THE XXIX ANNUAL CONFERENCE OF MONETARY STUDIES

Caribbean Centre for Monetary Studies

Co-hosts

Central Bank of Barbados

IMPLICATIONS OF EXTERNAL DEBT ACCUMULATION: THE CASE OF BELIZE

by

Laetitia Solis
CENTRAL BANK OF BELIZE

HILTON INTERNATIONAL
BARBADOS
October 27 - 31, 1997

PARTICIPATING MONETARY AUTHORITIES

Bank of Guyana
Bank of Jamaica
Cayman Islands MonetaryAuthority
Central Bank of Bahamas
Central Bank of Barbados
Central Bank of Belize
Central Bank of Trinidad and Tobago
Eastern Caribbean Central Bank

OTHER PARTICIPATING INSTITUTIONS

Bank of Montserrat Ltd.
Barbados Economic Society
Barbados National Bank
Barbados Public Workers Co-op Credit Union Ltd.
Barclays Bank PLC
Barnes and Associates
Blue Watch
Caribbean Confederation of Credit Unions
Caribbean Development Bank
Caribbean Export Agency
CARICOM Secretariat
CCMS
CEMLA
CLICO Investment Bank
Eastern Caribbean Institute
Faculty of Social Sciences, UWI, St. Augustine
Grenada Co-operative
Guyana National Co-operative Bank
Institute of Development Studies
Institute of Social & Economic Research, UWI, Cave Hill
International Finance Corporation
International Monetary Fund
Life of Barbados
Ministry of Finance (B'dos)
Mutual Bank of the Caribbean
National Commercial Bank of St. Lucia
NCB (Cayman) Ltd.
NCB (St. Lucia)
NCB (St. Vincent)
Republic Bank of T&T Ltd.
Royal Bank of T&T
South Carolina State University
State University of New York
University of Guyana
University of Waterloo
UWI, St. Augustine
UWI, Cave Hill
World Bank

IMPLICATIONS OF EXTERNAL DEBT ACCUMULATION: THE CASE OF BELIZE

Laetitia Solis

Central Bank of Belize

October, 1997

The opinions expressed in this paper are those of the author and do not necessarily coincide with the views of the Central Bank of Belize.

TABLE OF CONTENTS

1. INTRODUCTION

By complementing domestic financial resources, foreign loans constitute an important element in the process of economic development. Externally generated loan funds are particularly essential in developing countries where low levels of domestic savings often coincide with foreign exchange shortages. These shortcomings have more often than not prompted many countries to approach international creditors for assistance to finance their necessary long-term development objectives as well as to help pay for imported goods and services.

While the need to contract foreign loans to achieve growth objectives is often an inevitable undertaking for developing countries, care must be taken to ensure that the macro-economic costs do not outweigh the benefits. Notwithstanding its critical importance, the accumulation of external debt inevitably represents a claim on future streams of a country's income since service charges, interest and principal repayments will have to be met. The vulnerability of foreign exchange inflows as well as the pervasiveness of the public sector in economic activities are key elements which often determine the accumulation of external debt as well as the ability to service that debt. Failure to prudently manage both has often led to the evolution of external debt problems in many countries. It is therefore important that the uses to which foreign inflows are put be in areas which will either generate foreign exchange or lay the basis for such resources to be generated.

Judging by the conventional indicators used to measure the level of a country's indebtedness, at the end of 1996, Belize was not considered a country in, nor approaching, a situation of debt crisis proportions[1]. Over the 10 year review period (1987-1996), the debt service ratio[2] increased from 8.2% to 9.4% while the debt to GDP ratio actually declined by six percentage points to 42.3% (Table 2). An in-depth examination of current macro-economic developments, however, would explain the growing concerns about the country's capacity to meet its current external debt obligations as well as its ability to meet those that will fall due in the medium term, especially where additional commitments are incurred.

This paper analyzes the impact that external debt accumulation has had, and may have, on the Belizean economy over the short-to medium-term. The analysis is limited to the public sector's[3] external debt, mainly because of the restricted nature of data on the private sector's external debt[4]. In addition, the implementation of the Commonwealth

---

[1]According to the World Bank, a country is classified as severely indebted if, over the last three years, the average ratio of the present value of total debt service to GDP exceeds 80% or if the average ratio of the present value of total debt service to exports is higher than 220%. In the case of moderately indebted countries, the ratios would fall between 48% and 80%, and 132% and 220%, respectively.

[2]The debt service ratio is the proportion of principal and interest payments as a percentage of foreign exchange earnings from the export of goods and services.

[3]Along with Central Government, the public sector is comprised of ten other financial and non-financial bodies. Financial public sector enterprises are the Central Bank and the Development Finance Corporation. The non-financial public sector is made up of the Social Security Board, Belize Electricity Ltd., Broadcasting Corporation of Belize, Belize Airports Authority, Port Authority, Belize Tourist Board, the Marketing Board and the Water and Sewerage Authority.

[4]Because of these limitations, any reference to external debt in the paper would be public sector external debt.

Secretariat's Debt Recording Management System (CS-DRMS) in 1987 constrains in-depth analysis to the ten year period spanning 1987 to 1996.

The proceeding Section gives a brief outline of the Belizean economy and reviews the public sector's external debt prior to 1987. Section 3 goes through the evolution of the debt over the ten year review period while Section 4 examines the implications that the servicing of the accumulated debt has had, and could have, on the fiscal accounts and on the balance of payments (BOP). Section 5 looks at key policy issues that should be considered so as to stem the evolution of repayment problems and consequent economic instability. Section 6, the Conclusion, revisits the critical issues raised in the paper while reference tables are featured in the appendix.

2. OVERVIEW OF THE BELIZEAN ECONOMY AND EXTERNAL DEBT UP TO 1986

Like its Caribbean counterparts, the Belizean economy is highly open[5] with a high dependence on preferential markets for its narrow range of agricultural exports. Major exports include sugar, citrus concentrates and juices, bananas, and marine products, while tourism has become a vital foreign exchange earner since the mid-1980's[6]. The openness of the economy underscores the need to generate sufficient quantities of foreign exchange to pay for much needed imports which, to a large extent, represent the lifeline of economic activity.

Prior to attaining political independence in 1981, the major foreign sources for development assistance to Belize were the United Kingdom (UK)[7] and, to a lesser extent, the Caribbean Development Bank (CDB), the Canadian International Development Agency (CIDA) and the European Development Fund (EDF). Commercial loans, primarily suppliers credit, constituted a minimal share of the debt portfolio (Leslie 1980, 5).

---

[5]In 1996, the ratio of the sum of imports and exports to GDP was 82.6%.

[6]Earnings from tourism increased from US $16.2 mn in 1986 to US $83.5 mn in 1996.

[7]As Belize had been a British Colony, the United Kingdom has been a major traditional source of foreign development assistance.

