, the share of exports to the UK rose by seven percentage points due to higher sales of sugar and bananas. The latter was assisted by an increase in the UK sugar quota due to re-allocations from Barbados and Mauritius. Bananas clearly benefited from the additional sales allowed by the open quota established since the beginning of the year.

The US remained the primary source of imports, supplying 50.5% of the total. Imports from Mexico inched upwards from 11.1% to 13.1% while CARICOM's market share increased marginally from 3.3% to 3.5%.

Invisible Trade

Net receipts from invisible services fell by US$2.2mn to US$18.3mn in 1999 as net inflows of US$48.9mn for services were partially offset by net outflows of US$30.6mn in factor income. The latter grew by US$1.5mn during the year due to larger interest payments on the public sector external debt. In contrast, net inflows from services fell by a marginal US$0.7mn due to an increase in freight charges occasioned by higher imports. Within the

Table VI.9: Balance of Payments - Invisible Trade

US$ mn

	1997			1998			1999		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Invisible Trade	**148.1**	**119.4**	**28.7**	**152.6**	**132.1**	**20.5**	**161.3**	**143.0**	**18.3**
Services	***140.6***	***88.5***	***52.1***	***145.5***	***95.8***	***49.6***	***154.0***	***105.1***	***48.9***
Transportation	5.7	35.8	-30.2	5.8	36.3	-30.4	8.5	39.6	-31.1
Travel	96.5	17.9	78.7	101.0	21.2	79.8	103.2	23.7	79.5
Other Goods & Services	25.3	30.6	-5.3	19.7	33.1	-13.5	21.2	33.6	-12.4
Govt. Goods & Services, N.I.E	13.1	4.2	8.9	19.0	5.2	13.8	21.1	8.1	13.0
Factor Income	***7.5***	***30.9***	***-23.4***	***7.2***	***36.3***	***-29.1***	***7.3***	***38.0***	***-30.6***
Labour income	4.9	6.8	-1.8	4.4	6.1	-1.7	4.7	6.4	-1.8
Investment Income	2.5	24.1	-21.6	2.7	30.2	-27.5	2.6	31.5	-28.9
Current Transfers	*39.8*	*4.2*	*35.6*	*41.8*	*3.4*	*38.4*	*51.8*	*3.4*	*48.4*
Government	12.0	2.3	9.8	10.6	1.7	9.0	18.9	1.5	17.4
Private	27.8	1.9	25.8	31.2	1.7	29.5	32.9	1.9	31.0
Invisible Trade & Current Transfers	187.9	123.6	64.3	194.4	135.5	58.9	213.1	146.4	66.7

Box 9: Non-traditional Foreign Exchange Earner: Information Technology Services

Major technological advances in information technology during the past decade are revolutionising the business world by increasing efficiency as well as providing new business opportunities. This industry has blossomed into a multi-billion dollar business as major corporations invest heavily into information technology to maintain their competitive edge and ensure their survival. The rapid growth and commercialisation of the internet has provided a direct marketing channel to customers that has further spurred the growth of many entrepreneurial businesses engaged in electronic commerce (E-commerce).

With its excellent telecommunications facilities, Belize can exploit the many opportunities that are abounding in the information technology arena to develop highly competitive businesses and in so doing, diversify its sources of foreign exchange earnings.

The establishment of an export processing zone that offers internet access and office support facilities to foreign companies has been a modest start to establishing a foothold in one area of this rapidly growing services sector. So far, the zone has been able to attract companies involved with call centre services and internet gaming. Since the zone started operating in June 1999, EPZ companies have directly employed approximately 70 persons. Existing office support facilities have been exhausted and the zone developers are presently constructing additional office facilities.

Further opportunities exist for attracting more value added information service companies into the country. Such companies present viable options for promoting national products and services for the export market since the borderless nature of the internet enables them to readily operate from any worldwide location. To further exploit the potential of these non-traditional service sectors, the country needs entrepreneurs, a pool of computer literate, very trainable work force and competitively priced telecommunications and other business support facilities.

services category, although expenditure by tourists increased by US$2.2mn, this was offset by increased spending by residents travelling abroad.

Capital and Financial Accounts

Net capital flows improved from net outflows of $2.5mn in 1998 to net inflows of $0.8mn as debt forgiveness for loans from Spain and the UK (under the Commonwealth Debt Initiative Programme) outweighed outflows for migrant transfers.

Marked increases in direct foreign, portfolio and other investments resulted in net financial inflows rising by US$62.4mn to US$88.0mn during the year. BEL's privatization, the consolidation of investments into the citrus industry and the launching of Belize's first hotel casino were the primary factors in the significant increase in direct foreign investment. Meanwhile, the public sector's securitisation of home mortgages was almost totally responsible for the rise in portfolio investments.

Table VI.10: Balance of Payments - Capital and Financial Accounts

US$ mn

	1997			1998			1999		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
CAPITAL ACCOUNT	**0.0**	**3.4**	**-3.4**	**0.0**	**2.5**	**-2.5**	**3.2**	**2.4**	**0.8**
Capital Transfers	0.0	3.4	-3.4	0.0	2.5	-2.5	3.2	2.4	0.8
FINANCIAL ACCOUNT	**82.3**	**57.6**	**24.7**	**90.4**	**64.8**	**25.6**	**145.5**	**57.5**	**88.0**
DFI	11.9	3.9	8.0	19.0	5.5	13.5	52.3	10.0	42.3
Portfolio Investment	10.1	0.0	10.1	12.5	0.0	12.5	33.6	0.7	32.9
Other Investment	60.2	53.6	6.5	58.9	59.3	-0.4	59.6	46.8	12.8
Public Sector Long Term Loans	31.9	20.6	11.3	32.9	20.1	12.9	36.3	18.9	17.4
Other Public Sector capital	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Banks	7.5	0.0	7.5	7.2	2.1	5.1	0.0	15.1	-15.1
Other	20.6	33.0	-12.4	18.8	37.1	-18.3	23.3	12.8	10.6
CHANGES IN RESERVES (Minus = increase)	**37.9**	**38.9**	**-1.0**	**27.5**	**12.1**	**15.4**	**5.0**	**32.3**	**-27.2**

While performance in other investment was mixed, this section also yielded a net financial inflow due to inflows of loan funds for the public and private sector that were more than adequate to outweigh payments made to banks and other financial institutions abroad.

Official International Reserves

Notwithstanding a widening of the current account deficit, substantial growth in net financial inflows caused the gross official international reserves to increase by US$27.2mn to US$71.1mn. Net official international reserves increased by US$27.9mn, however, due to a decline in foreign liabilities of US$0.7mn.

Table VI.11: Official International Reserves

US$ mn

	Position as at			Changes during
	Dec 1997	Dec-1998	Dec-1999	1999
Gross Official International Reserves	**59.5**	**43.9**	**71.1**	**27.2**
Central Bank of Belize	52.6	37.2	64.2	27.0
Holdings of SDRs	1.0	1.2	1.2	0.0
IMF Reserve Tranche	3.9	4.1	5.9	1.8
Other	47.7	31.9	57.1	25.2
Central Government	**6.9**	**6.7**	**6.9**	**0.2**
Foreign Liabilities	**3.6**	**1.6**	**0.9**	**-0.7**
CARICOM	0.5	0.1	0.2	0.1
Other	3.1	1.5	0.7	-0.8
Net Official International Reserves	**55.9**	**42.3**	**70.2**	**27.9**

Economic Prospects

The primary sector is poised for another year of strong performance as the agricultural sub-sector is expected to continue to expand production. While cane deliveries are forecasted to fall by 2.0% to 1.14mn long tons, sugar production is expected to increase by 3.4% to 120,000 long tons. Better cane quality and higher factory efficiency should increase sugar extraction and reduce the cane to sugar ratio. But although weather conditions indicate that the crop year should yield a bountiful harvest, continued low prices on the world sugar market should cause export revenues to plummet steeply from $82.0mn in 1999 to $69.4mn in 2000. For the second consecutive year, the US sugar quota remains at around 11,000 long tons with little expectations of any additional quota reallocations during the year due to Mexico's emergence as a net sugar exporter to the US under the NAFTA.

The year 2000 marks the highest deliveries of citrus to date with forecasts of 6.4mn boxes (5.0mn boxes of oranges and 1.4mn boxes of grapefruit), an increase of 10.7% over 1999. Young groves coming into full production are largely responsible for the surge in output. The Commonwealth Development Corporation has also started rehabilitation of old groves to increase field productivity. Increasing factory efficiency and lowering operating costs remain a major area of focus. In an attempt to maximise value added, the company will be launching the marketing of pulp this year. A consolidated and concentrated marketing thrust in the United States, Europe and the Caribbean should boost export earnings by 34.8% from $74.1mn in 1999 to $99.9mn in 2000. However, the entrance of Brazil into the not-from-concentrate juice market could force prices downward for this product and, consequently, reduce export earnings.

Banana production is expected to increase by 19.2% to 67,000 tonnes. Due to the open quota in place since January 1, 1999, farmers expanded acreage during 1999 in an attempt to increase production and thereby improve the economies of scale in shipping. Apart from the new production coming on stream from the acreage expansion undertaken in the previous year, output should be further increased through the rehabilitation of old plantations and improved crop management practices. Funds have already been accessed from the EU to begin a programme to improve productivity and, hence, competitiveness of the industry. Banana export revenues are therefore projected to rise by 17.4% to reach at least $64mn.

Papaya production is forecasted to increase by 8.6% to 9.8mn pounds with export revenues estimated at $3.4mn. The projected drop in export revenues is due to increased competition that is pressuring prices downwards.

Another year of strong performance is expected from the fishing sub-sector, driven principally by the substantial expansions undertaken in farmed shrimps. Shrimp production is estimated to increase from 4.6mn pounds valued at $35.6mn in 1999 to 8.4mn pounds valued at $58.1mn. Conch is the only other major marine product forecasted to show any significant increase during 2000.

