"Making Every Dollar Count"

BUDGET SPEECH

FOR

FISCAL YEAR 2020/2021

Rt. Hon. Dean Barrow

Prime Minister and Minister of Finance, Labour, Local Government, Rural Development, Public Service, Energy and Public Utilities

Belmopan, Belize

Thursday, March 5, 2020

SUMMARY OF RECURRENT AND CAPITAL BUDGETS

	ACTUAL OUT-TURN 2018/19	APPROVED BUDGET 2019/20	PROJECTED OUT-TURN 2019/20	DRAFT BUDGET 2020/21
TOTAL REVENUES AND GRANTS	**1,187,972,232**	**1,226,771,199**	**1,217,880,686**	**1,239,367,408**
RECURRENT REVENUE	**1,145,298,948**	**1,198,915,868**	**1,184,007,629**	**1,205,987,287**
TAX REVENUE	**1,035,322,988**	**1,088,786,237**	**1,081,192,062**	**1,106,710,235**
INCOME & PROFITS	287,575,791	305,023,302	300,545,955	308,059,604
TAXES ON PROPERTY	5,525,371	6,439,838	5,926,419	6,044,948
TAXES ON INTERNATIONAL TRADE & TRANSACTION	163,810,475	167,019,037	165,009,585	167,667,566
TAXES ON GOODS & SERVICES	578,411,351	610,304,060	609,710,103	624,938,118
NON-TAX REVENUE	**109,975,960**	**110,129,631**	**102,815,567**	**99,277,052**
PROPERTY INCOME	20,231,469	14,030,021	12,361,943	11,672,564
LICENCES	27,584,234	22,052,034	25,207,162	25,711,370
ROYALTIES	29,059,360	45,680,122	34,473,563	35,048,257
OTHER GOVERNMENT MINISTRIES	31,998,572	28,157,116	29,891,586	25,954,878
REPAYMENT OF OLD LOANS	1,102,323	210,338	881,314	889,983
CAPITAL REVENUES:	**5,690,259**	**2,556,350**	**3,653,672**	**2,556,349**
SALE OF EQUITY	172,732	128,882	221,510	128,881
SALE OF CROWN LANDS	5,517,527	2,427,468	3,432,162	2,427,468
GRANTS	**36,983,024**	**25,298,981**	**30,219,385**	**30,823,772**
TOTAL EXPENDITURES	**1,233,744,781**	**1,256,208,980**	**1,291,328,412**	**1,362,106,037**
TOTAL RECURRENT EXPENDITURE	**1,061,755,188**	**1,077,000,799**	**1,074,013,817**	**1,108,328,966**
PERSONAL EMOLUMENTS	440,519,696	440,596,066	445,709,043	453,800,967
PENSIONS & EX-GRATIA	98,746,755	97,113,118	94,790,941	95,866,651
GOODS & SERVICES	226,162,397	250,172,099	230,797,425	253,060,950
SUBSIDIES AND CURRENT TRANSFERS	171,031,633	174,045,978	178,980,729	184,145,769
DEBT SERVICE-INTEREST & OTHER CHARGES	125,294,707	115,073,538	123,735,679	121,454,628
TOTAL CAPITAL EXPENDITURES	**171,989,593**	**179,208,181**	**217,314,596**	**253,777,071**
CAPITAL II EXPENDITURES	67,021,456	74,777,646	80,606,664	113,770,254
CAPITAL III EXPENDITURES	91,673,997	96,131,911	128,409,308	137,708,193
CAPITAL TRANSFER & NET LENDING	13,294,139	8,298,624	8,298,624	2,298,624
RECURRENT SURPLUS/[DEFICIT]	**83,543,760**	**121,915,069**	**109,993,812**	**97,658,321**
PRIMARY SURPLUS/[DEFICIT]	**79,522,158**	**85,635,757**	**50,287,953**	**(1,284,001)**
As Percentage of GDP	2.05%	2.12%	1.34%	-0.03%
OVERALL SURPLUS/[DEFICIT]	***(45,772,549)***	***(29,437,781)***	***(73,447,726)***	***(122,738,629)***
As Percentage of GDP	-1.18%	-0.73%	-1.96%	-3.23%
AMORTIZATION	**(97,254,352)**	**(103,011,394)**	**(76,169,654)**	**(109,368,220)**
FINANCING	**(143,026,902)**	**(132,449,175)**	**(149,617,380)**	**(232,106,849)**
GDP (in billions of Bz) (Current prices)	***3.888***	***4.030***	***3.755***	***3.797***

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INTRODUCTION

Madam Speaker,

I rise to table The Budget for Fiscal Year 2020/21.

Today, as everyone knows, is the final budget presentation of this Parliament, and my swan song as Minister of Finance. I consider the results for this year and the proposals for the next, to be persuasively positive, born of dexterous public sector management and collaboration amongst the various sectors of our society.

To be sure, the conditions of the public finances are inextricably bound to the larger Belizean economy, and that economy is sharply attuned to the regional and global tempo. Noteworthy it is then, that from the very start of our first term, in 2008, this administration has, more often than not, operated under markedly hostile conditions.

There is no need to rehearse the state of public finances and the economy inherited from those across the aisle: pariah status with our IFI financiers; junk status with the rating agencies; double-dealer status with our bilateral partners; bankruptcy status for our most important institutions like the SSB and the DFC; and ignoble status with the people, the public service and the social partners.

The citizenry had lost ownership of public utilities, inflation was surging, foreign currency reserves had plummeted in a direct threat to our exchange peg and the cost of private credit was at an astronomical 14.3 percent.

On the wider panorama, the world was reeling with instability – the Great Recession had been detonated, oil prices shot up to $150 per barrel and commodities prices skyrocketed.

So, we were confronted with these tumultuous headwinds and many other adversities at various points during these 12 years. These included, but were by no means limited to, storms and hurricanes, climate change induced-hazards, de-risking and correspondent banking menaces, historic droughts, crop diseases, and even the aggression of our Western neighbor. In the face of all this, my Administration has never recoiled nor retreated. Indeed, we delivered, I can proclaim with pride, the longest period of fiscal and macro-economic stability in post-Independent Belize.

There has been no IMF stand-by program, no debt default, no retrenchment, no threat to the precious currency peg.

The story in fact, as I will catalogue today, has been quite the opposite. Altogether, there has been an unprecedented span of steady growth, fiscal strength and macro-economic advancement. Headlining the catalogue of achievements is remarkable, immense economic expansion, three fourths of which, I emphasize, is private sector driven.

I underscore the private sector component since it has become a cardinal tenet of modern capitalism, ceaselessly preached by the leaders of the private sector, that growth is a direct consequence of the conditions fostered by the Government. To achieve this kind of growth, many conditions must therefore, by design, have been exceedingly friendly to business.

Later this year, the independent SIB will upgrade the System of National Accounts, from the 1993 methodology to the 2008 approach. This new Supply and Use Table methodology, implemented under the guidance of Statistics Canada and CARTAC, established a 2014 GDP output of $4.154 billion, 23 percent larger than previously recorded. This breakthrough revision and the huge net positive GDP increase it represents occurred, I repeat, not in consequence of any inventiveness or fanciful, untested new approach by the SIB. It is a result, rather, of the tutelage of the professionally renowned and up-to-date Statistics Canada and CARTAC, global leaders in the proper methodology of the gathering and analysis of economic statistics, data and metrics. With this seminal development, work is now well under way to document the proper effects and nuances of our diverse economy, and to recalibrate the national accounts so as elevate the entire GDP series.

What it immediately means, what it unquestionably certifies, is this: from 2008 until the end of 2019, this UDP administration would have presided over an 87 percent increase in economic output. In other words, we almost doubled the economy, adding a net annual economic production of over $2 billion. Furthermore, we achieved this miracle growth without the unsustainable fiscal steroid of high-cost commercial borrowing and fire sale privatizations that underwrote the artificial numbers and growth hoax of the PUP years.