Most of the loans contracted prior to 1981 were channeled to Central Government to fulfill at least one of two purposes - to close financing gaps in the fiscal accounts and/or to finance capital expenditure for the development of public utilities and infrastructure[8]. Mirroring the need to establish a sound production and export base for the country, externally derived finances were directed mainly to the agriculture sector as well as to the construction and upgrading of public utilities and ports.

Since most of the loans incurred in the 1970's were from bilateral or multilateral creditors, their concomitant terms and conditions were relatively lenient. While a large portion of the early loans from the UK were interest free, interest rates on other Central Government loans ranged from 2.5% to 8.0% and rates on loans to the public sector enterprises were between 4.0% and 12.0%. Generally, repayment periods ranged from five to 20 years, with a few having extended maturities to as many as 40 years. Grace periods on principal repayments after the final disbursement of up to 12 months were not unusual. However, there were a few highly concessional loans which allowed grace periods of as much as 20 years. These were largely UK loans for infrastructure rehabilitation after the 1961 hurricane as well as for the construction of the new capital city, Belmopan, in the early 1970's.

[8]Infrastructure development was particularly associated with the construction of the new capital city, Belmopan, in the early 1970's.

The first half of the 1980's brought with it a deterioration in the health of the domestic economy. The visible trade deficit expanded following reduced earnings from sugar exports[9] as prices collapsed in international markets. By 1982, the total value of domestic exports had declined by 25.8% from its 1980 position. This occurred at the same time that the value of imports rose, pushed by increased fuel costs following the oil shock of 1979. By 1983, under the International Monetary Fund's (IMF) Compensatory Financing Facility, Belize received SDR 3.6 mn in relief assistance.

Government's attempts to stimulate the economy through fiscal expansion[10] only fuelled an increased budgetary imbalance. Consequently, the net international reserves position declined from US $11.9 mn at the end of 1980 to US -$2.5 mn by the end of 1984 while the outstanding external debt almost doubled to US $91.1 mn.

With the slowdown in economic output and the subsequent rise in external debt accumulation, the debt to GDP ratio increased to 38.0% in 1984, up from the 25.5% recorded in 1980. The situation was sufficiently critical to cause the accumulation of arrears amounting to US $6.3 mn (Alvarez 1987, 5). The untenable economic conditions provoked the implementation of an IMF stabilization program in the latter part of that year. The

---

[9]In 1980, sugar exports accounted for 58.3% of the total value of domestic exports.

[10]In the first five fiscal years of the 1980's, Central Government's total expenditure increased by 18.2% while total revenue and grants only saw growth of 4.0%. Over the period, the overall deficit almost tripled to US $11.0 mn (6.3% of GDP).

primary objectives of this program were to curb aggregate demand, improve public sector finances and restore the BOP to a sustainable position.

The policies implemented under the stabilization program, along with the improvement in sugar prices and the gains from agricultural diversification[11], prompted a turnaround in economic performance. The second half of the 1980's was characterized by a surge in economic activity as annual growth in real GDP averaged 8.9% per year between 1986 and 1990. The recovery was driven by increased investment by both the private and public sectors. Private sector investment was concentrated in the areas of agriculture and agro-processing (particularly citrus), tourism, and residential construction while public sector investment focused on the improvement of public utilities and infrastructure. The growth in investment was financed from both domestic and external sources.

---

[11]Efforts at export diversification started to pay off by the mid-1980's when the value of citrus concentrate exports doubled to US $12.1 mn in 1985.

3. THE REVIEW PERIOD, 1987 - 1996

The growth of Belize's external debt during the 10 year review period generally reflected the ebbs and flows of domestic economic activity, particularly as it related to the buoyancy of Central Government's fiscal accounts[12]. From 1987 to 1990, annual disbursements averaged US $14.7 mn per year while the final six years saw average annual disbursements rising to US $32.9 mn.

3.1 Phase I (1987 - 1990)

In the closing years of the 1980's, external debt accumulation was aimed at laying the foundation for private sector investment and overall economic growth. The catalyst behind the economic recovery was construction activity, particularly in the agriculture and tourist industries. Concomitantly, emphasis was placed on the upgrading of public utilities and roads, and improving the international airport. During these years, real GDP registered average annual growth of 10.4%. Growth in private sector foreign direct investment over the four years doubled to 5.7% of GDP (US $19.0 mn) in 1990 while the nominal value of Central Government's development expenditure almost tripled, rising from 7.1% of GDP in the 1986/87 fiscal year (FY) to 13.5% by the end of FY 1990/91 (Table 11).

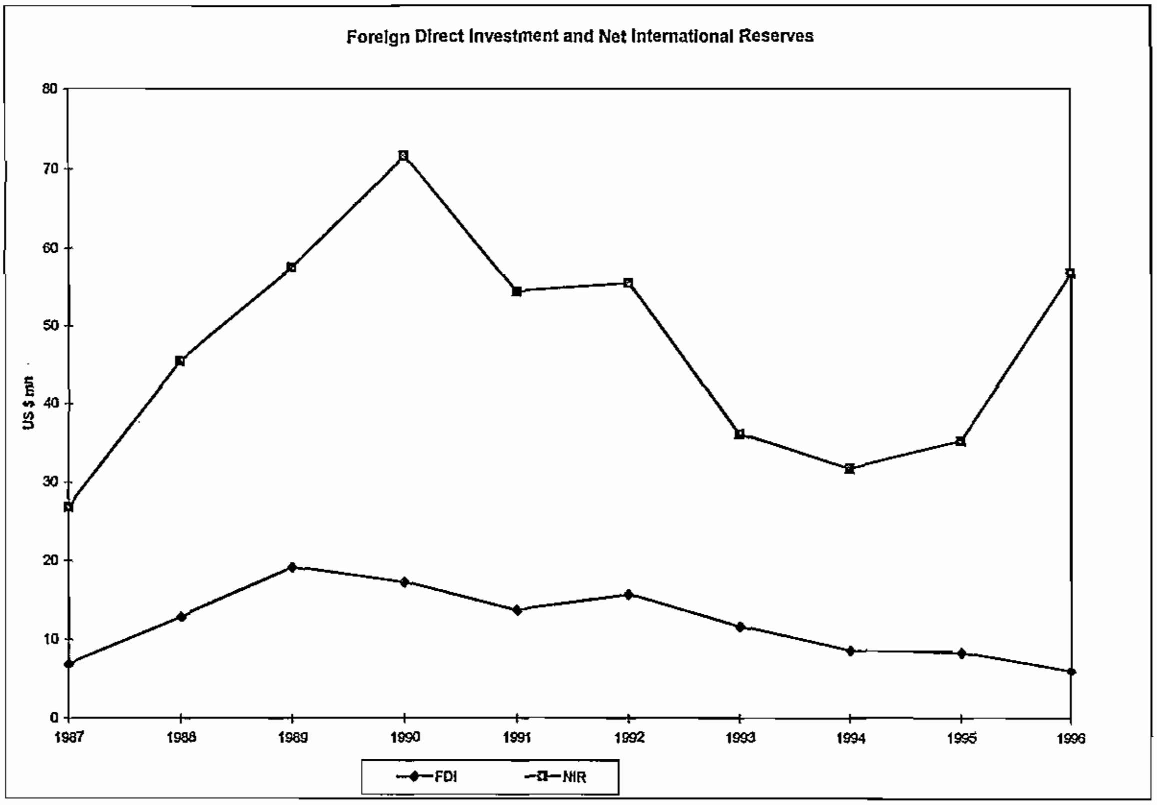
[12]Throughout the paper, special emphasis is placed on Central Government's portion of the total public sector external debt. Besides the fact that Central Government accounts for the lion's share of the public sector's external DOD, it also acts as guarantor for a number of loans contracted by other public sector enterprises. Most importantly, however, it is the Central Government's fiscal accounts which are often called into question when examining the public sector's capacity to meet debt service obligations.