The secondary sector is expected to continue its moderate growth performance, buoyed by boisterous construction activity. The Ministry of Housing and private developers will be operating several housing development schemes countrywide. During 2000, work is expected to commence on the satellite town to be located at mile 31 on the Western Highway. Further construction using the housing technology provided by Cuba should continue at Fresh Pond Development in the Burrel Boom area. Several other housing projects in Corozal, Belmopan, Cayo, Stann Creek and Punta Gorda are expected to begin or continue construction during the year. Monies for these constructions will be obtained from Taiwan, the CDB and securitisation of mortgages.

Services should realise respectable growth driven by vibrant activities within tourism & trade, transport & communications and real estate & business services. The Belize Tourism Board has intensified its marketing campaign abroad with the expectation of attracting larger tourist volumes. Cruise ship arrivals are forecasted to increase by at least another 50%. Growth in tourism along with the construction boom, should increase activities within the distributive trades and real estate. In addition, the push to develop alternative services industries should spur growth in business services.

The expansions anticipated in all three sectors of the economy should increase employment opportunities and further lower the rate of unemployment by at least another one percentage point. Despite the projected surge in economic activities during 2000, inflation is expected to be held in check and grow very modestly. Rising fuel prices and import prices during the year should be partially counterbalanced with the reduction in import duties from 25% to 20% for over 1,000 commodities that the government will implement in April, 2000. This reduction is in line with the government's implementation of the Common External Tariff.

In summary, real economic growth for 2000, if all projections are realised, should be upwards of 5%, achieved with very low inflation and a reduction in unemployment.

ADMINISTRATION

The Board of Directors

During 1999, the Board of Directors held 11 meetings and considered 88 submissions.

Overseas Meetings

In their capacities as executive officers of the Bank and as advisors to the Government, the Governor and Deputy Governors attended various meetings during the course of the year (see box).

Headquarters Building

Up to end of September, Kier International, the contractor for the Headquarters Building Project, maintained responsibility for any defects to the building and its equipment. During this Defects Liability Period, the Building Services Unit (BSU) worked closely with Oscar Faber Consulting Engineers in order to identify and report any defects and to ensure that relevant repairs were effected with integrity.

So as to be better equipped to perform its duties, the BSU received training in March from Chubb (supplier and manufacturer of the vault doors) in how to service and carry out minor repairs to the said doors.

In July, the BSU also received training from De La Rue Cash Systems Inc. in servicing and repairs of the Bank's note counting machines.

Finance

The Central Bank's financial statements for the year ended December 31, 1999, with comparative figures for the previous year, are annexed to this report. During the year, the total assets of the Bank increased by 15.1% to $231.6mn. External assets increased by 75.9% to $128.6mn, while domestic assets fell by 19.6% to $103.0mn mainly due to a decline in the Bank's holdings of Government securities.

At year end, the net operating surplus amounted to $2.2mn compared to $4.8mn in 1998. Gross earnings totalled $13.7mn including interest income of $10.9mn and commissions and other income of $1.8mn. Current expenditure amounted to $11.5mn with staff costs, interest payments and other operating costs accounting for 29.3%, 34.5% and 36.2%, respectively.

As provided for under Section 9(1) of the Central Bank Act, $0.22mn or 10.0% of the net operating surplus will be paid into the Central Bank's General Reserve Fund. The balance of $2.0mn will be transferred to the Accountant General for the Government of Belize's Consolidated Revenue Fund.

Internal Audit Activities

During 1999, the internal audit unit focused on assessing and monitoring the Bank's progress toward ensuring that all information and computing systems were year 2000 compliant and that contingency plans were adequately in place.

At a Board of Directors Meeting held in April, a decision was taken to reactivate the Audit Committee and much time was subsequently allocated for work with the Committee in reviewing its charter responsibilities as well as examining the role of internal audit in the Bank's organizational structure.

After reviewing the weaknesses outlined in the external auditors' 1998 audit report and the response of the Bank's management, the Committee submitted a summary report to the Board in August that led to the successful resolution of all outstanding issues.

Box 10: Meetings Attended by the Governor and Deputy Governors during 1999

Name of Meeting/Conference	Month	Place
13th Consultation Meeting of Governors of Central America	February	Costa Rica
Meeting to Discuss Trade Arrangements Between Belize & Mexico	February	Mexico
29th Annual Meeting of the Board of Governors of the CDB	May	Barbados
CARICOM Central Bank Governors Meeting	May	Guyana
Meeting with Institutional Investor	May	New York
Meeting on proposed Government Investment	May	Denver, Colorado
Bank of England Governors Meeting	June	England
69th Annual General Meeting of the BIS	June	Switzerland
IX Meeting of CFATF Plenary	July	Cayman Islands
Technical Meeting of Governors of Central America, Belize, Panama and the Dominican Republic	July	Panama City
Meeting of the OECD	August	Paris, France
2nd Meeting of the Council for Finance and Planning	September	Jamaica
Commonwealth Finance Ministers and Senior Finance Officials Meeting	September	Cayman Islands
1999 Meeting of the Board of Governors of the IMF and World Bank	September	Washington, D.C.
X Meeting of CFATF Plenary	October	British Virgin Island
Seminar on Payments and Settlement Systems	October	Barbados
New Financial Products Workshop & Financial Engineering For Financial market Practitioner and Regulators Workshop	November	Barbados
21st Meeting of the Committee of the Board of Governors and the Ceremonies of the 40th Anniversary of the IDB	November	Rio de Janeiro, Brazil
2nd Meeting of the Policy Advisory Committee (PAC) on the Status of the Offshore Financial Sector in the Caribbean	December	Barbados

With respect to proposals for audit of the fiscal years ending 1999-2001, the Committee agreed on an evaluation method, conducted an analysis of the tenders and submitted the results for the Board's consideration. It was consequently decided that the Bank should appoint the firm of KPMG Peat Marwick to be its new external auditor.

Human Resources

Staffing

The average number of staff employed by the Bank during 1999 was 105 persons (83% of the 126 established posts). Twenty-five new persons were employed and separations totalled 17 resulting in an average turnover rate of 16%. Of the newly hired staff, 10 were hired on a temporary basis.

On January 1, 1999, the Honourable Prime Minister and Minister of Finance appointed Sydney J. Campbell as Deputy Governor of the Central Bank. Mr. Campbell was assigned responsibility for economic research. Deputy Governor, Mrs. Yvette Alvarez, was transferred to assume responsibility for the Operations of the Bank, which include the supervision of the Finance, Banking & Currency and Administration Departments as well as the ISU, BSU and Internal Audit Units.

At the management level, the Board of Directors approved the promotion of Miss Michelle Estell, Supervisor in the Banking & Currency Department to the position of Assistant Manager in the Finance Department.

Staff Development

The Bank continued to review its practices of staff development and training during the year with a view to sharpening the professional and technical skills of employees at all levels.

Several staff members benefited from a series of courses, offered locally under the Economic Capacity Building Project Belize, and which were hosted by the Ministry of Finance in conjunction with the UK Government's Department for International Development. These training courses included: Development of Training Techniques; Financial Analysis; Debt-Management and Applied CS-DRMS and Budget Analysis.

The Centre for Latin American Monetary Studies and the Bank jointly sponsored an in-house training course entitled Economic and Operative Aspects of Central Banking that was aimed at non-economists. In-house training courses in basic and advanced Records Management were also conducted for all secretarial staff.

Staff at the professional and management level attended overseas training in: Financial Risk Management in Emerging Markets; Credit Risk Analysis; Harmonization and Improvement of Statistical Methodology; Y2K; Ingres Database Administration; Debt Management; and Macroeconomic Management–Policy Issues and Quantitative Methods. Additionally, there were attachments by the Information Systems Unit staff to the Information Systems Unit at Eastern Caribbean Central Bank in St. Kitts to focus on the Security Issues of Windows NT and to the Central Bank of Barbados to observe Prophecy Open Software in operation.

Health Insurance

During the year, the Bank changed its Group Life carrier from the Belize Insurance Company (BELINSCO) to Capital Life Insurance Limited with the Bank continuing to pay 100% of the cost of life policies. The Group Health Plan was expanded to include vision cover but due to increasing insurance rates resulting from the excessive use of the health plan and rising health costs, employees were for the first time asked to contribute to the cost of health insurance. This resulted in employees contributing 20% of the premium costs. The Bank also offered to include coverage for dependants under the Group Health Plan and paid 15% of this cost on staff's behalf.

Staff Club

Members of the Bank's Staff Club elected a new Executive Committee which organized several social and fund-raising activities and sporting competitions during 1999. Among these were the Bank's annual Family Day (held at Kich Pan Ha Resort in the Corozal District), the Christmas Party and a family barbecue dinner. .

In an effort to promote the interests of staff welfare, the Executive Committee of the Club was asked to nominate a member to be a Trustee to represent staff on the Board of Trustees of the Central Bank's Pension Scheme. Mr. Jacinto Luna was nominated and approved by the Central Bank Board of Directors.

Intra Regional Games

In 1999, the Bank of Jamaica extended an invitation to the Central Bank to attend the 3rd Annual Intra Regional Games for Central Banks in Kingston, Jamaica held from April 2 to 6, 1999. The executive of the Bank's Staff Club and the Human Resources Department collaborated in selecting a team of thirteen participants from all Bank departments. This team reportedly represented the Bank abroad with a high level of zeal and commitment particularly in badminton and netball. Their vigorous efforts were rewarded by the receipt of the second place trophy in badminton. The team was also singled out for special mention at the award ceremonies.

Community Services

The Bank continued to provide support to the community during the year by participating in the local Work Experience Program that is aimed at secondary school students. Eight students were placed throughout the Bank in an effort to provide them with practical experience in a formal setting. Additionally, eight tertiary level students were employed during the summer which provided them with work experience and economic benefit.