Complementing this ground-breaking expansion is the strength of public sector finances, as measured by both revenue generation and investment expenditure.

In 2008, the Budget's recurrent revenues stood at $591 million. Today, this bedrock factor of public finances stands at $1.184 billion, double the level of 12 years ago.

And on the investment side there is one focal measure, one yardstick that distills and defines the raison d'etre of this Administration, a stunning accomplishment that elevates our work to the summit of progressive governance. It is this year's investment in personal emoluments for all our 14,000 public officers, police and military personnel; all our teacher, nurses, doctors and every last person who serves our citizens; and, of course, the approximately 1,000 pensioners we look after in their post-service life.

Thus, it is that salaries for all of those just listed amount now to $540.5 million, up from $276.3 million in 2008.

Each and every year of this Administration's tenure, then, has on average meant an additional $35 million invested in those on whom we depend to serve, protect, empower and enable the citizens and residents of this country. There is no precedent to match this record, to approximate this performance, to rival even by half, this commitment to reward our most precious resource – the people of Belize. So I say this to those on the other side, those that vulgarly distort our record and tirelessly twist, mangle and spit upon the truth: have you no shame? will you never even try to cover your nakedness, your indecent exposure?

You obsess almost to the point of lunacy over this Administration's transformative infrastructure program. You build a nonsense upon stilts case. You say that building roads and bridges and paving streets and fixing lanes and putting in water systems and health posts and opening up highways to Caracol and to the coast are no investment in people. But truth is eternal, and verities are invincible. And the truth of Belize's uplift and the verity of our country's remake are there for all the world to see. That is what confounds you, Mr. Leader of the Opposition, and it is what exposes to the full light of day the nudity, folly and complete fakery of your benighted Party.

RECENT ECONOMIC DEVELOPMENTS

INTERNATIONAL AND REGIONAL DEVELOPMENTS

The deceleration of economic activity in Belize during the last three quarters of 2019 reflects the unpropitious regional and global trend. Before external conditions shifted, we had grown by almost 6 percent in the first quarter of 2019. Preliminary estimates by the IMF now show that last year global growth, the entire world, was 20 percent below target. In our region, real growth in 2019 is forecast to be a negative 1.8 percent in Central America and barely 1 percent in the Caribbean.

This downward trajectory will intensify this year, the pundits tell us, with revised forecasts of 0.5 percent for global growth, dramatically down from initial estimates of 3.5 percent. Indeed, an economic contraction-not to say collapse-is entirely plausible if the coronavirus, already wreaking havoc on markets, evolves into a worldwide pandemic. Travel and tourism's outsized value to our economy renders the implications of this virus truly alarming for Belize.

Of special interest, in the context of this Budget, is the emerging consensus that Central Banks and governments should preemptively institute low interest rates and market interventions.

Fortunately, the FY 2020/21 Budget which we propose today, representing total spending and investment of $1.362 billion, plus $109m for principal repayments, funds an extensive envelope of capital projects. It also preserves the salaries and increments of all public officers and facilitates our expanding menu of pro-poor, education, healthcare and citizen security programs.

Two budgets ago, with tourism expanding at a record clip, Foreign Direct Investment flowing into the economy and global conditions promising an extended period of growth, we had achieved a remarkable 4 percent of GDP turnaround, adjusting our budget to a modest primary surplus. Our target was a sustained period of at least 2 percent primary surpluses to pare the public debt and build a margin for black swan events.

Alas, first the drought and now the coronavirus compel us to play offense, to act decisively. We must therefore accept some short-term slippage to our fiscal targets for the ultimate good of the economy and the well-being of the Belizean people.

ECONOMIC DEVELOPMENTS IN BELIZE

Real Sector Developments

The Statistical Institute of Belize (SIB) reported that Belize's real gross domestic product (GDP) expanded by 0.3 percent in 2019, below both the 2.8 percent projected last year, and the growth of 2.1 percent achieved for 2018.

The primary and secondary sectors of the economy were most harshly affected by the drought and actually contracted during the year. Meanwhile, activities in the tertiary sector, or service-based industries, slowed due to the consequences of internal and external volatility.

The SIB reports that output in the primary sector, which includes agriculture, fishing and mining activities, fell slightly by 0.7 percent in 2019 compared to the previous year. Agriculture production weakened as on-going difficulties to manage and control the plight of legacy diseases in key agricultural industries were compounded by the record drought and its devastation of rain-dependent crops. Corn harvesting, for example, was significantly suppressed by the lack of rain. Accordingly, its production shriveled by 54.8 percent during the year. Furthermore, citrus yields fell for the fifth consecutive year, down 11.0 percent, as the deleterious impacts of citrus greening and citrus leprosis were exacerbated by abnormally dry weather conditions. However, output in several agricultural industries weathered the climate pressures with continued investments in new production acreage as well as the adaptation and implementation of adequate water management systems. Accordingly, annual sugarcane deliveries grew by 3.1 percent, while banana harvests rose by 4.2 percent compared to the previous year. Out-turns in the *"Fishing"* subsector were mixed: moderate contributions from higher lobster and conch, while catches were tempered by a further downturn in farmed shrimp production, owing to continued difficulties in bringing the Early Mortality Syndrome (EMS) disease under enough control.

The secondary sector, represented by manufacturing, construction and energy producing industries, narrowed by 11.7 percent, largely, again, on account of the drought-induced strain on water resources. The overall sectoral decline was heavily influenced by the 28.3 percent reduction in domestic electricity generation, as power generation from hydro-electric facilities on the Macal River plummeted in tandem with the reduction in rainfall. Economic losses also accumulated from expected declines in citrus juice production, flour production, and petroleum extraction. In the case of petroleum, it is timely to recall that when we took office in 2008, almost $50 million in revenues flowed to the public coffers. It makes it all the more impressive that our finances and the economy have withstood this loss of more than 1.5 percent and 6 percent respectively.

These negative outcomes in the secondary sector outweighed positive contributions from higher sugar, molasses, and beverage production. Additionally, output in the construction sector declined, though offset by the increase in capital projects undertaken by Central Government.

The tertiary sector, composed of service-based industries, was once again a bright spot. This sector grew by 2.6 percent when compared to the year before. The growth impetus stemmed mainly from strengthening in the provision of distributive, government, and financial intermediation services. On the other hand, the performance of the tourism industry was steady rather than surging as in previous years, exerting a somewhat dampening effect on activities in other areas. Overnight arrivals did increase by 2.0 percent in 2019, raising the number of stay-over visitors to a new record high. So, growth there was, but it was a slowdown in pace relative to the 12.6 percent expansion recorded the year before. Meantime cruise ship disembarkations contracted by 3.1 percent in 2019 relative to the exceptional 19.1 percent expansion in 2018. That expansion was a one-time event caused by the diversion of cruises to Belize following the devastation caused by major hurricanes to other Caribbean destinations. As a result of the cruise ship correction, marginal output declines were recorded in the *"Transportation and Communication"* and *"Hotels and Restaurants"* sub-sectors.

The External Sector

Turning to the external sector, the current account deficit of the balance of payments widened modestly to 4.5 percent of GDP in 2019. The expansion reflected a larger merchandise trade deficit that overshadowed measurable improvements in tourism receipts, workers' remittances, and reduced profit repatriation. The trade balance expanded as the growth in imports of goods grew faster than merchandise exports. Whereas the 7.8 percent rise in imports was led by the unavoidable higher outlays on energy products, the 5.8 percent rise in domestic exports was driven by increases in sugar and banana sales.