With the sharp rise in economic activity being driven by the "non-tradeables" sector, foreign exchange earnings from the "tradeables" sector were constrained[13]. Over the four years from 1987, retained imports rose sharply by more than 50% to provide the inputs for the increased domestic demand concomitant with the economic expansion. At the same time, however, growth in the value of domestic exports was less vibrant, rising by 20.3% (Table 13). The result was a widening of the visible trade deficit to US $82.2 mn by 1990 and a deterioration of the BOP's current account balance which declined from a surplus of US $17.9 mn in 1987 to a net outflow of US $18.9 mn in 1989. In 1990, the current account balance was temporarily restored to a surplus of US $22.0 mn with a 2.1% slow-down in imports as the growth in construction subsided and tourism earnings, benefitting from the capital investment in the late 1980's, jumped by US $15.0 mn.

Fortunately, inflows on the capital account, which averaged US $24.1 mn over the four years, were sufficient to offset any shortfalls on the current account. Inflows for foreign direct investment averaged US $15.3 mn per year and disbursements on the public sector external debt registered an annual average of US $12.1 mn (Chart 1). Consequently, between 1987 and 1990, official net international reserves enjoyed average annual increases of US $13.4 mn accounting for 3.9 months of imports at the end of 1990 (Table 14).

[13]Between 1987 and 1990, construction activity increased by an average of 27.5% per year while transport and communications recorded average annual growth of 16.3%.

Chart 1



During Phase I of the review period, fiscal activity was directed towards the provision of basic infrastructure to facilitate private initiative. Central Government's financial accounts improved, relative to the first half of the 1980's, with current surpluses (averaging US $5.0 mn per year) bolstered by proceeds from the partial privatization of the telephone company. In FYs 1988/89 and 1990/91, Central Government was actually a net lender to the domestic banking system[14].

[14]Between 1989 and 1992, Central Government's time deposits in the commercial banking system averaged US $13.8 mn per year.

Central Government's savings were complemented by relatively modest growth in the disbursed outstanding debt (DOD) which rose by an average of 4.9% per year between 1987 and 1990 (Table 1). Over the period, net financial flows (disbursements less principal repayments) moved from US -$1.6 mn in 1987 to US $1.6 mn at the end of 1990. However, net transfers (net financing flows less interest payments) improved by 43.0% but remained negative at US -$3.6 mn, indicating that the grace periods of a number of loans were still in effect and that principal repayments had not yet started. Total external debt service rose by 24.3% to US $16.8 mn in 1990 (Table 7).

Central Government increased its external exposure by 8.6% while the DOD attributable to public sector enterprises rose by 14.5%. Nevertheless, Central Government was the major recipient of disbursements with loan proceeds received quadrupling over the four years. A major portion of the funds received was channeled to the upgrading of public utilities as well as the construction and improvement of roads and the international airport.

Noteworthy during this period was the increase in loan disbursements from private creditors, whose share in the loan portfolio rose from less than 1.0% in 1987 to more than 10.0% by the end of 1990 (Table 5). Most of these loans were contracted in favor of the telephone company. As would be expected, the relative increase in commercial debt impacted negatively on the concessionality of the DOD. Over the four years, the average interest rate on new commitments rose from 3.2% in 1987 to 5.5% three years later. The average maturity declined more than 50% from 19.7 years to just under 10 years while the average grace period was cut in half, falling from 5.5 years to 2.4 years (Table 9). By 1992, however, the telephone company was fully privatized and subsequently, some of the commercial loans have been reclassified as private sector debt. Nevertheless, financing from commercial creditors has continued to be a significant staple in the loan portfolio.

The heightened rigidity in the terms of new borrowings was not only on account of the increase in commercial loans. New commitments from bilateral creditors were also losing some concessionality as improved economic performance, especially in the second half of the 1980's placed the country in the international middle income category[15]. Average interest rates on new commitments from bilateral creditors increased from less than 1.0% to 5.0%. Furthermore, the average number of years to maturity declined by 50.0% and the grace period fell from 10.8 years to only 2.5 years. Only four bilateral loans were signed during this period - half were from the Republic of China/Taiwan and the remaining two were from the Governments of the US and the UK. Compared to the latter two, the Taiwan loans had similar rates of interest. However, the maturity and grace periods were considerably lower.

With the improved fortunes of the economy and the consequent slow growth in external debt accumulation the standard debt indicators for the public sector external debt appeared very favorable at the end of 1990. Specifically, the debt service ratio declined from 8.2% in 1987 to 6.1% at the end of 1990. The total outstanding debt as a proportion

---

[15]The Central Statistical Office estimates Belize's per capita income at US $2400 per year.