As in previous years, the staff of the Bank responded to the Salvation Army's annual Christmas Appeal for the needy with generous donations and once again a matching financial contribution was given by the Bank.

OPERATIONS

Foreign Exchange

The Bank's trade in US and Canadian dollars, and the Pound Sterling resulted in a net purchase of $54.4mn during 1999. Purchases exceeded sales during eight months of the year with net purchases peaking at $33.0mn in May. For the remaining four months, sales exceeded purchases with a low of $8.2mn in August. Trade in CARICOM currencies (largely Barbados and Eastern Caribbean dollars) resulted in net sales of $3.5mn.

External Assets Ratio

Section 25(2) of the Central Bank of Belize Act, 1982 requires the Bank to maintain a reserve of external assets of not less than 40.0% of the aggregate amount of notes and coins in circulation and the Bank's liabilities to its customers for sight and time deposits. The ratio fluctuated between a low of 52.9% in February and a high of 85.9% in November. The external assets of the Bank were comprised of foreign notes, deposits with foreign central banks and correspondent banks abroad, securities of foreign governments, and holdings of Special Drawing Rights at the International Monetary Fund.

Relations with Commercial Banks

Cash Balances

The commercial banks were required to maintain 5% of their average deposit liabilities on deposit with the Central Bank during the year. Actual cash balances held with the Central Bank averaged 5.6% while fluctuating between 5.2% and 6.8%. This resulted in excess cash holdings averaging around $4.8mn during the year with a low of $1.6mn in January and a high of $13.8mn in July.

Currency in Circulation

Currency in circulation rose by $17.0mn over that of the previous year. The usual seasonal pattern was demonstrated with the lowest level occurring in the first quarter and peaking during the last quarter.

Table IX.1: Central Bank Dealings in Foreign Exchange 1999

$ mn

Month	US & Canadian Dollars and £ Sterling			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	25.1	17.8	7.3	0.00	0.23	-0.22
February	22.2	22.4	-0.2	0.03	0.32	-0.28
March	30.0	23.2	6.8	0.01	0.36	-0.35
April	17.7	15.6	2.1	0.00	0.23	-0.23
May	53.1	20.1	33.0	0.01	0.22	-0.22
June	31.4	23.5	7.9	0.01	0.34	-0.33
July	17.1	23.7	-6.6	0.05	0.13	-0.08
August	27.2	35.4	-8.2	0.01	0.37	-0.35
September	22.2	18.2	4.0	0.13	0.50	-0.37
October	39.8	31.2	8.6	0.00	0.29	-0.29
November	17.7	24.6	-6.9	0.02	0.44	-0.43
December	45.1	38.5	6.6	0.00	0.33	-0.33
Total	348.9	294.5	54.4	0.28	3.75	-3.47

Table IX.2: External Assets Ratio 1999

Month	Assets $mn	Liabilities $mn	External Assets Ratio (%)
January	80.3	139.5	57.56
February	80.0	151.3	52.88
March	86.8	155.0	56.00
April	88.9	147.6	60.23
May	121.6	179.9	67.59
June	129.5	176.5	73.38
July	122.8	170.1	72.19
August	114.6	161.6	70.92
September	118.6	173.4	68.40
October	127.2	161.1	78.71
November	120.4	140.1	85.94
December	127.2	178.4	71.30

The largest increase occurred in December, as the Christmas season coincided with Y2K fears. During that month, currency in circulation totaled $103.7mn including $94.2mn in notes and $9.5mn in coins.

Transactions with Central Government

Under Section 34 of the Central Bank of Belize Act, 1982 as amended in 1993, the Bank may extend advances to Government up to a maximum of 20% of current revenue collected during the preceding financial year or a sum of $50.0mn, whichever is greater. This led to an upper limit of $60.8mn being established for 1999. Advances to Central Government reached a high of $53.6mn during June but fell to $20.7mn at the beginning of the last quarter of the year. At year-end, advances stood at $42.0mn.

Treasury Bills

Treasury Bill operations are conducted by the Central Bank on behalf of the Government of Belize. The Treasury Bill market continued to be dominated by the commercial banks with purchases by individuals being insignificant. The fixed yield of 6% set by

Table IX.3: Commercial Bank Balances with the Central Bank

$ mn

Month	Average Deposit Liabilities	Required Cash Reserves	Actual Cash Holdings	Excess
January	738.7	36.9	38.5	1.6
February	738.2	36.9	40.5	3.6
March	739.0	37.0	40.0	3.0
April	743.9	37.2	40.6	3.4
May	757.0	37.9	44.0	6.1
June	764.8	38.2	44.1	5.9
July	763.4	38.2	52.0	13.8
August	792.9	39.6	44.6	5.0
September	795.5	39.8	42.8	3.0
October	801.9	40.1	45.5	5.4
November	797.0	39.9	43.8	3.9
December	791.6	39.6	42.1	2.5

Table IX.4: Currency in Circulation 1999

$ mn

Month	Notes	Coins	Total	Commercial Bank Vault Cash	Currency With the Public
January	71.7	8.8	80.5	9.5	71.0
February	73.9	8.8	82.7	9.7	73.0
March	76.6	8.8	85.4	13.2	72.2
April	75.4	8.9	84.3	10.6	73.7
May	75.3	9.0	84.3	12.7	71.6
June	75.1	9.1	84.2	13.1	71.2
July	76.8	9.1	85.9	10.7	75.2
August	76.9	9.2	86.1	13.3	72.8
September	76.9	9.3	86.2	14.4	71.8
October	78.0	9.3	87.3	9.8	77.5
November	81.4	9.4	90.8	14.8	76.0
December	94.2	9.5	103.7	19.6	84.1

government in November 1998 remained in force and at December 31, 1999 total treasury bills outstanding stood at its maximum of $70.0mn.

Treasury Notes

Under the 1993 amendment to the Treasury Bill Act, the GOB may issue up to $25.0mn in Treasury Notes. These Notes have a one-year maturity period and carry a 9% rate of interest. At the end of 1999, total Treasury Notes outstanding amounted to $25.0mn all of which were held by private sector institutions and individuals.

Supervision of the Financial System

During 1999, the Central Bank granted its second Offshore Banking License to Market Street Bank Ltd, which was designated as a "B" class offshore bank. Several other applications were submitted and work on processing these continued during the period. In addition to the granting of the above

Table IX.5: Central Bank Credit to Central Government

$ mn

Month	Treasury Bills	Treasury Notes	Defence Bonds	Other Securities	Advances to Government	A	B
January	35.0	-	10.0	2.2	33.5	2.21	11.21
February	54.0	-	10.0	2.2	27.1	3.10	9.06
March	33.6	-	10.0	2.2	44.7	2.14	14.98
April	18.9	-	10.0	2.2	51.2	1.45	17.15
May	17.0	-	10.0	2.2	48.7	1.36	16.30
June	0.0	-	10.0	2.2	53.7	0.57	17.98
July	0.0	-	10.0	2.2	53.1	0.57	17.80
August	7.5	-	10.0	2.2	45.7	0.92	15.30
September	9.5	-	10.0	2.2	52.3	1.01	17.52
October	11.5	-	10.0	2.2	20.7	1.11	6.94
November	7.3	-	10.0	2.2	27.1	0.91	9.06
December	13.7	-	10.0	2.2	42.0	1.21	14.05

A Central Bank holdings of Government Securities as a multiple of Central Bank's paid up capital & reserves

B Advances to Government as a percentage of Government's recurrent revenue ($298.5mn) of the previous fiscal year.

Table IX.6: Government of Belize Treasury Bill Issues

Issue Number	Issue Date	Tender ($mn)	Allotment ($mn)	Discount Rate	Yield (%)	Maturity
1/99	07/01/99	15.4	15.4	5.91	5.99	08/04/99
2/99	04/02/99	13.2	13.2	5.91	5.99	06/05/99
3/99	19/02/99	5.8	5.8	5.91	5.99	21/05/99
4/99	17/03/99	35.6	35.6	5.91	5.99	16/06/99
5/99	08/04/99	15.4	15.4	5.91	5.99	08/07/99
6/99	06/05/99	13.2	13.2	5.91	5.99	05/08/99
7/99	21/05/99	5.8	5.8	5.91	5.99	20/08/99
8/99	16/06/99	35.6	35.6	5.91	5.99	15/09/99
9/99	08/07/99	15.4	15.4	5.91	5.99	07/10/99
10/99	05/08/99	13.2	13.2	5.91	5.99	04/11/99
11/99	20/08/99	5.8	5.8	5.91	5.99	18/11/99
12/99	15/09/99	35.6	35.6	5.91	5.99	15/12/99
13/99	10/07/99	15.4	15.4	5.91	5.99	06/01/00
14/99	04/11/99	13.2	13.2	5.91	5.99	03/02/00
15/99	18/11/99	5.8	5.8	5.91	5.99	17/02/00
16/99	15/12/99	35.6	35.6	5.91	5.99	15/03/00

license the Central Bank authorized a locally incorporated bank to establish a subsidiary in the Turks and Caicos Islands. New off-site surveillance forms were introduced during the year to assist the Bank in monitoring the soundness of the offshore banking sector.

In carrying out its prudential responsibilities, the Bank continued its on-site and off-site surveillance of the commercial banks during 1999 with two full scope bank examinations and a specialised inspection. Inspections were aimed at ensuring the continued soundness of the the banks and focused on the standard CAMEL analysis i.e., capital adequacy, asset quality, management, earnings and liquidity.

Under the provisions of the BFIA, commercial banks were required to maintain a capital adequacy ratio of 9%. However, the foreign owned branch banks pressed for a review of these provisions during the year so as to enable them to expand their loan portfolio by factoring in the global capital of their parent institutions. The matter is currently under review.