Net financial flows nonetheless amounted to US$152.6 million for the year. This quantum included bourgeoning foreign direct investments for real estate and tourism-related activities. Gross official international reserves stood at $555.8 million by the end of 2019. This was the equivalent of 3.2 months of merchandise imports, and thus above the recommended 3.0-month threshold; and lest those on the other side forget, this 555.8 million was $340 million more than their stock of reserves at the start of 2008.

The Monetary and Financial Sector

The banking system, the scaffolding upon which productive economies are built, entered 2020 stronger than at any time in recent memory, with total assets surpassing $5 billion for the first time ever. Here is the breakdown: $3.537 billion held by the domestic banks, $1.090 billion by the credit unions and $417 million by international banks for a total, at the close of 2019, of some $5.043 billion. Across the sector, the performance of the financial institutions has been stellar. For example, in the last quarter of 2019, gross profits at the 16 major financial institutions totaled $24 million, which if projected annually suggests a healthy 12 percent return in investment. The industry's capital adequacy ratio, a key measure of strength, ended 2019 at 22.8 percent, two and half times the prudential requirement of 9 percent. As well, sector-wide gross equity and share capital stood at almost $800 million.

The cost of credit to consumers and the private sector has consistently been declining, especially as the regulator has encouraged competition and efficiency. The weighted average lending rate system-wide was 9.0 percent, 530 basis points lower than the 14.3 percent rate in 2008.

Also, non-performing loans (NPLs) in the financial system have been reduced to well below the acceptable level of 5 percent. In fact, in the last quarter of 2019 NPLs at domestic banks sank to 2.4 percent while the rate for credit unions was just 2.6 percent. These are dramatic improvements indeed compared to 12 years ago.

In an unmistakable sign of sweeping confidence and a positive harbinger for medium term growth, lending to the private sector by domestic banks grew at the fastest pace since 2008, up by $115.7 million in 2019.

I am especially pleased to report that the liquidation processes of both Atlantic International Bank and Choice Bank are in their closing stages with high projected recovery rates for depositors and creditors.

The CBB Governor and her Management Team have continued to work closely with the industry and wider interests, initiating multiple high-impact financial sector projects, several that are worthy of mention today.

First, a deposit insurance system is in motion guaranteeing accounts holding BZ$20,000 or less, following the passage of legislation by Parliament late last year. Soon, 94 percent of all individual deposits in domestic banks and 95 percent of those at credit unions, over 420,000 individual bank and credit union accounts with a cumulative value of $615 million, will be insured.

The CBB is now a member of the International Association of Deposit Insurers, and Belize will join 107 nations that already have a functioning deposit insurance system including all our sister nations of Central America and the Caribbean.

Second, the CBB, joined by more than 30 partners, has launched the first ever National Financial Inclusion Strategy, with stakeholder-led task forces working toward specific goals for greater financial participation by citizens. One overarching goal is to attract a further 15 percent of the adult population into the financial system by 2022. This would represent an additional 30,000 new customers for the banking system.

Third, to expedite the flow of consumer credit, subject to the timely evaluation of credit risk and ensuring confidentiality, the CBB has re-started its efforts to establish a Credit Reporting System. Such a system, with the right legislation and management, will promote financial inclusion, buttress the confidence of lenders, deepen the financial system and enhance access to credit.

Fourth, the CBB has commenced the process of sector engagement for the enactment of capital market legislation. A modern securities industry would deepen the market for government securities, facilitate private sector capital formation and generally make Belize a more attractive destination for investment and capital flows. The enabling legislation is already in draft form, its formulation consistent with international best practices.

And finally, the CBB and the Ministry of Finance (MoF) have proposed, and the Cabinet will consider imminently, an amendment to the Treasury Bills Act that would allow the CBB to offer longer term GoB securities. At present, the longest maturity of a Treasury Note is 10 years. There is an appetite, particularly from long-term investors such as pension funds, insurance companies, and even the commercial banks, for maturities of up to 20 years. Therefore, we intend to introduce a Bill with this objective shortly.

Central Government's Debt

Madam Speaker, during this budget period, our Government's borrowing policy proceeded with the same sensibility and restraint conspicuous throughout our three terms of office: concessionary multilateral and bilateral financing only, complemented by targeted domestic borrowing that more than sufficed the requirements of our budget's annual financing gap.

At the close of the Fiscal Year 2019/20 budget cycle, the MoF estimated the Central Government's external public debt at 62.2 percent of GDP, approximately US$1.21 billion, along with domestic debt of BZ$1.116 billion or 28.7 percent of GDP. The total Central Government debt, both external and domestic thus stood at 90.9 percent of current GDP or about BZ$3.536 billion.

A clear majority – 57 percent - of Belize's external obligations are on the books of so-called international financial institutions and our bilateral partners, principally, in the first instance the CDB, the IDB, the World Bank and in the latter, the Bolivarian Republic of Venezuela, The Republic of China on Taiwan and the OPEC and Kuwaiti Funds.

The balance of the external debt, $1.053 billion, is the remainder of that PUP monster – the heinous Superbond – yes, still alive and stalking the public purse almost a decade and a half after it was conjured in the laboratory of growth economics.

Government's domestic debt holders include local banks which together retain 35 percent of GoB Treasury Notes and Bills, the Central Bank with 41 percent of these obligations and various other borrowers booking about a quarter of domestic public debt.

To those on the other side who would dare take on the matter of the public debt in the upcoming budget debate, I expect they will direct themselves to both quantum and cost. On the matter of quantum, when the PUP exited office in 2008, the public debt stood at 89 percent of GDP, even after their effective default and restructuring in 2006, a default which led to that bestial super bond. In our three terms then, thirteen years, this administration by comparison has taken on less than half a percentage point, 0.43 percentage, of GDP per fiscal year in additional public debt. In ten years, the PUP more than doubled the debt from 40 percent to 90 percent as a percentage of GDP;

and quadrupled it – multiplied it four times over – as a dollar amount, from $600 million in 1998 to over $2.3 billion in 2008.

The PUP added every year, on average, for 10 years between 1998 and 2009, 5 percentage points of GDP in additional public debt, or ten times more per year than we have done since 2008.

And on the matter of cost, the UDP record is likewise vastly superior, cheese to the PUP chalk. In 2019/20, the interest paid on the entire stock of debt is estimated at $123.7 million or an annual interest rate of 3.4 percent. The PUP's budget for Fiscal Year 2007/08, their last year in office, allocated $113.4 million for interest payment or an aggregate rate of 9 percent.

Put another way, this UDP administration, in this fiscal year and the upcoming one, will have allocated 10 cents of every recurrent revenue dollar to pay interest on loans while the PUP spent 17 cents of every such dollar in their final year in office.

That's the equivalent of saving $83 million this fiscal year, $83 million that this administration allocated to paying public officers, to enhancing education and health care services, to advancing citizen security and pro-poor programs and to expanding the breath of our infrastructure transformation.

So, this Government has constricted growth of the public debt to a crawl since 2008, slashing the interest cost of that debt by almost a third of where it stood when we took office and shrinking debt service payments as a ratio of recurrent revenues by 40 percent. Additionally, we have also reduced the ratio of external debt to total debt from 77 percent to 64 percent, thus fortifying, in the round, Belize's debt sustainability.

We readily acknowledge that in the medium term, Government's objective must be to lower the debt to GDP ratio. But remember: later this year when the SIB's new National Accounts Program is fully implemented and estimates of national output are updated, the properly recalculated GDP metric will mean that current gross public debt will rest at around 78 percent. And our forward-looking five-year budget estimates project a return to primary surpluses in the medium term which should, by the mid-point of this decade, prune the overall public debt to GDP ratio to below 70 percent.