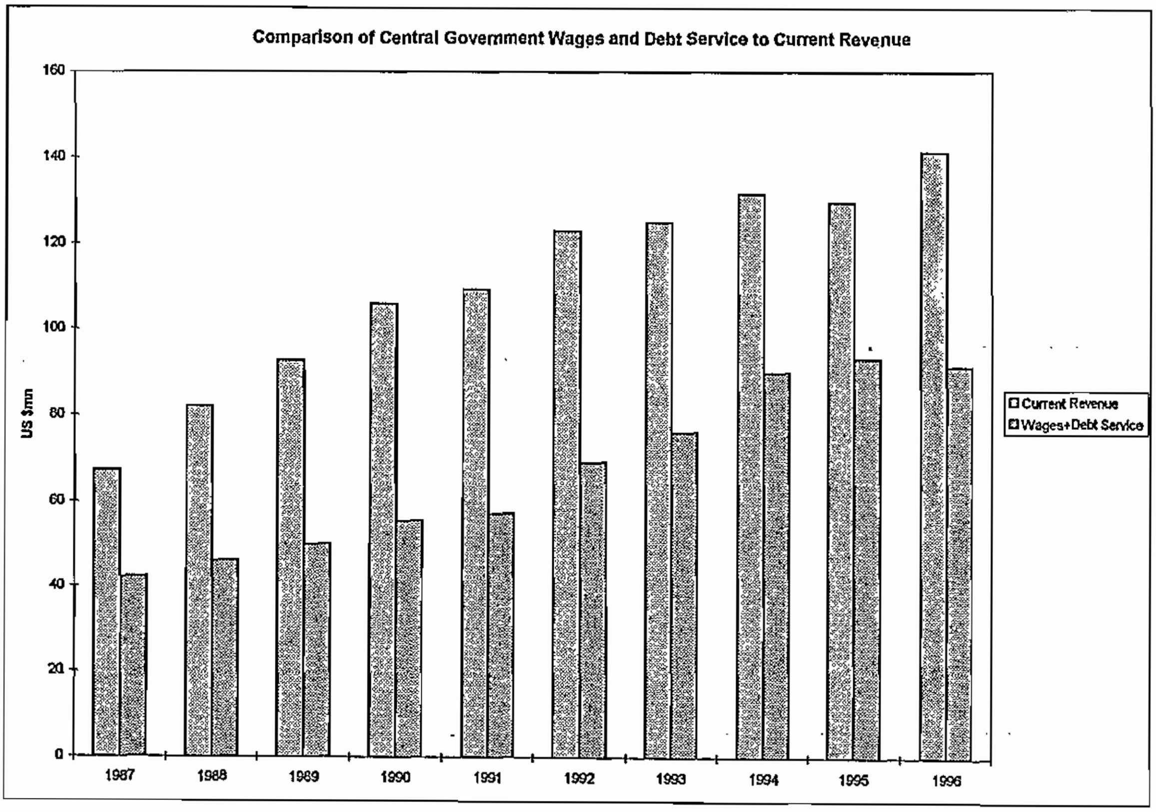
of domestic output fell from 48.0% to 39.2% while the total outstanding debt to exports ratio declined from 69.0% to 50.9% (Table 2).

3.2 Phase II (1991 - 1996)

The second half of the review period (1991-1996) saw a slow down in economic activity with GDP growth decelerating to an average of 3.9% per year. These years were characterized by a deterioration of Central Government finances, as a spiralling wage bill which increased by 47.4% between fiscal years 1991/92 and 1996/97, along with a doubling of debt service payments which rose to US $29.4 mn, propelled a reduction in public sector savings. Revenue constraints in 1992 prompted Government's sale of its remaining shares in the telecommunications company as well as 49% of its ownership in the electricity company in the following year.

Between fiscal years 1991/92 and 1996/97, Central Government's annual expenditure on wages and salaries averaged 54.1% of current revenue while debt service payments averaged 16.7%. With these two components accounting for almost 62% of current revenues annually, the remaining financial resources to carry out important functions such as the provision of basic social services and investment in capital projects were severely restricted (Chart 2).

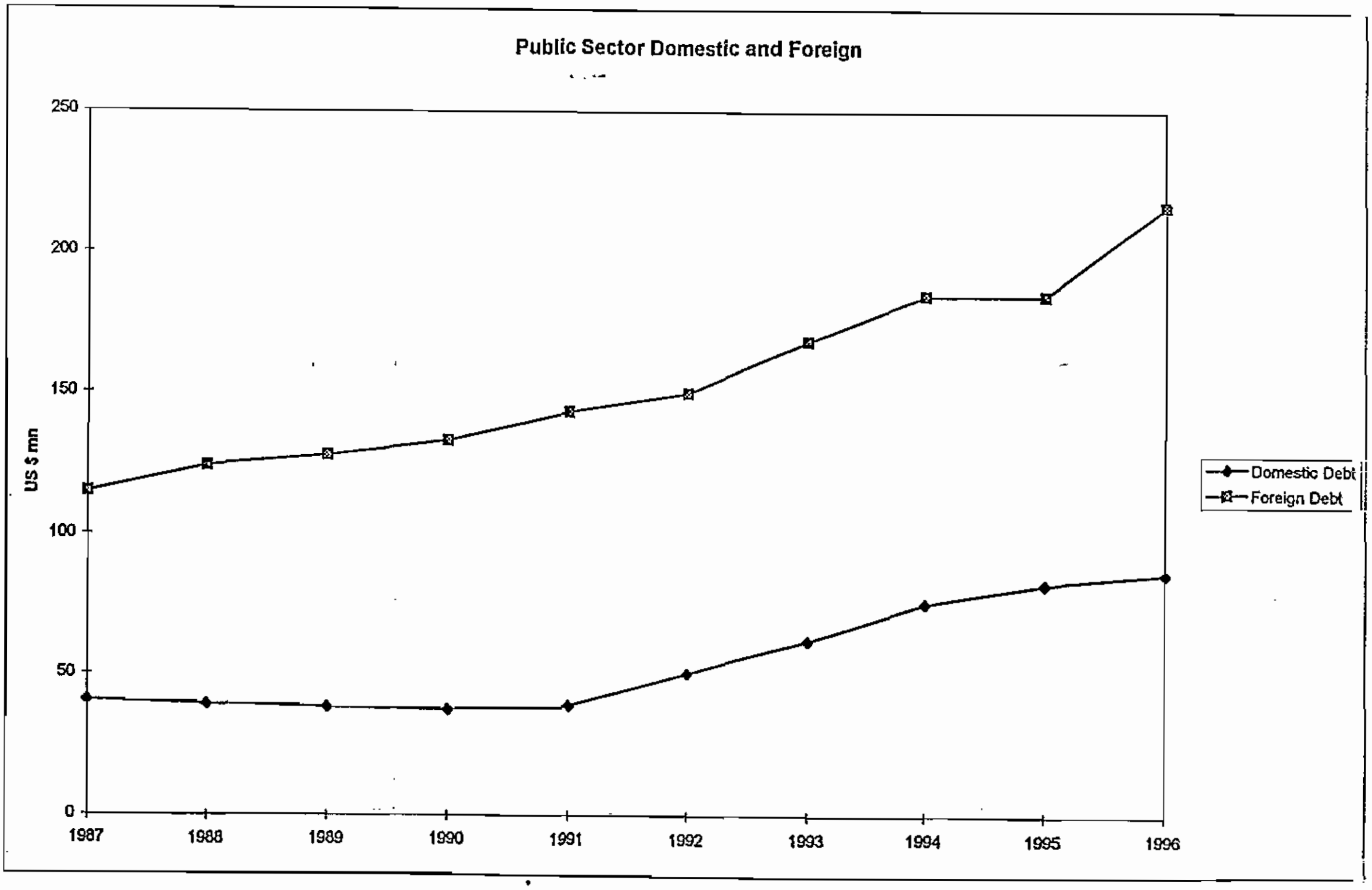
Chart 2



Consistent budget deficits were recorded, reaching US $35.3 mn (7.7% of GDP) by the end of the 1994/95 FY. The following two FY's ended with budget deficits falling to 4.3% of GDP and 0.8% of GDP, respectively (Table 11). These latter improvements, however, were only at the expense of reducing the size of the public service and cutting development expenditure.

Unlike trends observed during the latter part of the 1980's when Government was a net lender to the domestic banking system, the persistent budgetary shortfalls were partly financed by drawing down domestic financial resources and by rapidly increasing credit from overseas (Chart 3). Over the six year period, Central Government more than doubled its outstanding domestic debt from US $38.2 mn in 1991 to US $85.9 mn at the end of 1996 (Table 1).