In an associated development, credit concentration in the commercial banks continued to be an important issue as 11 applications for the extension of large credits totalling $169.0mn were processed during the year. This is compared to 19 applications totalling $179.2mn during 1998. Large credits (considered to be any amount in excess of 25% of a commercial bank's paid-up and/or assigned capital and unimpaired reserves) may not be extended without the approval of the Central Bank.

Y2K Readiness

The thrust of the Bank's efforts in the area of information systems was to address the Year 2000 (Y2K) software problem during 1999. In this regard, the Windows NT servers and Windows NT clients were updated with the latest Microsoft service packs to make these Y2K compliant.

All user departments were assisted in the year 2000 compliance testing of their applications. The first applications to be declared Y2K ready were the AVS Banking System, the Commonwealth Debt Recording Management System, Building Maintenance System, Security System, and Payroll.

Since the Bank's General Ledger legacy system was not Y2K compliant, it was replaced by Prophecy Open Financials, a new application software package. The Prophecy Open General Ledger module went into production on January 3, 2000 after two months of parallel testing with the old General Ledger System (AMS). The application enables a higher degree of efficiency in the processing and analyses of accounts and reports. It is expected that two software modules, the fixed assets and accounts payable will be linked to this General Ledger application by mid-2000.

The Outflows of Foreign Exchange System, which was also not Y2K compliant, was replaced by a new application that was developed in-house using the Visual Basic development tool and the Microsoft SQL Server database.

Publications

In addition to its regular publications such as the ***1998 Annual Report***, ***1998 Statistical Digest***, ***Quarterly Economic Reports*** for March, June and September and a pamphlet entitled ***1998 Major Economic Indicators***, the Bank published the book ***Understanding Our Economy***. The book, which highlights the economic, financial, fiscal and productive sectors of Belize, was disseminated to colleges & schools and other institutions in the country.

STATISTICAL APPENDIX

Table 1: Gross Domestic Product (GDP) by Industrial Origin at Current Factor Cost

$ mn

	1995	1996	1997	1998	1999
Gross Domestic Product	**986.4**	**1,014.5**	**1,040.0**	**1,051.2**	**1,154.9**
Primary Activities	**208.9**	**220.4**	**212.8**	**207.0**	**224.7**
Agriculture	157.3	174.0	163.3	150.0	155.1
Forestry & Logging	19.3	18.3	17.6	17.0	20.3
Fishing	26.2	21.6	25.6	33.8	42.1
Mining	6.2	6.6	6.4	6.2	7.2
Secondary Activities	**234.6**	**230.9**	**233.5**	**235.3**	**253.1**
Manufacturing	135.6	138.9	144.5	139.8	148.6
Electricity & Water	34.6	31.2	31.0	35.9	31.4
Construction	64.5	60.8	58.0	59.6	73.1
Services	**582.3**	**605.0**	**637.4**	**653.1**	**722.6**
Trade, Restaurant & Hotel	171.1	176.3	191.1	199.1	243.5
Transport & Communications	103.4	103.0	109.6	109.4	121.9
Finance & Insurance	64.1	68.0	73.3	73.2	76.1
Real Estate & Business Services	59.8	68.0	69.9	69.8	73.3
Public Administration	124.0	124.4	125.4	133.6	136.8
Comm. & Other Services	59.8	65.3	68.2	68.1	71.0
Less imputed bank service charges	39.5	41.9	43.7	44.2	45.5

Source: Central Statistical Office

Table 2: Percentage Share Of GDP By Industrial Sector At Current Prices *

	1995	1996	1997	1998	1999
Gross Domestic Product	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Primary Activities	**21.2**	**21.7**	**20.5**	**19.7**	**19.5**
Agriculture	15.9	17.2	15.7	14.3	13.4
Forestry & Logging	2.0	1.8	1.7	1.6	1.8
Fishing	2.7	2.1	2.5	3.2	3.6
Mining	0.6	0.6	0.6	0.6	0.6
Secondary Activities	**23.8**	**22.8**	**22.5**	**22.4**	**21.9**
Manufacturing	13.7	13.7	13.9	13.3	12.9
Electricity & Water	3.5	3.1	3.0	3.4	2.7
Construction	6.5	6.0	5.6	5.7	6.3
Services	**59.0**	**59.6**	**61.3**	**62.1**	**62.6**
Trade, Restaurant & Hotel	17.3	17.4	18.4	18.9	21.1
Transport & Communications	10.5	10.2	10.5	10.4	10.6
Finance & Insurance	6.5	6.7	7.0	7.0	6.6
Real Estate &Business Services	6.1	6.7	6.7	6.6	6.3
Public Administration	12.6	12.3	12.1	12.7	11.9
Comm. & Other Services	6.1	6.4	6.6	6.5	6.2
Less imputed bank service charges	4.0	4.1	4.2	4.2	3.9

Source: Central Statistical Office
* Figures in Table 1 may not reflect these percentages due to rounding

Table 3: Real Gross Domestic Product (GDP) by Industrial Origin at Factor Cost (1984=100)

$ mn

	1995	1996	1997	1998	1999
Gross Domestic Product	**708.5**	**719.4**	**747.8**	**759.0**	**805.9**
Primary Activities	**142.8**	**151.3**	**170.1**	**167.0**	**186.7**
Agriculture	98.5	112.7	126.0	114.5	123.0
Forestry & Logging	15.9	14.5	14.1	13.7	12.8
Fishing	23.1	19.1	25.0	34.1	45.5
Mining	5.3	5.1	4.9	4.7	5.5
Secondary Activities	**179.8**	**179.7**	**181.9**	**179.7**	**187.9**
Manufacturing	120.8	121.1	124.3	120.7	126.6
Electricity & Water	14.7	15.0	16.4	18.6	13.6
Construction	44.4	43.6	41.2	40.4	47.8
Services	**409.5**	**411.9**	**420.6**	**437.5**	**458.1**
Trade, Restaurant & Hotel	127.7	125.4	135.6	144.6	151.3
Transport & Communications	105.1	109.6	106.4	109.0	117.5
Finance & Insurance	34.3	34.0	36.0	37.1	38.9
Real Estate & Business Services	35.8	37.3	37.5	38.9	40.8
Public Administration	57.8	55.7	53.4	54.4	54.7
Comm. & Other Services	48.8	50.0	51.7	53.5	55.0
Less imputed bank service charges	23.6	23.4	24.8	25.6	26.8

Source: Central Statistical Office

Table 4: Annual Percent Change In GDP By Sector At Constant 1984 Prices *

	1995	1996	1997	1998	1999
Gross Domestic Product	**4.0**	**1.5**	**4.0**	**1.5**	**6.2**
Primary Activities	**5.7**	**5.9**	**12.5**	**(1.6)**	**11.5**
Agriculture	7.7	14.2	12.0	(9.1)	7.4
Forestry & Logging	(17.5)	(8.9)	(2.5)	(3.1)	(6.9)
Fishing	18.4	(17.2)	31.1	36.2	33.3
Mining	8.5	(4.1)	(3.2)	3.4	6.7
Secondary Activities	**3.0**	**(0.1)**	**1.2**	**(1.2)**	**4.6**
Manufacturing	4.2	0.3	2.7	(2.9)	4.9
Electricity & Water	3.3	2.0	9.6	13.4	(27.1)
Construction	(0.4)	(1.8)	(5.6)	(1.8)	18.1
Services	**3.8**	**0.6**	**2.1**	**4.0**	**4.7**
Trade, Restaurant & Hotel	3.0	(1.8)	8.2	6.6	4.7
Transport & Communications	6.7	4.2	(2.9)	2.5	7.7
Finance & Insurance	3.5	(1.0)	6.1	3.1	4.7
Real Estate &Business Services	4.4	4.3	0.5	3.6	5.0
Public Administration	1.3	(3.8)	(4.1)	1.9	0.6
Comm. & Other Services	2.6	2.5	3.4	3.5	2.7
Less imputed bank service charges	3.5	(1.1)	6.1	3.1	4.7

Source: Central Statistical Office
* Figures in Table 3 may not reflect these percentages due to rounding

Table 5: GDP by Expenditure in Current Prices

	1995	1996	1997	1998	1999
GDP in $mn					
Gov't. final consumption expenditure	198.7	190.8	205.7	211.1	234.2
Private final consumption expenditure	738.9	775.6	791.1	838.4	839.8
Gross capital formation	260.2	264.8	305.0	315.7	459.9
Exports: goods & services	600.2	616.8	681.1	679.7	710.9
Imports: goods & services	620.6	627.2	738.5	777.3	870.7
Net Exports	-20.4	-10.4	-57.4	-97.6	-159.8
Domestic Savings	239.8	254.4	247.6	218.1	300.1
GDP market prices	**1,177.4**	**1,220.8**	**1,244.4**	**1,267.6**	**1,374.1**
Percent Distribution of GDP					
Gov't. final consumption expenditure	16.9	15.6	16.5	16.7	17.0
Private final consumption expenditure	62.8	63.5	63.6	66.1	61.1
Gross capital formation	22.1	21.7	24.5	24.9	33.5
Exports: goods & services	51.0	50.5	54.7	53.6	51.7
Imports: goods & services	52.7	51.4	59.3	61.3	63.4
Net Exports	-1.7	-0.9	-4.6	-7.7	-11.6
Domestic Savings	20.4	20.8	19.9	17.2	21.8
GDP market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: Central Statistical Office; Central Bank of Belize