Here then, in sum and after three UDP terms of office, is our indestructible legacy as conductors of the public debt: Not a single cent of expensive commercial borrowing; not a penny in secret loans or guarantees; less than a dime of every recurrent tax dollar toward interest payments and, in the near term, a sustainable debt-to-GDP ratio south of 78 percent. Contrasted with the PUP's bestowal of bankruptcy in 2008, ours is a chronicle of public debt management that will forever distinguish this administration.

Fiscal Performance

Madam Speaker, the outturn for Fiscal Year 2019/2020 is projected to achieve an impressive primary balance of 1.34 percent of GDP and an overall deficit of just 1.96 percent of GDP.

Total revenue and grants are expected to almost mirror our earlier projections for the year, short by $9.9 million or 0.7 percent, for a total of $1.22 billion. Tax revenue as a ratio to current GDP will have increased to 28.8 percent over the 27.0 percent that was budgeted.

Total expenditure should increase by less than 1% of GDP, some $35.1 million or 2.8 percent of the budgeted amount, to $1.29 billion. This manageable increase is solely due to capital outlays, since current expenditure is expected at a marginal 0.3 below budget. Certain categories of expenditure continue to be rigid, such as for wages, salaries and pensions, which take up 47 cents out of every dollar spent by the Government.

The weaker than expected economic output for 2019, largely caused by the drought, kept revenues flat. On the other hand, the expected upswing in expenditure is attributable to a calculated acceleration in the implementation of the Government's capital investment expenditure program, as the drought and international conditions demanded the heightened execution of capacity enhancement projects.

ECONOMIC ENVIRONMENT

ECONOMIC PROSPECTS FOR 2020

Looking ahead, the Central Bank of Belize estimates that real output would remain steady in 2020. Any major economic upturn, such as the 5.8% growth that was achieved in the first quarter of 2019, is likely to be tapered by the extended long-term drought period, which is projected to prevail through June. The impact on agriculture production will likely continue as the negative effects on long-cycle crops, such as sugarcane and citrus, materialize. Hydroelectric power generation is expected to weaken further based on the precipitation outlook which indicates average rainfall for the first six months of the year to range between 20 percent and 40 percent below normal. Furthermore, the growth pace of overnight tourist arrivals is projected to slow slightly, while cruise ship disembarkations is expected to dip slightly.

PUBLIC FINANCIAL MANAGEMENT

Madam Speaker, Work on the Public Finance Management (PFM) Reform Action Plan (RAP) continued unabated during Fiscal Year (FY) 2019/20. The RAP which was developed with help from the Caribbean Regional Technical Assistance Centre (CARTAC) has seen significant activity over the recent past. Much emphasis has been placed on improving budget preparation and execution and making public investment a more integral part of the overall budget process. This work has led to the dissemination of more comprehensive budget documents to include our national strategy, the Growth and Sustainable Development Strategy (GSDS), as well as sectoral strategies.

The level of public investment has varied over the past years and we discussed the factors constraining the quality and efficiency of public investment management (PIM) with a Public Investment Management Assessment (PIMA) Mission from the IMF and World Bank January this year. We agreed that the process needs to be enhanced and harmonized to include sound costing, performance frameworks, and climate change resiliency of all public investments to guide future decisions.

Going forward, other structural weaknesses we agreed needed to be addressed include: (i) a revision of the appraisal and selection processes and methods; (ii) inclusion of the Public Sector

Investment Programme (PSIP) in the Budget Law; (iii) better oversight of major risks; (iv) better coordination between public entities; (v) the strengthening of maintenance and repairs cost methodologies; (vi) routinizing external ex-post review and audit of projects; (vii) updating the legal framework for PFM and PIM; (viii) continued work on the IT Strategy to articulate IT System needs, necessary technological evolution and interfacing between systems, including at the ministries level; and (ix) the need for capacity development given the inevitable new challenges Belize will face in the future.

Other RAP activities undertaken in FY 2019/20 and to be continued in the next FY include:

- The conclusion of work on the new Chart of Accounts, which will improve the classification of public accounts with a targeted implementation date in FY 2021/22.

- The continuation of work on the reform and modernization of the Customs Department; a programme which started in 2009 with help from the CDB and the United Nations Conference on Trade and Development (UNCTAD). The further upgrade in ASYCUDA World this year (the software that has computerized Customs Clearance) will lead to: (i) a further increase in efficiency in the clearance of cargo, (ii) continuing reduction in the risk of fraud, (iii) better securing and safeguarding of our borders, (iv) maximizing revenue collection, and (v) facilitating trade.

- Continuing work to reform public procurement through further training of public officers (with the help of the IDB) including international certification and linking procurement objectives to government and CARICOM policy documents.

- The merger of the Income Tax and General Sales Tax (GST) Departments in August 2019 with the objectives of improving taxpayer administration, compliance and IT Systems. Work is ongoing to amend the tax legislation to increase transparency and equity in the treatment of domestic and non-resident entities.

- The Ministry of Finance and the Accountant General's Department (AGD), with the help of CARTAC, continue to work on improving the comprehensiveness and timeliness of the financial statements as well as making them IPSAS compliant. The AGD also continues to strengthen and institutionalize its cash management policies and practices, as it strives to consolidate government cash resources and improve commitment control.

- With assistance from the European Union (EU) under the European Development Fund (EDF) 11, work has begun in FY 2019/20 to improve the legal framework for internal audit, external audit and the contractor general as well as strengthen the PFM oversight and control functions.

WIDER PUBLIC SECTOR INVESTMENTS

Madam Speaker, but the investment in the economy does not stop here. The wider public sector, particularly the majority government-owned utilities, are doing their part as well.

Belize Electricity Limited with financing from the Caribbean Development is investing over BZ$14 million in a Seventh Power Project. The objective of this project is to reduce Green House Gas emissions and improve the reliability of the supply of electricity to Caye Caulker, with increased capability to meet the projected increase in peak demand. A key component of this project is the installation of 10.4 km of a 46-kV submarine connection to interconnect Caye Caulker to Ambergris Caye. Work on this project is well underway and is expected to be completed before the end of this year.

BEL and GOB, with financing form the World Bank, are also investing a further BZ$11.2 million under the Energy Resilience for Climate Adaptation Project (ERCAP). The objective of the Project is to demonstrate solutions that enhance the resistance of the energy system to adverse weather and climate change impacts.

Belize Water Services, also with financing from the Caribbean Development Bank, is investing over BZ$17.0 million in a Third Water Project to expand the water supply in Ambergris Caye. The project includes the purchase of the shares of Consolidated Water Belize Limited; expansion of the existing water treatment plant; the retrofit the San Pedro water and sewage system; supply and installation of water distribution pipelines; water transmission mains; sewage collection pipelines; water and sewerage connections; and supply and installation of a 41 kW photovoltaic generation system. This project is also well underway and when completed by the middle of 2021 will comfortably meet the demand for safe and potable water in this high growth area of the country.

Belize Telemedia Ltd. continues to invest heavily in upgrading all its networks, particularly in its Fiber To The Home network and last year alone has expended over $83 million on this project. Over the past ten years, BTL has invested over $500 million to improve the digital infrastructure in Belize with impressive results. Looking forward, BTL plans to invest at least another $15 million in the year ahead.

SUMMARY OF THE DRAFT ESTIMATES FOR FISCAL YEAR 2020/2021

SUMMARY ESTIMATES FOR 2020//2021

Our Budget proposals target a neutral Primary Balance of negative .03 percent of GDP and an Overall Balance of minus 3.23 percent of GDP. Total Expenditure is budgeted at $1.362 billion while Total Revenue and Grants are estimated at $1.239 billion. When taken together, these result in an Overall Deficit of $122.7 million which is the equivalent of 3.23 percent of GDP.

To this figure we must apply $109.40 million for Loan Amortization requirements, bringing the total financing requirement for this fiscal year to $232.1 million or just short of 6% of GDP.