Chart 3



The traditional major holders of Government securities, the Central Bank and the commercial banks, held 65.5% and 23.3%, respectively. It was also during this time that the

Social Security Board (SSB) emerged as a key purchaser of Government securities, assuming the role of buyer of last resort on the issue of the Defense Bonds[16]. By 1996, the SSB accounted for 8.4% of Central Government's outstanding domestic debt, up from 5.0% at the end of 1987.

With the heightened dependence on the domestic financial system, particularly on the Central Bank, increased pressure was placed on the official international reserves which contracted by an average of US $7.0 mn per year between 1990 and 1995. In 1996, however, net international reserves increased by US $21.6 mn, bolstered by a US $26.0 mn BOP support loan from Taiwan, along with proceeds from the US $12.0 mn building construction bond floated by the Central Bank.

Foreign fiscal financing registered growth of 63.3% during these years, rising to US $216.8 mn at the end of 1996. This time, foreign flows from bilateral sources (Table 5) rose in importance in the external debt portfolio, with the proceeds being used not only for the customary purposes of public infrastructure development. Now, they were needed to meet Central Government's recurrent expenditure and more notably, to satisfy outstanding external debt commitments[17].

---

[16]With the withdrawal of the British Forces, starting in 1984, the Government was faced with the task of financing the country's defense operations. To this end, $5.0 mn in Defense Bonds were floated in July of that year.

[17]Central Government's share of the total DOD for the public sector hovered around 75%, prior to the privatization of the telecommunications company. After 1991, however, Central Government accounted for as much as 89% of the public sector external DOD. The remainder was shared among two financial and eight non-financial public sector enterprises.

While average annual disbursements amounted to US $12.6 mn in the first phase of the review period, average disbursements almost tripled to US $31.9 mn per year between 1991 and 1996 (Table 6). New commitments spiralled to an all time high of US $58.2 mn in 1993, reflecting US $20.0 mn from the World Bank for the improvement of Belize City's infrastructure along with a doubling of suppliers credit for the construction of houses and a district hospital, as well as for the expansion of the water supply system.

Despite the surge in disbursements, net financial flows and net transfers declined by almost 75% in 1994 and fell to a negative US $8.4 mn in 1995. The primary reason behind the deterioration in net transfers during 1994 and 1995 was a build-up of suppliers credit from commercial agencies which had more than doubled to US $22.3 mn in 1993. Major debt service payments fell due for the Dangriga hospital, the FINEXPO houses and the water main installation project, as well as for the Italian commercial multi-sector loan. Over the final two years of the review period, total public sector external debt service doubled while Central Government's share tripled to 15.9% of its current revenue in 1996. Interestingly enough, between 1994 and 1996, almost half of total debt service payments made were to private creditors.

With the further growth of private sector credit in the loan portfolio, the concessionality of new commitments became even more stringent. Interest rates increased from an average of 4.1% in the first period to 5.7% in the second (peaking in 1991 at 6.8%).

Furthermore, 2.7 years were lost on the average maturity while the grace period was shortened by almost a year.

Deterioration of concessionality was seen in loans from all categories of creditors. However, the most pronounced changes were in credit from commercial banks which saw interest rates increasing by 2.1% and, already low, average years to maturity and grace periods declined further by 2.8 and 0.3 years, respectively (Table 9).

At the end of 1996, the standard indicators for Belize's external debt showed some deterioration. The debt service ratio rose from 6.0% in 1990 to 9.4% in 1996. With the slow down in economic growth, the total external debt to GDP ratio rose from 39.3% to 42.3% and the external debt to exports of goods and services increased by thirteen percentage points to 68.5%.

On the surface, these indicators appeared relatively modest, placing Belize outside of the international classification of even moderately indebted countries. However, they masked a threat of arrears accumulation as Central Government struggled to bring its fiscal operations into balance.

4. MACRO ECONOMIC IMPLICATIONS OF THE EXTERNAL DEBT

So far, we have seen that loss of foreign exchange earnings as well as fiscal expansion have been the overriding factors behind external debt accumulation in Belize - sometimes separately, but at other times, reinforcing each other. At the end of 1996, the external debt situation in Belize was one in which relatively large loans were contracted at the same time that foreign exchange inflows were being threatened and Central Government's revenues, relative to its expenditure needs, were experiencing severe shortfalls. The need to service this debt and the subsequent adverse effects on public sector finances, the BOP, and other socio-economic agents will be the focus of the analysis in the remainder of this paper.

4.1 IMPACT ON THE FISCAL ACCOUNTS

While the standard debt indicators implied a comfortable level of public sector external indebtedness, Central Government was nevertheless experiencing severe problems in meeting its external debt obligations. This "payments problem" emanated from an expansion of the fiscal sector starting as early as 1991. In that year, public officers' wages were increased at the same time that the public service was enlarged by some 200 persons. Subsequently, expenditure on wages and salaries increased by 25.3% in FY 1992/93 to account for 55.0% of current expenditure.

At the same time that current savings were declining, capital expenditure increased by almost 50% to US $67.0 mn in FY 1991/92 and averaged US $53.6 mn in the proceeding five fiscal years. The result was the onset of budget deficits which reached as high as US $35.1 mn in FY 1993/94 (7.8% of GDP). In addition, Central Government found it increasingly difficult to provide counterpart funding for major externally funded capital projects. This resulted in delays in project implementation and completion, as well as cost over-runs. By the end of 1995, 860 public officers were retrenched as this was seen as one of the most viable solutions to curbing a burgeoning fiscal deficit.

Domestically raised revenues from loans and securities were utilized to meet Central Government's recurrent expenses and as counterpart (or full) funding for those capital projects which had not been discontinued or altogether shelved. Nevertheless, the problem of foreign exchange generation to meet current debt obligations lingered. It was to this end that the US $26.0 mn Republic of China/Taiwan loan was contracted in mid-1996. The proceeds allowed Government some room to meet debt service requirements that had come due and to augment domestic credit to carry out its recurrent obligations. This specific loan most clearly represented the movement towards the accumulation of non-project external debt. While the purpose for which it was incurred will not lay the basis for foreign exchange generation, increased expenditure on wages and salaries will eventually impact negatively on the net international reserves position, restricting the same reserves needed to effect its repayment.

Despite apparent gains achieved from efforts to cut wages, at the end of 1995 another agreement between the PSU, the Teachers' Union and the Government was signed. Under this settlement, wage increases of at least 2.0% are scheduled to be paid each year up to FY 1998/99. With the implementation of the first two phases, the wage bill has once again started to climb, albeit at a slower pace than in previous years. Bearing in mind that general elections are due in 1998, it is not difficult to foresee, once again, further deterioration in Government finances as jobs are created in the public service and capital expenditure is heightened. When these are combined with steady growth in current revenues, Government's ability to meet its external debt obligations could become even more restricted.