Table 6: GDP by Expenditure in Constant 1984 Prices

	1995	1996	1997	1998	1999
GDP in $mn					
Gov't. final consumption expenditure	150.1	135.4	144.5	149.6	168.0
Private final consumption expenditure	508.7	515.6	478.6	515.3	470.6
Gross capital formation	196.6	187.9	214.3	223.7	329.9
Exports: goods & services	459.2	471.9	576.2	577.5	615.0
Imports: goods & services	468.8	445.2	518.8	550.8	624.5
Net Exports	-15.4	-7.4	-40.3	-69.2	-114.6
Domestic Savings	181.1	180.5	173.9	154.6	215.3
GDP market prices	**845.8**	**865.7**	**894.8**	**915.2**	**959.0**
Percent Distribution of GDP					
Gov't. final consumption expenditure	17.8	15.6	16.2	16.3	17.5
Private final consumption expenditure	60.1	59.6	53.5	56.3	49.1
Gross capital formation	23.2	21.7	23.9	24.4	34.4
Exports: goods & services	54.3	54.5	64.4	63.1	64.1
Imports: goods & services	55.4	51.4	58.0	60.2	65.1
Net Exports	-1.8	-0.9	-4.5	-7.6	-12.0
Domestic Savings	21.4	20.9	19.4	16.9	22.4
GDP market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: Central Statistical Office; Central Bank of Belize

Table 7: Net Domestic Credit

$mn

	Position as at			Changes during 1999
	Dec 1997	Dec 1998	Dec 1999	
Total Credit to Central Government	**152.2**	**153.5**	**147.9**	**-5.6**
From Central Bank	90.3	95.0	67.8	-27.2
Loans and Advances	49.7	45.1	42.0	-3.1
Gov't Securities	40.6	49.9	25.8	-24.1
From Commercial Banks	61.9	58.5	80.1	21.6
Loans and Advances	0.0	3.3	2.0	-1.3
Gov't Securities	61.9	55.2	78.1	22.9
Less Central Government Deposits	**57.8**	**30.5**	**30.4**	**-0.1**
With Central Bank	52.9	21.2	25.9	4.7
With Commercial Banks	4.9	9.0	4.5	-4.5
Net Credit to Central Government	**94.4**	**123.3**	**117.5**	**-5.8**
Plus Credit to Other Public Sector	**9.5**	**18.0**	**7.5**	**-10.5**
From Central Bank	4.2	2.3	1.0	-1.3
From Commercial Banks	5.3	15.7	6.5	-9.2
Plus Credit to the Private Sector	**545.4**	**609.8**	**649.0**	**39.2**
Loans and Advances	542.3	607.1	646.4	39.3
Securities	3.1	2.7	2.6	-0.1
Net Domestic Credit of the Banking System	**649.3**	**751.1**	**774.0**	**22.9**

Table 8: Gross Imports (cif) by SITC Categories

US$ mn

SITC Categories	1995	1996	1997	1998	1999
Food and Live Animals	40.1	43.0	45.2	49.7	53.5
Beverages and Tobacco	7.2	6.9	9.2	4.9	5.5
Crude Materials	1.7	1.2	1.4	1.9	2.7
Fuels and Lubricants	29.7	29.0	36.9	32.9	55.9
Animal and Vegetable Oils	1.7	1.9	1.9	1.8	1.9
Chemicals	27.1	29.5	31.3	31.6	36.5
Manufactured Goods	46.1	46.4	52.5	56.8	56.6
Machinery and Transport Equipment	66.7	64.1	73.9	76.1	100.2
Miscellaneous Manufactured Goods	37.2	31.9	32.2	37.5	43.2
Commodities not classified elsewhere*	1.1	3.1	3.6	3.1	13.7
Grand Total	**258.6**	**257.0**	**288.1**	**296.4**	**369.8**

Source: Central Statistical Office; Central Bank
*= includes imports of electricity

Table 9: Balance Of Payments Summary

US$mn

	1995	1996	1997	1998	1999
1. Current Account	7.3	2.3	-16.6	-39.5	-62.2
i) Merchandise Trade[1]	-66.2	-58.3	-80.8	-98.4	-128.8
Exports (f.o.b.)	164.4	171.3	199.9	194.4	201.4
Imports (f.o.b.)	230.5	229.5	280.8	292.8	330.2
ii) Invisible Trade	33.4	26.7	28.7	20.5	18.3
Services (net)	56.0	53.1	52.1	49.6	48.9
of which: Travel	62.3	66.9	78.7	79.8	79.5
Factor Income	-22.6	-26.4	-23.4	-29.1	-30.6
of which: Investment Income	-21.1	-24.7	-21.6	-27.5	-28.9
iv) Current Transfers (net)	40.2	33.9	35.6	38.4	48.4
Official	16.3	10.6	9.8	9.0	17.4
Private	23.9	23.3	25.8	29.5	31.0
2. Capital and Financial Account					
A. Capital Account	-2.6	-2.2	-3.4	-2.5	0.8
Capital Transfers	-2.6	-2.2	-3.4	-2.5	0.8
B. Financial Account	-23.3	1.0	24.7	25.6	88.0
i) Direct Investment	18.2	11.0	8.0	13.5	42.3
ii) Portfolio Investment	3.7	10.1	10.1	12.5	32.9
iii) Other Investment	-45.2	-20.1	6.5	-0.4	12.8
3. Net Errors & Omissions	21.5	19.8	-3.8	1.0	0.6
4. Overall Balance	20.9	20.9	1.0	-15.4	27.2
5. Financing	-20.9	-20.9	-1.0	15.4	-27.2
Change in SDR Holdings	0.1	0.2	0.1	0.2	0.0
Change in IMF Reserve Position	0.1	-0.2	-0.3	0.2	1.8
Change in Government Foreign Assets	0.0	0.5	-0.5	-0.1	0.2
Change in Other Official Foreign Assets	3.2	20.4	1.7	-15.7	25.2
Memo Items					
Import Cover in Months	1.3	2.7	2.5	1.6	2.2
Current Account/GDP (%)	1.2	0.4	-2.7	-6.3	-9.2

Table 10: Balance of Payments, 1997 - 1999

US$ mn

	1997			1998			1999		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
CURRENT ACCOUNT	**387.8**	**404.4**	**-16.6**	**388.9**	**428.4**	**-39.5**	**414.6**	**476.7**	**-62.2**
Visible Trade	199.9	280.8	-80.8	194.4	292.8	-98.4	201.4	330.2	-128.8
Invisible Trade	148.1	119.4	28.7	152.6	132.1	20.5	161.3	143.0	18.3
Services	140.6	88.5	52.1	145.5	95.8	49.6	154.0	105.1	48.9
Transportation	5.7	35.8	-30.2	5.8	36.3	-30.4	8.5	39.6	-31.1
Travel	96.5	17.9	78.7	101.0	21.2	79.8	103.2	23.7	79.5
Other Goods & Services	25.3	30.6	-5.3	19.7	33.1	-13.5	21.2	33.6	-12.4
Govt. Goods & Services, N.I.E	13.1	4.2	8.9	19.0	5.2	13.8	21.1	8.1	13.0
Factor Income	7.5	30.9	-23.4	7.2	36.3	-29.1	7.3	38.0	-30.6
Labour Income	4.9	6.8	-1.8	4.4	6.1	-1.7	4.7	6.4	-1.8
Investment Income	2.5	24.1	-21.6	2.7	30.2	-27.5	2.6	31.5	-28.9
Current Transfers	39.8	4.2	35.6	41.8	3.4	38.4	51.8	3.4	48.4
Government	12.0	2.3	9.8	10.6	1.7	9.0	18.9	1.5	17.4
Private	27.8	1.9	25.8	31.2	1.7	29.5	32.9	1.9	31.0
CAPITAL ACCOUNT	**0.0**	**3.4**	**-3.4**	**0.0**	**2.5**	**-2.5**	**3.2**	**2.4**	**0.8**
Capital Transfers	0.0	3.4	-3.4	0.0	2.5	-2.5	3.2	2.4	0.8
Acquisition/Disposal of Non-Produced Non-financing Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FINANCIAL ACCOUNT	**82.3**	**57.6**	**24.7**	**90.4**	**64.8**	**25.6**	**145.5**	**57.5**	**88.0**
Director Foreign Investment	11.9	3.9	8.0	19.0	5.5	13.5	52.3	10.0	42.3
Portfolio Investment	10.1	0.0	10.1	12.5	0.0	12.5	33.6	0.7	32.9
Other Investments	60.2	53.6	6.5	58.9	59.3	-0.4	59.6	46.8	12.8
Public Sector Long Term Loans	31.9	20.6	11.3	32.9	20.1	12.9	36.3	18.9	17.4
Other Public Sector Capital	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Banks	7.5	0.0	7.5	7.2	2.1	5.1	0.0	15.1	-15.1
Other	20.6	33.0	-12.4	18.8	37.1	-18.3	23.3	12.8	10.6
NET ERRORS & OMMISSIONS			-3.8			1.0			0.6
OVERALL BALANCE	-37.9	-38.9	1.0	-27.5	-12.1	-15.4	-5.0	-32.3	27.2
CHANGE IN RESERVES (- = increase)	37.9	38.9	-1.0	27.5	12.1	15.4	5.0	32.3	-27.2