ESTIMATES OF REVENUE 2020/2021

The Draft Estimates show total Revenue and Grants amounting to $1.239 billion for FY 2020//202l, comprised of $1.206 billion in Recurrent Revenue, $2.6 million in Capital Revenue and $30.8 million in Grants.

Madam Speaker, the estimate of Recurrent Revenue for the upcoming Fiscal Year is some $25.1 million above the projected outturn for this current fiscal year, notwithstanding the leveling off in economic activity for the year just ended. This projected small increase is due to continued improvement in tax administration resulting from the integration of the two tax departments, the increased economic substance and presence of several International Business Companies, and further improvements in customs valuations and controls. It is NOT the result of any changes in tariffs or tax rates as, once again, there will be no new taxes in this year's budget. And, Madam Speaker, this is despite the continuing impact of a court judgement, which we are appealing, that has served to undermine our collection targets.

ESTIMATES OF TOTAL EXPENDITURE 2020/2021

The Draft Estimates has total Expenditure of $1.362 billion comprised of $1.108 billion in recurrent expenditure and a further $253.8 million in Capital Expenditure. This total for the new year compares to a projected total expenditure of $1.291billion in the current fiscal year.

ESTIMATES OF RECURRENT EXPENDITURE 2020/2021

The Draft Estimates of Recurrent Expenditure is proposing a total of $1.108 million in recurrent expenditure up by $34.0 million over the projected outturn of $1.074 million for FY 2019//2020.

Of this proposed amount, some $453.8million is for Personal Emoluments, $95.8 million for Pensions, $253.0 million for Goods and Services, $184.1 million for Subsidies and Current Transfers, and $121.4 million for Interest Payments on the Debt.

The rise in Current Expenditure is driven largely by increases in personal emoluments and salary related grants as provisions must be made for annual merit awards across the public service, in addition to the increase in pension costs.

ESTIMATES OF CAPITAL EXPENDITURE 2020/2021

Madam Speaker, my Government is proposing to allocate some $253.8 million to its capital program in the upcoming fiscal year, made up of some $113.8 million in locally funded Capital II expenditure and some $137.7 million in the externally funded Capital III expenditure.

This is an increase of over $36.5 million over the projected outturn of $217.3 million in the capital program for the current year. This is reflective of our strong emphasis on improving and upgrading our road and bridge infrastructure countrywide. These investments will continue to transform the economy and will result in a significant boost to economic growth, not only during the periods of construction, but for decades to come, by lowering of transportation costs and enhancing access to potentially very productive areas of our country.

In the Capital II Budget, provisions have been made for some $30.1 million to the Ministry of Works to meet counterpart financing for various externally funded projects and local capital works; another $12 million for land acquisition payments; and $5.0 million to continue construction of a state of the art complex in the Lake I area of Belize City.

In addition, Madam Speaker, there are several single payment commitments this year that we must provision for including: (i) some $5.0 million to meet the cost of legal and advisory services as Belize prepares its case to the International Court of Justice against the unfounded Guatemalan territorial claim; (ii) some $4.0 million to meet the cost of the upcoming General Elections to be held sometime later this year; and (iii) some $3.0 million for the 2020 Housing and Population Census.

Of the $137.7 million in the Capital III Budget, over $87 million is to finance the following key infrastructure projects:

- Upgrading of the Corozal-Sarteneja Road and Bridges ($10.0 million)
- Upgrading of Coastal Road ($12.0 million)
- Continuation of work on Phase I of the CARACOL Road Project ($15.0 million).
- Continuation of work on the upgrading of new sections of the George Price Highway ($13.0 million)
- Continuation of the upgrading of the Hummingbird Highway including the replacement of five single-lane bridges with modern double-lane bridges ($5.0 million);
- Continuation of the Belize City Southside Poverty Alleviation Project ($3.0 million);
- Upgrading of a new section of the Philip Goldson Highway ($3.00 million);
- Completion Airport Link Road and New Bridge joining the access road to the PGIA with the George Price Highway ($5.0 million);
- Commencement of work on the New Haulover Bridge ($3.0 million);
- Climate Vulnerability Reduction Infrastructure ($5.0 million) and
- Sustainable Tourism II ($6.0 million)

In addition, $59.5 million has been allocated for projects in Education, Agriculture, Health, Environment and Sustainable Development, Urban Rejuvenation, and for National Security programs. And, a further $8.0 million is provided for the New Integrated Tax System Project.

FINANCING OF THE BUDGET IN 2020//2021

Madam Speaker, The financing needs of the budget amounting to $232.1 million will be comfortably satisfied from the following sources:

- Disbursement of $137.7 million from concessionary loans already contracted with our multilateral development partners to fund our Capital III Expenditure Program;
- Disbursement of $20.0 million in budget support financing from the Republic of China (Taiwan) under the on-going bilateral economic cooperation program; and
- Sourcing of some $74.4 million in domestic financing.

FISCAL POLICY

Though the rationale for our budget targets should be apparent from the detailed numbers I have outlined today, there may be those, particularly our external audience, for whom a more specific fiscal policy context is helpful. Indeed, in order to push down our debt to GDP ratio and to provide some cushion in the case of unforeseen and unforeseeable events, our gutsy target was to attain a 2 percent primary surplus for these years and into the medium term.

In the last fiscal year, the effort at maximizing revenue collections and holding a firm line on recurrent items such as goods and services, resulted in a surplus that fell just about 0.6 of a percent or $20 million below our target.

For the new fiscal year, there is simply no way that we can realistically squeeze from our projections that 2 percent of GDP, or what would be the equivalent of $70 million.

Unlike our predecessors, our approach is neither to mislead our friends nor delude ourselves. The commitment is firstly to our public servants, to their increments, to our pensioners, to the operational costs of proper public management and, critically, to our infrastructural campaign. And these simply cannot be paused or pruned. This commitment to sustained stimulus is especially urgent in view of the recent jolts to the economy, such as the drought and crop diseases, and now the worrying prospect of a coronavirus-induced recession.

In any case, the revised GDP estimates of output that's a fifth greater than currently calculated, will prod the possibility of additional efficiencies from the standpoint of revenues. Then on the growth side there is no room for doubt that massive potential will be unlocked by projects such as the Caracol, Coastal and Sarteneja Highways. These, and the multiple smaller public sector capital projects as well as the various private sector domestic and foreign financed ventures, will buttress medium term economic expansion. In the longer run, they will lavishly vindicate the near-term deviation from the previous, restrictive budget targets.

By FY 2022/23, our overall budget balance should be neutral and the primary balance, our technicians expect, could be in excess of 3.5 percent of GDP.

INTERNATIONAL TAX AND **REGULATORY INITIATIVES**

OECD FORUM AND EU CONCERNS ON TAX MATTERS

Madam Speaker, I am pleased to report to this Honourable House that on February 18, 2020 the Economic and Financial Affairs Council (ECOFIN) of the European Union (EU) met to consider steps taken by Belize to become compliant with all the recent regulatory changes applicable to international taxation as set out by the EU over the last two years.

Belize has been informed that the recent amendments to both the Income and Business Tax Act and Tax Administrative and Procedure Act on December 23rd have been positively assessed. The ECOFIN Council has therefore agreed to remove Belize from the EU list of harmful preferential tax regimes (Annex II).

This is a significantly beneficial outcome. For many months the Ministry of Finance has been working closely with the European Union to meet its requirements regarding both economic substance and its assessment of us as a harmful preferential tax regime.

Moving forward, the Government of Belize will continue to engage with the international business and financial services sector to reaffirm our dedication to provide services that benefit both Belize and the global economy.

This will involve further reform of our tax system including the design, development and implementation of a more widely applicable corporate tax system as well as reform of the personal income tax and non-incorporated business tax regime. Belize is in the process of obtaining technical assistance from our international partners with the aim to have a new system in place in time for the 2021 tax year.