4.2 BALANCE OF PAYMENTS EFFECTS

At the end of 1996, the Central Bank accounted for 65.5% of Central Government's outstanding domestic debt (Table 12). Consequently, net international reserves contracted by an average of US $7.5 mn per year between 1990 and 1995. At the same time, external debt servicing was increasing by an average of 33.1% each year in 1995 and 1996 (Table 1).

The depletion of international reserves is occurring at a critical juncture where previously relied on sources of foreign exchange inflows can no longer be regarded as dependable. In 1996, inflows for the British Garrison, stationed in Belize since the late 1970's, trickled to less than US $0.1 mn. Between 1990 and 1993, inflows averaged US $22.1

mn per year[18]. Furthermore, in 1995, the USAID office in Belize was closed. While in Belize, US financial assistance (grants and loans) through this agency were used for a variety of both public and private sector projects. With its withdrawal this source of funding, which averaged US $14.5 mn between 1990 and 1995, has subsided.

The drying up of funds from once assumed constant bilateral sources highlights the current trend in the re-routing of international development assistance away from countries like ours to emerging capitalist countries, particularly those in Eastern Europe. Combined with our status as middle income countries, it is clear that alternative methods of foreign exchange generation is a most critical issue.

This fact becomes even more glaring when one analyses the status of Belize's major exports. Currently, the banana protocol under the Lome IV convention is being threatened. The local banana industry resorted to destroying portions of its plantations as current output levels have exceeded the allotted quota. Alternative markets have not yet been identified and the industry continues to hope that a favorable solution will be worked out.

Currently, the citrus industry is also suffering from the vagaries of international market conditions. Depressed prices for citrus concentrates have dampened citrus earnings in 1997, despite exceedingly high levels of production. This is occurring at the same time

[18]The withdrawal of the British Garrison was felt throughout the economy, especially in the areas of services (entertainment, restaurants and telecommunications) as well as in employment opportunities.

that the industry is seriously testing the feasibility of off-shore financing to cover its operational expenses. The outlook points to a further fall in foreign exchange inflows from this industry as debt servicing (particularly interest) will have to met externally.

With the fall-off of foreign direct investment since 1992, no significant investment in the tourism sector has occurred. In the late 1980's, the construction of two major hotels in Belize City led the way in the expansion of tourism country-wide. However, prospects for growth are, at best, only modest over the medium term as the industry grapples with the formulation of a comprehensive plan to chart its course of development.

Looking ahead, forecasts up to the year 2000 show total debt service payments increasing by 15% (based on the DOD at the end of 1995). At that time, repayments of major loans like the World Bank infrastructure loan, the Central Bank's building bond and the Taiwan BOP loan will fall due. Consequently, amortization is projected to at least double its 1993 level of US $10.1 mn and interest payments are forecasted to almost triple to a minimum of just over US $15.0 mn. On the basis of the DOD at the end of 1996, net financial outflows are projected at US $18.9 mn by 2000 while net negative transfers of US $33.3 mn are estimated.

In 1995, the Commonwealth Secretariat projected Belize's borrowing requirements at an additional $320 mn by the end of this century, if it is to meet the objectives set out in the Medium Term Strategy Paper for the 1994 to 1997 period. Most of this external funding is expected from official sources while approximately 25% should come from private creditors. With new borrowing, the DOD is estimated to rise by 40% to over US $250 mn by the year 2000. Consequently, debt service is expected to increase to US $35 mn as early as 1998.

Clearly, increased foreign exchange inflows and public revenues will be needed to service this higher level of debt payments. With the growth in export earnings expected to slow at the same time that improvement in government finances (at least in the short run) are seemingly unlikely, the burden arising from the debt service appears set to worsen to the extent of incurring new debt and/or risk the possibility of arrears accumulation.

5. POLICY ISSUES

The vulnerability of Belize's external sector make it difficult, if not impossible, to predict with any amount of certainty the strength of the economy to manage its future foreign debt obligations. This becomes even more evident when one considers the fact that, for various reasons, traditional sources of foreign exchange to Belize have been drying-up at the same time that access to concessional foreign assistance (either in the form of loans or grants) has declined. It is therefore critical to highlight the dangers that may lie ahead if steps are not taken now to avoid the potential evolution of a serious debt problem in the years ahead.

Fiscal discipline is the most immediate and pragmatic means of arresting the development of a debt crisis in Belize. It is clear that increasing the rate of external as well as domestic borrowing will only exacerbate an already critical situation. Policy prescriptions must therefore focus on :

5.1 Streamlining/reforming the public sector.

Over the last few years, attempts at public sector discipline have focused on the retrenchment of public officers and a reduction of development expenditure. However, a more comprehensive approach is necessary which would encompass an eventual but overall reduction of the public sector to the extent where it is responsible solely for the efficient performance of its core functions. By so doing, increased savings targets can be achieved as a result of reduced overall expenditure complemented by increased revenues.

While the reduction of government expenditure is a critical component of a sound fiscal reform process, other important measures cannot be ignored. The entire approach should involve a mix of different measures of which expenditure cutting is only one. Other policy options include public sector reorganization, privatization of public sector enterprises, and tax reform[19].

5.2 Reducing domestic borrowing

A surge in domestic financing has several adverse effects on the economy. Over the 1992-1994 period, a doubling of domestic debt brought with it a contraction in the country's official international reserves. Where the reserves act as a buffer for the fixed exchange rate, a depletion of international holdings could threaten the stability of that rate. When the rationing of foreign exchange becomes necessary, private sector output will be compromised as funds to purchase essential inputs from abroad become increasingly scarce. Again, the exchange rate may come under attack as the community turns to the informal market to satisfy its foreign exchange needs. Ultimately, a wane in confidence in the

[19] A UK financed project is currently underway which is focusing on these issues. The process of public sector reform is, however, a long term one and it will be some time before any benefits are derived.

economy could bring about an increase in capital flight at the same time that foreign investors become increasingly cautious.

Increased public sector borrowing from the commercial banks can also have a negative impact on private sector productivity. This is particularly true where net credit to government "crowds out" the private sector's access to investment funds. Where private sector growth is jeopardized, overall economic well-being is also threatened.

5.3 Increasing foreign exchange earnings

Because of the unpredictability and lack of influence over international market conditions, it is always difficult to devise means of increasing export earnings. What is necessary however, is a consideration of new ways to generate this growth in income.

Planned development of the service sector is seen as a key area where Belize can benefit through increased foreign exchange generation. Possible areas which deserve more serious consideration include the eco-tourism sector and the financial services sector. However, the necessary infrastructure (physical, economic and political) and a comprehensive plan of action have to be put in place in order to achieve this objective.

While the traditional agricultural commodities (sugar, citrus, bananas) still constitute the major exports, identification of new markets must be seen as a matter of urgency. This is most evident in view of the banana situation as it has unfolded.