N.I.E – not included elsewhere

Table 11: Government of Belize - Revenue and Expenditure

$'000

	Fiscal Year 1998/99	Estimated Budget 1999/2000	Jan-Dec 1997	Jan-Dec 1998	Jan-Dec 1999
TOTAL REVENUE & GRANTS (1+2+3)	358,751	391,747	308,777	324,967	415,065
1).Current revenue	**302,144**	**306,835**	**282,898**	**294,521**	**313,922**
Tax revenue	271,442	273,867	250,881	265,317	264,376
Income and profits	64,093	74,500	54,107	62,538	63,680
Taxes on property	1,607	3,205	1,564	1,673	1,962
Taxes on goods and services	97,921	83,023	97,272	97,459	82,343
Int'l trade and transactions	98,829	103,274	90,957	95,570	106,324
Other	8,991	9,867	6,981	8,077	10,067
Non-Tax Revenue	30,702	32,968	32,018	29,204	49,546
Property income	5,680	4,000	4,495	5,680	4,299
Contributions to pension fund	380	350	312	383	391
Transfers from NFPE's	3,241	1,010	3,488	1,370	10,768
Extrabudgetary revenue	1,858	2,650	2,378	1,907	1,661
Other	19,543	24,958	21,344	19,864	32,427
2). Capital revenue	**37,957**	**64,520**	**22,328**	**19,693**	**77,554**
3). Grants	**18,651**	**20,392**	**3,550**	**10,753**	**23,589**
(of which non-project)	0	0	1,417	5,015	0
TOTAL EXPENDITURE (1+2)	381,496	416,085	334,080	353,609	437,528
1). Current Expenditure	**264,907**	**280,313**	**252,233**	**260,035**	**279,337**
Wages and Salaries	140,301	145,935	127,737	137,730	146,448
Pensions	17,801	18,480	17,053	17,673	18,648
Goods and Services	52,982	53,061	50,178	48,550	58,786
Interest Payments on Public Debt	24,597	31,881	27,812	24,797	28,971
Subsidies & current transfers	29,217	30,956	29,452	31,286	26,483
2). Capital Expenditure	**116,589**	**135,772**	**81,847**	**93,574**	**158,191**
Capital II (local sources)	60,881	46,494	56,327	50,749	82,980
Capital III (foreign sources)	47,605	83,320	21,949	38,258	62,807
Capital Transfer	8,103	5,958	3,571	4,567	12,405
CURRENT BALANCE	37,237	26,522	30,666	34,486	34,585
OVERALL BALANCE	(22,745)	(24,338)	(25,303)	(28,642)	(22,463)
FINANCING	22,745	24,338	25,303	28,642	22,463
Domestic Financing	**11,555**	**(8,693)**	**17,596**	**27,571**	**(8,638)**
Central Bank	10,593		(3,026)	34,943	(36,018)
Net Borrowing			(21,782)	4,724	(27,189)
Change in Deposits			18,756	30,219	(8,829)
Commercial Banks	(229)		21,164	(7,609)	26,288
Net Borrowing			22,148	(3,524)	21,722
Change in Deposits			(984)	(4,085)	4,566
Other Domestic Financing	1,191		(542)	237	1,092
Financing Abroad	**25,801**	**33,031**	**5,762**	**14,167**	**28,664**
Disbursements	55,704	62,928	37,916	45,662	58,126
(of which non-project)	0		0	0	0
Amortization	(29,655)	(30,207)	(33,121)	(31,704)	(29,181)
Sinking Fund & JCF	(248)	310	967	209	(281)
Other	**(14,611)**	**0**	**1,945**	**(13,096)**	**2,437**

Sources: Ministry of Finance
Central Bank of Belize

Table 12: Central Government's Domestic Debt

$'000

	Disbursed Outstanding Debt Dec. 1998	Transactions During 1999 Disbursement/ New Issue of Securities	Amortization/ Reduction in Securities	Interest Payments	Net Change in Overdraft/ Securities	Disbursed Outstanding Debt Dec. 1999
Overdraft	45,091	0	0	4,641	(3,127)	41,964
Central Bank	45,091	0	0	4,641	(3,127)	41,964
Commercial Banks	0	0	0	0	0	0
Belize Social Security Board Loans	11,671	0	1,342	896	0	10,329
Housing I	0	0	0	0	0	0
Housing II	2,771	0	292	216	0	2,479
Rural Electrification	5,000	0	0	401	0	5,000
Rice Crop	0	0	0	0	0	0
Rural Electrification II	2,500	0	0	199	0	2,500
Rice Crop II	1,400	0	1,050	80		350
Treasury Bills	70,000	0	0	4,315	0	70,000
Central Bank	37,673	0	0	1,090	(24,072)	13,601
Commercial Banks	31,868	0	0	3,181	22,980	54,848
Other	459	0	0	44	1,092	1,551
Treasury Notes *	24,000	0	0	1,125	0	24,000
Central Bank	0	0	0	137	10	10
Commercial Banks	23,269	0	0	932	0	23,269
Other	731	0	0	56	(10)	721
Defence Bonds	15,000	0	0	685	0	15,000
Central Bank	10,000	0	0	400	0	10,000
Commercial Banks	100	0	0	0	0	100
BSSB	1,663	0	0	285	(1,663)	0
Other	3,237	0	0	0	1,663	4,900
Debentures	6,200	0	0	109	0	6,200
Central Bank	2,170	0	0	0	0	2,170
Commercial Banks	0	0	0	109	0	0
BSSB	3,980	0	0	0	0	3,980
Other	50	0	0	0	0	50
Land Acquisition (BBL)	3,000	0	1,000	263	0	2,000
DFC Housing Loan	5,000	0	5,000	167	0	0
TOTAL	**179,962**	**0**	**7,342**	**12,201**	**(3,127)**	**169,493**

* Since September 1998 the transactions relating to Treasury Notes have been conducted in US dollars whereby the principal is payable in US dollars and the interest is payable in Belize dollars.

Table 13: Public Sector External Debt by Creditors

$'000

	Disbursed Outstanding Debt December 1998	Transactions During 1999				Disbursed Outstanding Debt December 1999
		Disbursement	Amortization	Interest	Valuation Adjustments	
CENTRAL GOVERNMENT	**361,405**	**58,554**	**29,276**	**18,076**	**(4,735)**	**385,301**
Caribbean Development Bank	42,481	7,199	929	1,078	(61)	48,690
European Economic Community	21,202	0	289	158	(2,925)	17,988
Int'l Bank for Reconstruction Dev.	56,440	3,957	5,257	4,285	152	55,292
Int'l Fund for Agricultural Dev.	1,875	0	262	71	(56)	1,557
Gov't of United Kingdom	39,117	0	4,735	0	(1,362)	33,020
Gov't of Trinidad and Tobago	45	0	3	1	0	42
Gov't of United States of America	36,826	0	2,659	1,169	0	34,167
Suppliers Credit	13,991	780	5,584	1,005	1	9,188
OPEC Fund for International Dev.	3,748	72	200	209	0	3,620
Instituto Nazionale di Credito	11,892	0	3,964	693	1	7,928
People's Republic of China	465	0	58	0	1	407
Republic of China (Taiwan)	68,066	37,994	3,201	3,878	1	102,859
Republic of Germany	0	0	0	178	0	0
Fondo de Inversiones de Venezuela	7,013	0	1,036	456	0	5,977
Inter-American Development Bank	2,179	7,682	0	129	1	9,861
Government of Spain	3,289	0	0	0	(438)	2,204
Government of Kuwait	7,776	870	1,099	410	(46)	7,501
CitiCorp Merchant Bank Ltd.	44,000	0	0	4,356	0	44,000
Provident Bank & Trust (Treasury Notes)*	1,000	0	0	0	0	1,000
REST OF NON-FINANCIAL PUBLIC SECTOR	**87,703**	**4,331**	**4,736**	**6,062**	**(584)**	**24,201**
Caribbean Development Bank	35,957	2,147	1,873	2,185	153	8,580
Intl. Bank for Reconstruction Dev.	25,403	2,184	1,158	1,886	(104)	0
Commonwealth Development Corp.	0	0	0	0	0	0
Export/Import Bank of Taiwan	938	0	375	43	0	0
European Economic Community	6,681	0	0	141	(604)	0
CIBC Bank & Trust Co.	10,751	0	832	1,215	0	9,919
Government of Kuwait	5,731	0	0	420	(29)	5,702
Commission Federal de Electricidad	2,242	0	498	172	0	0
FINANCIAL PUBLIC SECTOR	**72,244**	**10,122**	**3,846**	**4,864**	**(564)**	**77,956**
Caribbean Development Bank	34,317	9,460	1,619	1,420	(4)	42,154
European Economic Community	4,631	662	440	205	(560)	4,293
Paine Webber Real Estate Securities	3,100	0	200	174	0	2,900
Gov't of United States of America	4,321	0	337	127	0	3,984
Export/Import Bank of Taiwan	1,875	0	1,250	79	0	625
CitiCorp Merchant Bank Ltd.	24,000	0	0	2,859	0	24,000
TOTAL	**521,352**	**73,007**	**37,858**	**29,002**	**(5,883)**	**487,458**

- Since September 1998 the transactions relating to Treasury Notes have been conducted in US dollars whereby the principal is payable in US dollars and the interest is payable in Belize dollars.
- Effective October 1999 BEL loans were reclassified as private sector debt following its full privatization, but the outstanding external debt of $61.8mn remains a contingent liability of Central Government.

AUDITOR'S REPORT

CENTRAL BANK OF BELIZE

1999 FINANCIAL STATEMENTS

CONTENTS

AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
CENTRAL BANK OF BELIZE

We have audited the accompanying balance sheet of Central Bank of Belize as of 31 December 1999, and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Central Bank of Belize as of 31 December 1998, were audited by other auditors whose report dated 31 March 1999, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Bank of Belize at 31 December 1999, and the results of its operations and its cash flows for the year then ended in conformity with International Accounting Standards and the Central Bank of Belize Act.

KPMG

14 April 2000

CENTRAL BANK OF BELIZE
BALANCE SHEET AS AT 31 DECEMBER 1999

In Belize Dollars.

ASSETS	**NOTES**	**1999**	**1998**
APPROVED EXTERNAL ASSETS			
Balances and deposits with foreign bankers and Crown Agents		96,196,134	31,309,284
Reserve Tranche and balances with the International Monetary Fund	5	14,356,880	10,468,748
Other foreign credit instruments		14,260,000	31,116,209
Accrued interest and cash intransit	2e	2,528,016	201,670
	4b,c	127,341,030	73,095,911
BELIZE GOVERNMENT SECURITIES	6	25,780,966	49,842,659
BELIZE GOVERNMENT CURRENT ACCOUNT	7	39,926,586	40,792,138
LOANS TO PUBLIC SECTOR	8	1,000,000	2,250,000
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		52,140	63,024
OTHER ASSETS	9	4,438,271	3,784,114
PROPERTY AND EQUIPMENT	2a,10	31,486,789	31,504,587
TOTAL ASSETS		230,025,782	201,332,433

The accompanying notes form an integral part of this financial statement.