At the same time the Government of Belize will take immediate steps to consolidate and modernize our existing companies acts into a new single Companies Act. We will also develop a single registry system that will enable Belize to meet modern international standards, ensure cost-savings and efficiencies and deliver modern and effective services to the public at large. Work has already commenced on this process and it is expected to be completed by the end of this year.

AUTOMATIC EXCHANGE OF INFORMATION FOR TAX PURPOSES

Madam Speaker, in keeping with its commitments made when Belize signed on to the Convention on Mutual Assistance in Tax Matter with the Organization for Economic Development and Cooperation (OECD) in 2013, Belize late last year further amended the Mutual Administrative Assistance in Tax Matters Act to provide for the exchange of tax information via a modern and timely Country by Country Reporting System. Madam Speaker, over the last year we have established a fully functioning Automatic Exchange of Information (AEOI) Unit in our Tax Services Department, and we will further resource this Unit to meet the needs of this new Reporting System.

CONCLUSION

Madan Speaker,

Preliminary population estimates suggest that during these three terms of office, the number of people served, directly or indirectly, by this budget has risen by a third. That is a net increase of almost 100,000 residents. The needs and expectations placed upon the Budget by the citizenry at large including, and perhaps especially, the social partners, have never been higher. This is so particularly in the core areas of education, medical care, national infrastructure and public security.

Our new proposed budget, as has each of the previous twelve, strives energetically to support those purposes most deserving of Government's attention, those principles enshrined in our Constitution and our compact with the electorate. That is why $298.5 million is being invested this year for the education of our over 107,000 students; why $154.1 million is allocated to hospitals, clinics and preventive health care; why an unprecedented $154.1 million is budgeted to public and national security. And why the hitherto unthinkable sum of $253.8 million, more than a quarter of a billion dollars, will be invested in capital projects, prolonging the decade-long avalanche of infrastructure spending on streets, roads, bridges and public-use facilities.

To further illustrate how, in big bold terms, this administration has re-directed budget spending to people-centered priorities, to national productivity and to economic capacity building, consider the broad contours of this year's $1.362 billion expenditure program: 47 cents of every dollar spent this year will be on salaries, pensions and benefits for the human resource component of national governance; 17 cents of every dollar for the goods and services that supplement the functioning of public administration; 20 cents towards capital assets and 16 cents on all public debt (10 cents for interest and 6 cents for principal repayments). Not only do these proportions bespeak balance and sensibility, they distinguish, beyond any imaginable reproach, UDP fiscal management.

This budget, compared to the last PUP budget, contains $461 million more for salaries, benefits, pensions and transfers, $152 million more for capital projects and, as a percentage of recurrent revenues, almost a third less for interest and principal payments on the public debt.

Those are the incontestable facts, the towering contrast between what we inherited from the PUP and what this Administration shall entrust to the people and to those who succeed us.

And what has this unfailing prudence, this irreproachable probity yielded? A thriving, diversified economy with annual output soon to be valued at $4.5 billion, a buoyant jobs market with more 170,000 working Belizeans, a rock-strong dollar standing on ample foreign reserves, a resilient financial sector with fortress balance sheets and the best paid public service in the region.

This Budget, like 10 of the other 12 tabled by our Administration in this House, has been constructed and will be implemented without even a dollar of new taxes.

For us, this budget is a crescendo of positive prosperity markers, a shimmering pinnacle of fiscal and economic triumph. So even after a trifecta of popular mandates, we are humble enough to know this: we must continue, right up to the very last day of our term, to make every effort, to harness every ingenuity, to display every resourcefulness in order to maintain the confidence of right-thinking Belizeans. This Administration sources its vitality from the marvelous resilience of the Belizean spirit, the sap and sinew of our Belizean strength, the absolute conviction that this land and people occupy a truly exceptional place on planet earth.

Let us therefore thrust forward anew, protective of the historic gains achieved, imbued with the certain knowledge that together we consolidate, together we consecrate, our ineradicable pact with destiny.

Thank you.

ANNEX 1: TABLES AND CHARTS

Tables

Charts

Table 1: Select Indicators

	2015	2016	2017	2018[R]	2019[P]
POPULATION AND EMPLOYMENT					
Population (Thousands)	368.3	378.0	387.9	395.9	408.5
Employed Labour Force (Thousands)	138.1	145.6	150.1	155.9	167.7
Unemployment Rate (annual average) (%)	10.1	9.5	9.3	9.4	9.1
INCOME					
GDP at Current Market Prices ($mn)	3,525	3,613	3,725	3,742	3,760
Per Capita GDP ($, Current Mkt. Prices)	9,571	9,559	9,604	9,453	9,205
Real GDP Growth (%)	3.4	(0.6)	*1.4*	2.1	0.3
Sectoral Distribution of Constant 2000 GDP (%)					
Primary Activities	12.4	9.7	*10.4*	*10.0*	*9.6*
Secondary Activities	14.0	14.2	*14.1*	*14.1*	*12.7*
Services	62.6	66.6	*67.5*	*66.8*	*63.6*
TOURISM					
Stay Over Arrivals (Thousands)	314.9	356.6	389.2	438.2	447.1
Cruise Ship Passsenger Arrivals (Thousands)	862.2	904.9	912.8	1,087.3	1,053.5
MONEY AND PRICES ($mn)					
Inflation (Annual average percentage change)	(0.9)	0.7	1.1	0.3	0.2
Currency and Demand deposits (M1)	1,528.4	1,471.8	1,565.9	1,598.5	1,681.8
Quasi-Money (Savings and Time deposits)	1,345.4	1,478.4	1,372.6	1,418.8	1,510.4
Money Supply (M2)	2,873.9	2,950.2	2,938.5	3,017.3	3,192.3
Excess statutory liquidity	453.3	443.7	269.0	240.6	200.7
Excess cash liquidity	445.7	426.0	284.0	196.6	193.8
Excess securities	150.0	151.7	136.7	187.7	162.4
CREDIT ($mn)					
Commercial Bank Loans and Advances	1,985.7	2,015.0	2,018.2	2,119.9	2,238.0
Public Sector	11.3	8.7	5.3	50.6	58.0
Private Sector	1,974.4	2,006.3	2,018.9	2,069.3	2,180.0
INTEREST RATE (%)					
Weighted Average Lending Rate	10.0	9.7	9.3	9.0	9.0
Weighted Average Deposit Rate	1.5	1.3	1.2	1.2	1.3
Weighted Average Interest Rate Spread	8.6	8.4	8.1	7.7	7.7
BALANCE OF PAYMENTS (US $mn)					
Merchandise Exports (f.o.b.)[(1)]	537.9	442.8	457.1	451.7	462.2
Merchandise Imports (f.o.b.)	961.3	(875.1)	(848.3)	896.9	957.9
Trade Balance	(423.4)	(432.3)	(391.1)	(445.2)	(495.8)
Remittances (Inflows)	82.4	87.2	87.9	89.7	91.3
Tourism (inflows)	352.1	390.4	389.2	439.2	464.0
Services (Net)	277.1	293.1	293.2	396.8	403.7
Current Account Balance	(171.7)	(151.6)	(143.7)	(151.7)	(169.1)
Capital and Financial Flows	100.9	89.6	68.4	134.5	152.6
Gross Change in Official International Reserves	(50.1)	(60.3)	(64.6)	(17.8)	(17.8)
Gross Official International Reserves[(2)]	436.9	376.6	312.0	295.6	277.9
Import Cover of Reserves (in months)	5.0	4.5	4.0	3.6	3.2

Sources: Statistical Institute of Belize and Central Bank of Belize

(1) Includes CFZ gross sales

(2) Figures reflect only usuable reserves as defined by BPM5.