5.4 Practicing prudent debt management

In an effort to minimize the chances of the development of a payments problem, the accumulation of public sector debt (both foreign and domestic) must be carefully managed. In many instances, governments are tempted to contract loans for non-essential projects to appease the electorate. The relative terms of these loans as well as the macro-economic effects of servicing them must be investigated prior to their signing. Where there is any possibility that servicing these loans may cause difficulties when they fall due, they must be discouraged. Commercial borrowing should also be restricted and utilized only in cases where more concessionary financing is absolutely unobtainable. Nevertheless, resources for investment in important areas such as primary health care and education still have to be given priority. The bottom line is that delaying necessary fiscal adjustments by contracting new loans, especially where funds are used for non-productive purposes, may likely prove costly in the medium to long term. Tackling the root of the problem before it spirals out of control is the only appropriate approach.

To ensure a transparent debt accumulation process necessitates the implementation of a legal framework to guide the procedure. Government officials must be limited to the kinds and amounts of foreign loans that they can incur while they must be held responsible for actions that will impact on the lives of future generations.

6. CONCLUSIONS

The preceding analysis brings into question the usefulness of debt indicators which appeared relatively modest for Belize at the end of 1996. However, they concealed the evolution of a payments problem, particularly in the case of Central Government. In mid-1996, the contraction of a US $26.0 mn loan from the Republic of China/Taiwan became necessary to provide foreign exchange resources to pay off previously incurred high-cost loans as well as to allow some room for Central Government to meet its recurrent obligations.

The overriding concern at this point is how to ensure the availability of resources to service the currently outstanding debt when it falls due. This becomes even more critical upon reflection of the possibilities for improving Central Government's finances in the short to medium-term as well as the foreign exchange constraints emanating from shifting trends in bilateral aid flows, eroding preferential trade arrangements and slow growth in the tourism industry.

Clearly, incurring new debt to alleviate the existing problems is only prolonging the inevitable. At the same time, implementing the policy issues outlined in Section V will not bring about immediate results. Nevertheless, in the meantime, all energies must be directed towards consolidation of efforts to streamline the debt accumulation process as well as to restrict growth in public expenditure to cover only those areas that are of critical importance to economic activity. Concomitantly, the process of reforming Government and diversifying the bases for foreign exchange generation (both products and markets) should be given full support since we will all have to bear the adverse effects from macro-economic instability brought on by the evolution of a debt crisis.

7. BIBLIOGRAPHY

Abbott, George C. International Indebtedness and the Developing Countries. Croom Helm. London. 1979.

Alvarez, Yvette. 1988. **External Debt and Adjustment: The Case of Belize 1980 - 1986** in Social and Economic Studies Vol. 37 No. 4. Mona, Jamaica.

Anderson, Paula. 1987. **The Impact of Jamaica's External Debt on the Level of Economic Development.** Paper presented at the 19th Annual RPMS Conference. Belize.

Arana, Francis. 1996. **A Review of Fiscal Reform Measures in Belize, 1984 - 1996.** Paper presented at the CEMLA Seminar on Fiscal Policy. Curacao.

Bourne, Compton. 1979. **Theoretical Aspects of External Debt and Economic Growth in Developing Countries.** ISER. Mona, Jamaica.

Central Bank of Belize. 1981-1996. **Annual Reports.**

______________. Statistical Digest.

Commonwealth Secretariat. 1995. **A Review of Belize's External Debt Portfolio.** Commonwealth Secretariat. London.

Echengreen, Barry and Peter H. Lindert (eds.). 1991. **The International Debt Crisis in Historical Perspective.** Massachusetts Institute of Technology. USA.

Leslie, D. 1980. **External Debt in Belize.** Paper presented at the 12th Annual RPMS Conference. Belize.

Meier, Gerald M. 1976. **Leading Issues in Economic Development (Third Edition).** Oxford University Press. London.

______________ 1968. **The International Economic of Development: Theory and Policy.** Harper and Row. New York.

Mikesell, Raymond. 1983. **The Economics of foreign Aid and Self-Sustaining Development.** Westview Press. Colorado, USA.

Payer, Cheryl. 1991. **Lent and Lost: Foreign Credit and Third World Development.** Zed Books Ltd. U.K.

Riddell, Roger C. 1987. **Foreign Aid Reconsidered.** Johns Hopkins University Press. Baltimore, MD, USA.

Todaro, Michael P. 1982. **Economics for a Developing World (Second Ed.).** Longman.

World Bank. 1997. **Global Development Finance, Volume 2.** IBRD. Washington D.C.

Zephirin, Mary. 1979. **The External Debt of Barbados.** Paper presented at the 11th Annual RPMS Conference. St. Kitts.

STATISTICAL APPENDIX

TABLE 1: MAJOR ECONOMIC INDICATORS

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Population (thousands)	175.2	179.8	183.2	184.3	189.4	199.0	205.0	211.0	216.0	222.0
Real GDP at factor cost (US$)	214.8	228.4	258.7	285.3	294.1	322.0	336.0	341.1	353.9	359.2
Real GDP Growth (%)	11.8	6.3	13.3	10.3	3.1	9.5	4.3	1.5	3.7	1.5
Inflation (Annual % Rate)	2.0	3.2	2.1	3.0	5.6	2.8	1.6	2.6	2.9	6.4
Exports of Goods and Services(US$)	166.7	221.7	222.1	261.0	256.5	289.6	290.3	292.8	307.6	316.8
Imports of Goods and Services(US$)	179.9	226.7	268.6	268.6	311.2	348.9	368.6	346.2	347.6	345.9
Current Account Balance(US$)	17.9	-4.6	-18.9	22.0	-26.6	-29.1	-49.0	-24.7	-2.0	-0.5
Net Int'l Reserves (US$)	26.8	43.5	62.1	77.3	57.9	46.5	31.9	31.6	34.9	56.0
Disbursed Outstanding Debt (US$)	114.9	124.1	127.8	132.7	142.8	149.7	167.8	184.0	184.3	216.8
Debt Service Payments (US$)	13.8	14.9	14.7	16.8	15.3	16.6	15.6	24.0	29.6	29.7
Debt Service Ratio (%)	8.2	6.7	6.6	6.1	5.7	4.5	5.1	7.8	9.1	9.0
Per capita DOD (USD)	657	694	698	720	754	752	818	872	853	977

Source: Central Bank of Belize; Central Statistical Office

TABLE 2: DEBT INDICATORS (%)

YEAR	EDT/XGS	EDT/GDP	TDS/XGS	INT/XGS	INT/GDP	TDS/CGR	TDS/CGE
1987	69.0	48.0	8.2	2.7	1.9	0.2	0.2
1988	56.0	46.7	6.7	1.9	1.6	0.2	0.3
1989	57.6	41.7	6.6	2.4	1.7	0.2	0.2
1990	50.9	39.2	6.5	2.0	1.6	0.2	0.2
1991	55.7	39.3	6.0	1.9	1.3	0.1	0.2
1992	51.7	36.3	4.7	1.6	1.1	0.1	0.2
1993	57.8	37.2	5.4	1.9	1.2	0.1	0.2
1994	62.8	39.6	8.2	2.3	1.4	0.2	0.2
1995	59.9	37.3	9.6	2.6	1.6	0.2	0.2
1996	68.5	42.3	9.4	2.6	1.6	0.2	0.3