CENTRAL BANK OF BELIZE
BALANCE SHEET AS OF 31 DECEMBER 1999 (CONT'D)

In Belize Dollars.

LIABILITIES, CAPITAL AND RESERVES	NOTES	1999	1998
DEMAND LIABILITIES			
Notes and coins in circulation		103,751,275	86,665,914
Deposits by licensed financial institutions	11	34,325,663	46,907,402
Deposits by and balance due to Government and Public Sector Entities in Belize		34,330,607	8,469,573
Deposits by international agencies	12	1,748,318	3,021,283
		174,155,863	145,064,172
BALANCES DUE TO CARICOM CENTRAL BANKS		325,954	197,688
OTHER LIABILITIES	13	3,177,550	3,212,052
COMMERCIAL BANK DISCOUNT FUND	14	1,399,623	1,479,771
BELIZE CREDIT FACILITY	15	4,728,112	3,784,884
LOAN PAYABLE TO FOREIGN INSTITUTION	16	625,000	1,875,000
CONSTRUCTION BONDS	17	24,000,000	24,000,000
TOTAL LIABILITIES		208,412,102	179,613,567
REVALUATION ACCOUNT	2(c),19	92,686	424,345
CAPITAL ACCOUNT			
Paid up capital (Authorized capital $10,000,000)		10,000,000	10,000,000
GENERAL RESERVE FUND	18	11,520,994	11,294,521
TOTAL LIABILITIES, CAPITAL AND RESERVES		230,025,782	201,332,433

GOVERNOR

DIRECTOR

DEPUTY GOVERNOR OPERATIONS

The accompanying notes form an integral part of this financial statement.

CENTRAL BANK OF BELIZE
STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 1999

In Belize Dollars.

	NOTES	1999	1998
INCOME			
Interest			
Approved external assets		5,410,815	5,276,659
Advances to government		4,639,074	4,943,505
Local securities	2d	1,019,341	2,518,365
Loans to statutory bodies		106,719	178,794
		11,175,949	12,917,323
Discounts on local securities		823,971	392,425
Commission and other income		1,828,833	1,495,828
Gain on sale of marketable securities	2d	-	25,000
TOTAL INCOME		13,828,753	14,830,576
LESS: Interest expense		(3,984,964)	(2,528,821)
Income from operations		9,843,789	12,301,755
EXPENDITURE			
Printing of notes and minting of coins	2b,h	(399,308)	(1,023,123)
Salaries and wages, including superannuation contributions and gratuities	20	(3,567,399)	(3,636,334)
Depreciation		(1,089,768)	(374,695)
Administrative and general		(2,522,581)	(1,993,837)
Total expenditure		(7,579,056)	(7,027,989)
NET PROFIT		2,264,733	5,273,766
PRIOR YEAR ADJUSTMENT	21		(496,853)
NET PROFIT TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED FUND		2,264,733	4,776,913
Transfer to general reserve fund in accordance with Section 9(1) of the Act	18	(226,473)	(477,691)
Balance credited to the accountant general for the consolidated revenue fund		2,038,260	4,299,222

The accompanying notes form an integral part of these financial statements.

CENTRAL BANK OF BELIZE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 1999

In Belize Dollars.

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit transferable to the general reserve and consolidated Funds	2,264,733	4,776,913
Adjustments to reconcile net profit to net cash provided by operating activities:		
Prior period adjustment	-	496,853
Depreciation	1,089,768	374,695
Gain on sale of securities	-	(25,000)
Loss on disposal of fixed assets	109,655	193,622
Changes in assets and liabilities that provided (used) cash:		
Other assets	(654,157)	(99,423)
Other liabilities	(34,502)	(719,679)
Revaluation account	(331,659)	424,345
Net cash provided by operating activities	2,443,838	5,422,326
CASH FLOWS FROM INVESTING ACTIVITIES:		
Belize Government current account	(1,172,708)	(1,088,964)
Receipts from loans to public sector	1,250,000	1,437,221
Acquisition of property and equipment	(1,393,325)	(9,219,051)
Reserve Tranchc in the International Monetary Fund	(3,431,661)	1,578,115
Proceeds from sale of marketable securities	-	4,000,000
Proceeds from sale of fixed assets	211,700	8,000
Belize Government securities – (purchase) sale	(10,000)	20,496,000
Net cash (used in) provided by investing activities	(4,545,994)	17,211,321
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	17,085,361	7,437,160
Deposits by licensed financial institutions	(12,581,739)	5,112,223
Deposits by and balances due to Government and Public Sector Entities	25,861,034	(25,764,050)
Deposits by International Agencies	(1,272,965)	(3,183,384)
Balances due to Caricom Central Banks	128,266	(883,975)
Commercial Bank Discount Fund	(80,148)	(167,815)
Belize Credit Facility	943,228	904,986
Loans payable to foreign institutions	(1,250,000)	(1,250,000)
Net cash provided by (used in) financing activities	28,833,037	(17,794,855)

The accompanying notes form an integral part of these financial statements.

CENTRAL BANK OF BELIZE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONT'D)

In Belize Dollars.	1999	1998
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,730,881	4,838,792
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	102,685,859	97,847,067
CASH AND CASH EQUIVALENTS, END OF YEAR	129,416,740	102,685,859
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers and Crown Agents	96,196,134	31,309,284
Other foreign credit instruments	14,260,000	31,116,209
Accrued interest and cash intransit	2,528,016	201,670
Balance with the International Monetary Fund	2,779,484	2,323,013
	115,763,634	64,950,176
LOCAL ASSETS:		
Cash and bank balances	52,140	63,024
Government of Belize Treasury Bills	13,600,966	37,672,659
	129,416,740	102,685,859

The accompanying notes form an integral part of these financial statements.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENT

In Belize Dollars.

1. ORGANIZATION

The Central Bank of Belize, (the "Bank"), was established by the Central Bank of Belize Act 1982 (the Act).

The principal activity of the Bank is to foster monetary stability especially in regard to the exchange rate, and to promote banking, credit and exchange conditions conducive to the growth of the economy of Belize

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Following is a summary of the more significant accounting policies adopted by the Bank in preparing its financial statements which accord with International Accounting Standards and the Central Bank of Belize Act:

a. Property, plant and equipment, depreciation and amortization -

Fixed assets are carried at cost, and are depreciated on a straight line basis over their estimated useful lives. Land is not depreciated.

Depreciation is charged at the following rates:

Building and improvements	1%, 5%
Office furniture	20%
Equipment	20%
Vehicles	20%

b. Sale of special coins -

Special coins, which are minted or packaged as collector items, are legal tender. However, no liability is recorded in respect of these coins since they are not expected to be placed in circulation as currency. Minting cost is charged against income in the year incurred. Income is recognized when sales are made.

c. Foreign currency translation and exchange gains and losses -

i. Assets and liabilities

Foreign currency balances at year end are translated at the rates of exchange ruling at year end.

In Belize Dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c. Foreign currency translation and exchange gains and losses –

ii. Income and expenses

Income and expenses in foreign currencies are translated at the rate of exchange ruling on the transaction date.

iii. Revaluation

Section 49 of the Act stipulates that gains or losses from any revaluation of the Bank's net assets or liabilities in gold, special drawings rights (SDR), foreign exchange or foreign securities as a result of any change in the par value of the Belize dollar or any change in the par value of the currency unit of any other country shall be excluded from the computation of the annual profits and losses of the Bank. All such gains or losses shall be credited in a special account called Revaluation Account. However, no profits shall first be carried to the General Reserve Fund or paid to the Government under Section 9 (see Note 19) whenever the Revaluation Account shows a net loss. Such profits shall first be credited to the Revaluation Account in an amount sufficient to cover the loss.

d. Valuation of securities -

Securities are stated at the lower of cost or market value. Unrealized losses arising from changes in the market value of securities are charged against income while unrealized gains are deferred. Realized gains and losses are included in income.

e. Accrued interest and cash intransit -

Accrued interest and cash intransit in respect of foreign assets are shown as part of external assets.

f. Pension -

The pension scheme, a defined benefit plan, is funded by contributions from the Bank and employees. It is financially separate from the Bank and is managed by a Board of Trustees.

In Belize Dollars.

g. Taxation -

In accordance with Article 51 of the Act, the Bank is exempt from the provisions of any law relating to income tax or customs duties and from the payment of stamp duty.

h. **Change in accounting policy**

Effective January 1, 1999, the Bank changed its method of accounting for the expense of printing notes and minting coins by charging such expense against earnings in the year in which the notes and coins are issued for use. Under the Bank's previous accounting policy, printing and minting expense was recognized in the year the new notes and coins were brought into the country

Prior to 1999, the Bank held stocks of newly printed and minted notes and coins overseas due to limited available storage in Belize, and took delivery of quantities each year based on their projected usage in that year. In 1999, the Bank had available storage capacity and brought in a significant stock of notes and coins it was holding overseas. Under its previous accounting policy, the Bank would have charged 1999 earnings with the cost of the stocks brought into Belize.

The cumulative effect of the change in accounting policy reduced the 1999 printing and minting expense thereby increasing earnings by $ 1,621,629. The change, which has not been made retrospectively, did not have a material effect on 1998 earnings.

Management believes that the change in accounting policy best reflects the true expense of printing notes and minting coins as a charge against earnings.

3. INTEREST ON CENTRAL BANK BUILDING CONSTRUCTION BONDS

Interest is payable semi-annually on the Bank's Construction Bonds. Interest on the cost of the building project during construction is capitalized net of income generated from the investment of proceeds of the construction bond. In 1999 and 1998, interest of nil and $373,293 was capitalized respectively. Otherwise interest is charged against the annual earnings of the Bank. (See Note 17).