P: Preliminary R: Revised n.a.: Not Available

Table 2: Summary of Budget Estimates, FY 2017/18 to FY 2022/23

	Budget Outturn 2017/2018	Budget Outturn 2018/2019	Approved Estimates 2019/2020	Projected Outturn 2019/2020	Draft Estimates 2020/2021	FORECAST 2021/2022	FORECAST 2022/2023
Total Revenue and Grants	1,111.5	1,188.0	1,226.8	1,217.9	1,239.4	1,343.4	1,376.0
Total Expenditure	1,160.9	1,233.7	1,256.2	1,291.3	1,362.1	1,385.0	1,363.1
Primary Balance	52.7	79.5	85.6	50.3	(1.3)	83.3	147.7
As % of GDP	*1.4%*	*2.0%*	*2.1%*	*1.3%*	*0.0%*	*2.1%*	*3.5%*
Overall Deficit	(49.5)	(45.8)	(29.4)	(73.4)	(122.7)	(41.6)	12.9
As % of GDP	*-1.3%*	*-1.2%*	*-0.7%*	*-2.0%*	*-3.2%*	*-1.1%*	*0.3%*
Amortization	(83.2)	(97.3)	(103.0)	(76.2)	(109.4)	(118.1)	(124.0)
Financing Requirement	(132.6)	(143.0)	(132.4)	(149.6)	(232.1)	(159.7)	(111.1)
GDP in current market prices	3,665	3,888	4,030	3,755	3,797	3,955	4,183

Table 3: Summary of Revenue and Grants, FY 2017/18 to FY 2022/23

	Budget Outturn 2017/2018	Budget Outturn 2018/2019	Approved Estimates 2019/2020	Projected Outturn 2019/2020	Draft Estimates 2020/2021	FORECAST 2021/2022	FORECAST 2022/2023
Total Revenue and Grants	**1,111.5**	**1,188.0**	**1,226.8**	**1,217.9**	**1,239.4**	**1,343.4**	**1,376.0**
Total Revenue	**1,081.2**	**1,151.0**	**1,201.5**	**1,187.7**	**1,208.5**	**1,312.0**	**1,347.1**
Current Revenue	**1,079.4**	**1,145.3**	**1,198.9**	**1,184.0**	**1,206.0**	**1,309.4**	**1,344.4**
Tax Revenue	*967.4*	*1,035.3*	*1,088.8*	*1,081.2*	*1,106.7*	*1,207.7*	*1,239.8*
Taxes on Income & Profits	270.2	287.6	305.0	300.5	308.1	318.7	329.8
Taxes on Property	6.4	5.5	6.4	5.9	6.0	6.2	6.3
Taxes on Goods & Services	533.0	578.4	610.3	609.7	624.9	695.7	717.2
International Trade & Transactions	157.8	163.8	167.0	165.0	167.7	187.1	186.5
Non-Tax Revenue	*112.0*	*110.0*	*110.1*	*102.8*	*99.3*	*101.7*	*104.6*
Property Income	20.8	20.2	14.0	12.4	11.7	11.9	12.1
Licenses	20.3	27.6	22.1	25.2	25.7	26.2	26.8
Royalties	45.9	29.1	45.7	34.5	35.0	35.6	36.2
Ministries & Departments	24.4	32.0	28.2	29.9	26.0	27.0	28.5
Repayment of old loans	0.5	1.1	0.2	0.9	0.9	0.9	0.9
Capital Revenue	**1.8**	**5.7**	**2.6**	**3.7**	**2.6**	**2.6**	**2.7**
Grants	**30.2**	**37.0**	**25.3**	**30.2**	**30.8**	**31.4**	**28.9**

Table 4: Summary of Expenditure, FY 2017/18 to FY 2022/23

	Budget Outturn 2017/2018	Budget Outturn 2018/2019	Approved Estimates 2019/2020	Projected Outturn 2020/2021	Draft Estimates 2020/2021	FORECAST 2021/2022	FORECAST 2022/2023
							(Bz$ million)
Total Expenditure	**1,160.9**	**1,233.7**	**1,256.2**	**1,291.3**	**1,362.1**	**1,385.0**	**1,363.1**
Current Expenditure	***1,006.6***	***1,061.8***	***1,077.0***	***1,074.0***	***1,108.3***	***1,132.6***	***1,159.4***
Wages and salaries	426.1	440.5	440.6	445.7	453.8	467.7	479.5
Pensions	94.7	98.7	97.1	94.8	95.9	101.9	106.9
Goods and services	210.9	226.2	250.2	230.8	253.1	253.9	254.2
Subsidies and current transfers	172.7	171.0	174.0	179.0	184.1	184.1	184.0
Interest payments & other charge	102.2	125.3	115.1	123.7	121.5	124.9	134.7
Capital Expenditure & Net Lending	***154.3***	***172.0***	***179.2***	***217.3***	***253.8***	***252.5***	***203.7***
Capital II	59.2	67.0	74.8	80.6	113.8	87.7	80.0
Capital III	92.8	91.7	96.1	128.4	137.7	162.5	121.4
Net lending	2.3	13.3	8.3	8.3	2.3	2.3	2.3
Amortization	**(83.2)**	**(97.3)**	**(103.0)**	**(76.2)**	**(109.4)**	**(118.1)**	**(124.0)**

Table 5: Central Government's Debt, FY 2017/18 to FY 2020/21

	ACTUAL 2017/2018	ACTUAL 2018/2019	PROJECTED 2019/2020	FORECAST 2020/2021
Total Disbursed Outstanding Debt (Bz$ Million)	**3,442.4**	**3,511.0**	**3,557.8**	**3,698.5**
Domestic Debt	1,038.1	1,090.6	1,137.9	1,169.2
External Debt	2,404.3	2,420.4	2,419.9	2,529.3
Total Debt (AS Percent of GDP)	**93.7%**	**93.8%**	**95.0%**	**98.1%**
Domestic Debt	28.3%	29.1%	30.4%	31.0%
External Debt	65.5%	64.7%	64.6%	67.1%

Table 6: Central Government's External Debt, FY 2017/18 to FY 2020/21

	ACTUAL 2017/2018	ACTUAL 2018/2019	PROJECTED 2019/2020	FORECAST 2020/2021
				(Bz$ million)
Total Debt (Bz$ Million)	**2,404.3**	**2,420.4**	**2,419.9**	**2,529.3**
Bilateral	724.8	720.3	681.9	708.9
Commercial	1,053.0	1,053.0	1,053.0	1,053.0
Multilateral	626.5	647.1	685.0	767.4

Table 7: Central Government's Domestic Debt, FY 2017/18 to FY 2020/21

	ACTUAL 2017/2018	ACTUAL 2018/2019	PROJECTED 2019/2020	FORECAST 2020/2021
Total Disbursed Outstanding Debt (Bz$ Million)	**1,038.1**	**1,090.6**	**1,137.9**	**1,169.2**
Overdraft/Loans from Central Bank	58.8	77.6	59.9	61.6
Treasury Bills	245.0	245.0	245.0	245.0
Treasury Notes	640.0	675.0	740.0	770.0
Other Bonds & Loans	94.3	93.1	93.0	92.6