4. CENTRAL BANK OF BELIZE ACT SECTION 5 COMPLIANCE

Section 5 of the Act stipulates that:

a. The Bank shall at all times hold assets of an amount in value sufficient to cover fully the value of the total amount of its notes and coins for the time being in circulation; and

In Belize Dollars.

b. The Bank shall maintain at all times a reserve of external assets of not less than 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect of its sight and time deposits.

c. At 31 December 1999 and 1998 total approved external assets approximated 73 percent and 50 percent of such liabilities respectively.

5. INTERNATIONAL MONETARY FUND - RESERVE TRANCHE

Belize became a member of the International Monetary Fund in 1982 with a subscription of SDR 7,200,000 of which SDR 1,320,600 was paid in foreign currency (The Reserve Tranche) and the remainder in Belize dollars made up of currency and non-interest bearing promissory notes.

In 1982, this Reserve Tranche was purchased by the Bank from the Government of Belize.

At 31 December 1999, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000 and the Bank's Reserve Tranche amounted to SDR 4,238,690. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$2.75 to SDR 1.0 at 31 December 1999 (1998 - BZ$2.82 to SDR 1.0).

6. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:	**1999**	**1998**
Treasury Bills	13,600,966	37,672,659
Debentures	2,170,000	2,170,000
Treasury Notes	10,000	-
Belize Defense Bonds	10,000,000	10,000,000
	25,780,966	49,842,659

Section 35(2) of the Act stipulates that the Bank shall not at any time hold Belize Government securities in an aggregate amount exceeding five times the aggregate amount at that time of the paid up capital and general reserves of the Bank. At 31 December 1999 and 1998 the Bank's aggregate holding of Belize Government securities approximated 1.2 times and 2.3 times, respectively, the amount of paid up capital and general reserves of the Bank.

In Belize Dollars.

7. BELIZE GOVERNMENT CURRENT ACCOUNT

In accordance with Section 34 of the Act, the Bank may make direct advances to the Government provided that at any one time the total outstanding amount of direct advances shall not exceed twenty percent of the current revenues of the Government collected during the preceding financial year or the sum of fifty million dollars, whichever is greater. At 31 December 1999 and 1998 advances to Government represent approximately 69 percent and 87 percent of the authorized limit respectively.

8. LOANS TO THE PUBLIC SECTOR

	1999	1998
Loans to the public sector comprise the following loans to Reconstruction and Development Corporation to finance housing construction. (Note 16).		
5% p.a. loan due in 16 consecutive semi-annual payments commencing 10 July 1993.	93,750	156,250
5.5% p.a. loan due in 16 consecutive semi-annual payments commencing 10 July 1993.	468,750	781,250
6% p.a. loan due in 16 consecutive semi-annual payments commencing 22 December 1992.	437,500	1,312,500
	1,000,000	2,250,000

These loans are guaranteed by the Government of Belize.

9. OTHER ASSETS

At 31 December other assets are made up as follows:

	1999	1998
Inventory – notes and coins (Note 2h)	1,621,629	1,095,318
Prepayments and accrued interest	567,336	696,963
Accounts receivable	2,009,719	1,753,680
Mobilization advance	164,513	164,513
Other	75,074	73,640
	4,438,271	3,784,114

In Belize Dollars.

10. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	1999	1998
Properties and improvements	28,587,208	28,368,421
Furniture	847,444	843,545
Equipment	5,252,984	4,969,423
Vehicles	283,882	218,559
	34,971,518	34,399,948
Less: accumulated depreciation	3,484,730	2,895,361
	31,486,789	31,504,587

11. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the provisions of Section 13 of the Banks and Financial Institutions Act 1995, licensed financial institutions are required to keep on deposit with the Bank an amount equivalent to at least 3% of their average deposit liabilities. These deposits are interest free.

12. DEPOSITS BY INTERNATIONAL AGENCIES

The Bank acts as agent for and accepts deposits from international financial institutions. At 31 December, deposits consisted of:

	1999	1998
Commission of the European Communities	159,838	277,797
International Monetary Fund	129,533	93,409
Caribbean Development Bank	21,466	25,814
Inter-American Development Bank	458,907	178,000
International Bank for Reconstruction and Development	594,062	2,466,263
INFODEV Trust Account	384,512	-
	1,748,318	3,021,283

In Belize Dollars.

13. OTHER LIABILITIES

	1999	1998
Interest payable (including construction bonds)	1,377,768	1,378,931
Pension contributions and gratuities	428,482	351,621
Abandoned property	560,985	471,885
Retention payable	580,000	785,176
Other	230,315	224,439
	3,177,550	3,212,052

14. COMMERCIAL BANK DISCOUNT FUND

Commercial Bank Discount Fund is a facility which was established by an agreement signed in March 1983 by the Government of Belize and the United States of America, providing for a discount fund to be operated through the Bank. The United States Government acting through United States Agency for International Development (USAID) earmarked US $5 million in loan funds up to 30 June 1987, to finance this facility. The facility enabled commercial banks in Belize to discount with the Bank up to 100% of loans made to sub-borrowers for projects approved by the Bank and USAID. In 1993 USAID and the Bank agreed that BZ $2 million and BZ $1.5 million from the reflows to the Discount Fund could be used as a line of credit to National Development Foundation of Belize (the Foundation) and Development Finance Corporation (DFC), respectively.

The USAID loan has the following terms:

Interest rate 2% for the first ten years and 3% thereafter. The loan is repayable within 25 years with a grace period of 9-1/2 years and 31 equal semi-annual principal payments for 15-1/2 years.

At 31 December 1999, outstanding loans discounted by commercial banks through the facility amounted to BZ $.6 million (1998 - BZ $.9 million) net of repayments, against a total drawdown of BZ $5.7 million (1998 - BZ $5.7 million) from USAID. On that date the amount drawn down by the Foundation was BZ $1.5 million (1998 - BZ $1.6 million) net of repayments and the amount drawn down by DFC was BZ $1.8 million (1998 - BZ $1.6) net of repayments.

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize Dollars.

15. BELIZE CREDIT FACILITY

Under a World Bank Agricultural Credit and Export Development Project Loan Agreement signed between the Government of Belize and the International Bank for Reconstruction and Development on 19 July 1988, the Bank acting as agent for the Government of Belize assists the Government in operating the Belize Credit Facility through which loans are made available to the Development Finance Corporation for specific development projects.

The Bank's responsibility to assist the borrower is set out in an agreement signed between the Government and the Bank on 13 March 1989.

16. LOAN PAYABLE TO FOREIGN INSTITUTION

Loan payable to foreign institution consists of:

	1999	1998
Due to a foreign institution repayable in 16 semi-annual installments commencing 22 December 1992. Interest accrues at 5% per annum. The loan was negotiated for US $5,000,000 for on-lending to Reconstruction and Development Corporation to finance housing construction and is secured by a promissory note from the Bank. (Note 8)	625,000	1,875,000

17. CONSTRUCTION BONDS

	1999	1998
BZ $24,000,000 construction bonds maturing on 31 July 2003 secured by a guarantee from the Belize Government. Interest at 11.75% per annum is payable semi-annually.	24,000,000	24,000,000

CENTRAL BANK OF BELIZE
NOTES TO THE FINANCIAL STATEMENTS

In Belize Dollars

18. GENERAL RESERVE FUND

Section 9(1) of the Act provides for the establishment of a General Reserve Fund into which is paid 20 percent of the net profit of the Bank in each financial year until the Fund is equal to the amount of the Bank's paid up capital. Thereafter, 10 percent of net profit is paid into the Fund.

	1999	1998
Balance at beginning of year	11,294,521	10,816,830
Transfer from profits at 10%	226,473	477,691
Balance at end of year	11,520,994	11,294,521

19. REVALUATION ACCOUNT

Under Section 49 of the Act, no profits shall be credited to the General Reserve Fund or paid to the Consolidated Revenue Fund whenever the Revaluation Account shows a net loss. Such profits shall first be credited to the Revaluation Account in an amount sufficient to cover the loss.

	1999	1998
Balance at beginning of year	424,345	-
Net gain (loss) on revaluation of Reserve Tranche in the International Monetary Fund	(262,192)	340,054
Net gain (loss) on revaluations during the year	(69,467)	84,291
Balance at end of year (Note 2c. iii)	92,686	424,345

In Belize Dollars.

20. PENSION SCHEME

The pension scheme, a defined benefit plan, receives contributions from the Bank and its eligible employees. During the year under review the Bank contributed BZ $210,216 to the scheme. The scheme is financially separate from the Bank and is managed by a Board of Trustees. The cost of plan benefits is determined using an accrued benefit valuation method.

Significant actuarial assumptions used in the last valuation were:

I. A valuation rate of interest of 7% p.a.

II. A rate of escalation of pensionable salaries of 5% p.a.

III. No allowance for pensions in course of payments to be increased in future.

The last actuarial valuation was at 31 December 1998. That valuation reported the present value of past service liabilities and the plan's assets at assessed value to be $1,951,000 and $3,025,000, respectively.

21. PRIOR YEAR ADJUSTMENT

In the calculation of penalty charges on loans to the Public Sector, the Bank included interest due as a part of the base for the penalty charges, which is not in compliance with the loan agreement. The consequent reduction in penalty charges was used to reduce the principal due from the Public Sector entity.

22. Financial Instruments

The carrying amounts of cash and cash equivalents, and other short-term instruments and obligations at the balance sheet date represent best estimates of fair value because of the relative short-term maturities of these assets and liabilities. Long- term obligations have been contracted at market terms and their carrying amounts approximate fair value to the extent it is practicable to estimate.

CENTRAL BANK OF BELIZE

Eighteenth Annual Report and Accounts 1999

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