Chart 1: Composition of Central Government's External Debt in FY 2020/21

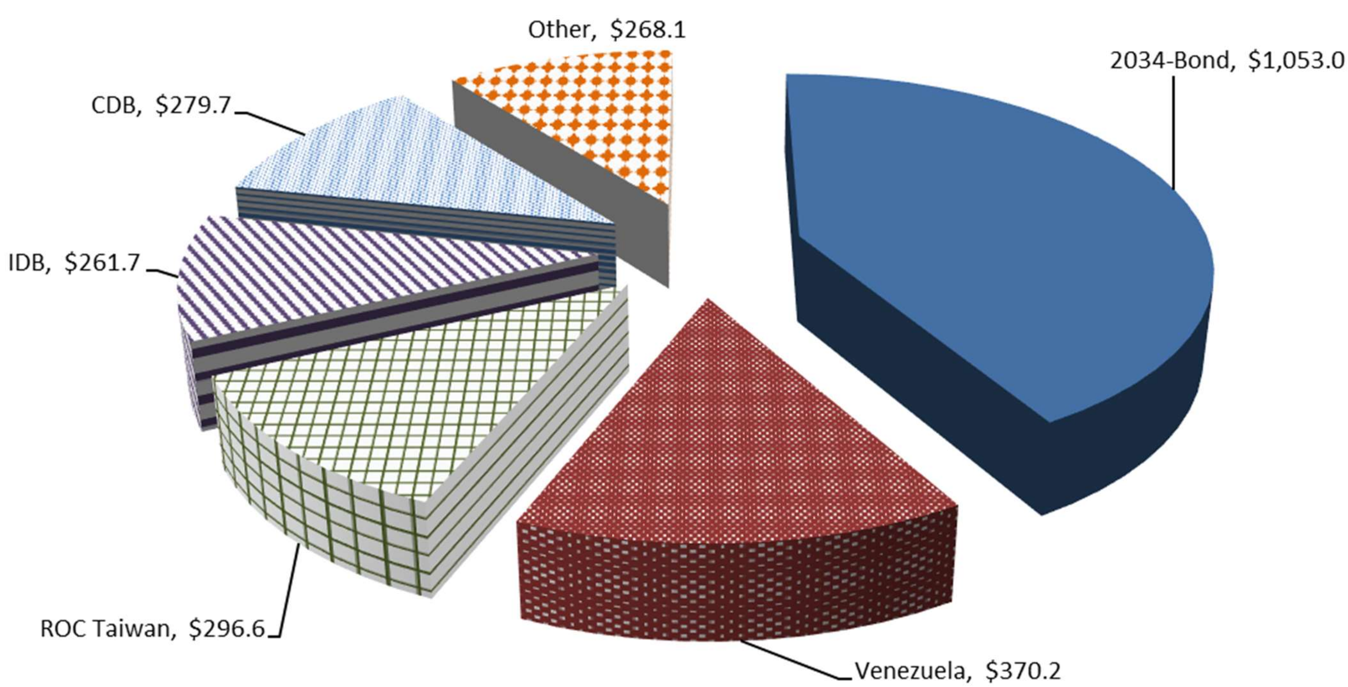


Chart 2: Distribution of Government's Projected Expenditure in FY 2019/20

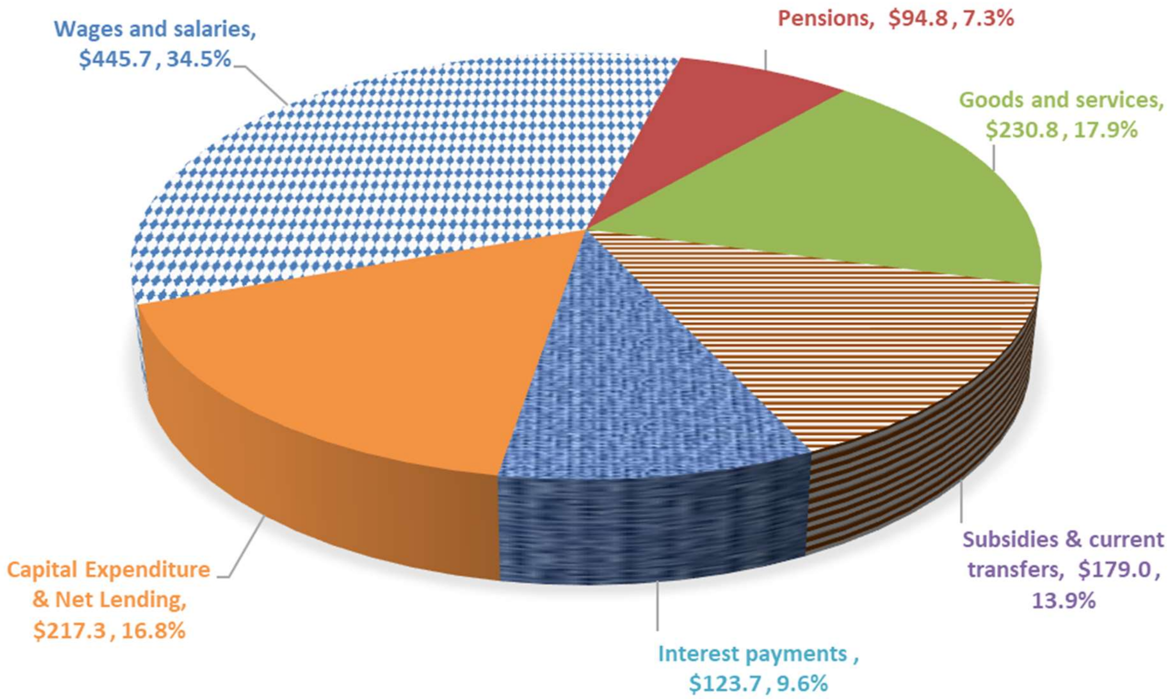
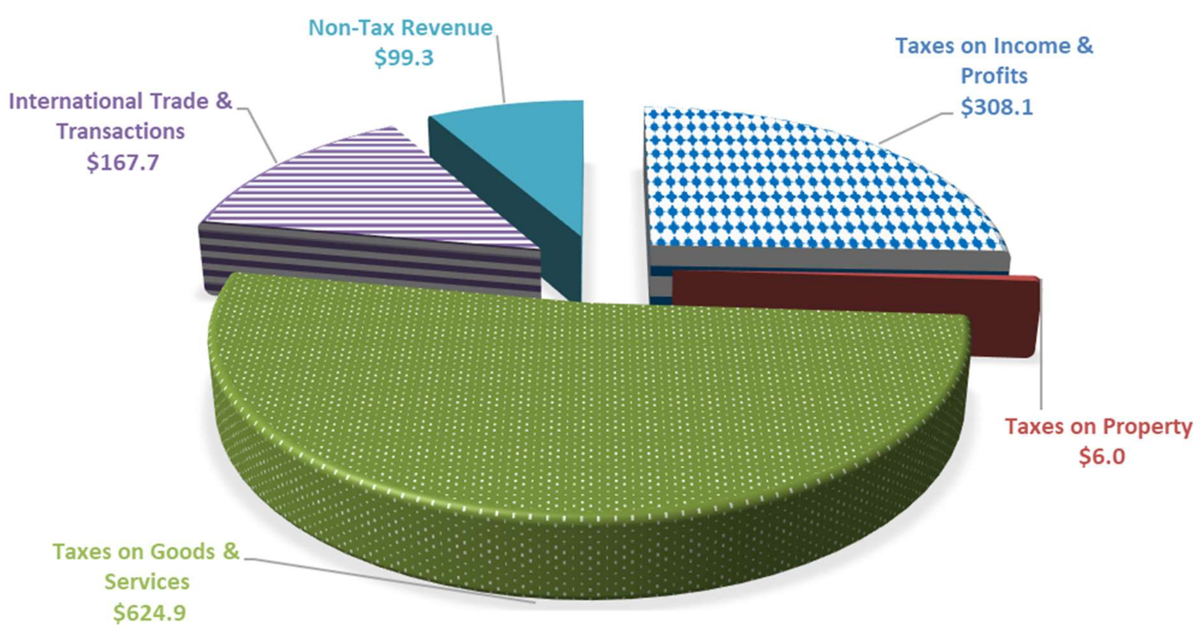


Chart 3: Distribution of Government's Proposed Revenue in FY 2020/21



ANNEX 2: FISCAL STRATEGY STATEMENT - FISCAL YEAR 2020/2021