Source: Central Bank of Belize

TDS/XGS - debt service ratio
INT/XGS - interest service ratio

EDT - Total public sector external debt.
XGS - Exports of goods and services (should include workers' remittances but we only have this figure back to 1990. The data for 1987 to 1989 are not available).
GDP - Gross Domestic Product
TDS - Total debt service
INT - Interest payments
CGR - Central Government current revenue
CGE - Central Government current expenditure
RES - Reserves
MGS - Imports of goods and services

TABLE 3: COMPARATIVE DEBT RATIOS

(%)

Ratios	Belize	Barbados	Guyana	Trinidad &Tobago	Mexico	Honduras
EDT/XGS	68.5	64.9	328.1	87.9	170.5	255.5
EDT/GDP	42.3	36.2	377.2	53.6	69.9	124.6
TDS/XGS	9.4	12.9	17.0	14.8	24.2	31.0
RES/EDT	26.1	26.4	12.8	14.8	10.3	5.9

Sources: Central Bank of Belize; World Bank Debt Tables

TABLE 4: DISBURSED OUTSTANDING DEBT BY BORROWER

US$ (mn)

Borrower	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Central Gov't	88.0	84.9	90.3	95.6	113.5	122.9	144.1	158.3	160.1	186.0
Public Corporations	27.5	35.6	34.0	31.5	29.7	21.1	20.4	20.7	19.9	28.9
TOTAL DOD	115.5	120.5	124.3	127.1	143.2	144.0	164.5	179.0	180.0	214.9

Source: Central Bank of Belize.

TABLE 5: DISBURSED OUTSTANDING EXTERNAL DEBT (BY CREDITOR CATEGORY)

(%)

	MULTILATERAL	BILATERAL	SUPPLIERS CREDIT	COMMERCIAL BANKS
1987	51.3	45.2	2.9	0.7
1988	44.6	44.5	1.8	9.1
1989	45.2	44.3	1.4	9.0
1990	47.1	40.7	1.5	10.7
1991	45.3	42.0	0.7	12.0
1992	41.8	39.6	7.4	11.3
1993	37.0	39.4	13.0	10.6
1994	40.6	38.3	12.6	8.6
1995	43.9	36.2	12.4	7.4
1996	38.2	42.7	8.3	10.9

Source: Central Bank of Belize

TABLE 6: ANNUAL DISBURSEMENTS BY CREDITOR CATEGORY

US$ (mn)

Category	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	Total
Multilateral	1.7	4.7	10.7	7.3	5.4	5.8	9.1	14.7	12.0	11.4	83.2
Bilateral	5.3	2.5	4.4	5.9	8.9	6.3	10.3	7.3	3.3	30.6	85.0
Commercial	2.3	8.5	1.0	3.4	7.3	12.1	0.2	---	---	11.9	47.0
Export Credit	---	0.6	---	---	5.5	7.4	12.7	6.6	6.3	1.7	41.0
Total	9.3	16.3	16.1	16.6	27.1	31.6	32.6	28.6	21.6	55.6	256.2

Source: Central Bank of Belize

TABLE 7: FINANCIAL FLOWS OF PUBLIC SECTOR EXTERNAL DEBT (ACTUAL)

US$ (mn)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Disbursements	7.1	13.2	17.1	13.2	28.4	24.0	34.9	28.7	21.1	54.0
Principal Pmts.	9.1	10.6	9.4	11.6	10.6	9.0	10.1	17.3	21.6	21.6
Net Financial Flows	-2.0	2.6	7.7	1.6	17.8	15.0	24.8	11.4	-0.5	32.4
Interest Pmts.	4.4	4.2	5.2	5.2	4.8	4.6	5.4	6.7	8.0	8.1
Net Transfers	-6.4	-1.6	2.5	-3.6	13.0	10.4	19.4	4.7	-8.5	24.3

Source: Central Bank of Belize

FINANCIAL FLOWS OF PUBLIC SECTOR EXTERNAL DEBT (FORECAST)

US$ (mn)

	1997	1998	1999	2000	2001	2002	2003	2004
Disbursements	61.2	23.3	13.4	4.5	3.2	1.8	0.2	0.2
Principal Pmts.	20.4	20.9	19.8	23.4	23.2	21.6	20.9	16.9
Net Financial Flows	40.8	2.4	-6.4	-18.9	-20.0	-19.8	-20.7	-16.7
Interest Pmts.	8.3	11.2	11.3	14.4	9.7	8.7	7.5	6.3
Net Transfers	32.5	-8.8	-17.7	-33.3	-29.7	-28.5	-28.2	-23.0

Source: Central Bank of Belize

TABLE 8: ANNUAL NEW COMMITMENTS

US$ (mn)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Multilateral	16.4	24.6	1.1	----	6.5	11.4	27.5	----	15.3	11.8
Bilateral	3.2	----	13.5	5.0	5.4	7.6	8.3	----	13.3	15.3
Commercial	2.3	9.6	16.0	----	----	7.3	----	----	11.9	6.0
Suppliers Credits	0.5	----	----	0.5	8.5	9.7	22.3	5.6	----	----
Total Commitments	22.5	34.2	30.6	5.5	20.4	36.0	58.1	5.6	40.5	33.1

Source: Central Bank of Belize

TABLE 9: AVERAGE TERMS OF NEW COMMITMENTS

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
All Creditors										
Interest (%)	3.2	6.6	1.4	5.5	6.8	5.9	6.5	4.1	5.8	5.2
Maturity (Yrs)	19.7	19.1	15.7	9.6	15.5	12.7	13.6	11.8	12.1	14.0
Grace Period (Yrs)	5.5	5.8	4.5	2.4	3.9	3.1	3.5	3.1	3.4	4.5
Multilateral										
Interest (%)	3.8	5.1	2.0	--	5.0	5.3	6.9	2.0	6.8	4.3
Maturity (Yrs)	21.7	25.3	35.6	--	30.3	25.3	18.9	19.7	13.7	15.4
Grace Period (Yrs)	5.3	7.7	8.7	--	7.9	6.9	5.1	5.7	4.8	4.9
Bilateral										
Interest (%)	0.7	--	0.0	5.0	5.2	4.1	6.1	--	4.2	4.2
Maturity (Yrs)	22.3	--	18.5	10.0	10.4	10.7	8.4	--	13.5	16.0
Grace Period (Yrs)	10.8	--	5.0	2.5	2.5	2.6	2.5	--	2.8	4.1
Commercial										
Interest (%)	1.5	10.6	11.1	--	--	7.9	--	--	--	11.7
Maturity (Yrs)	4.7	3.2	11.8	--	--	4.2	--	--	--	3.5
Grace Period (Yrs)	1.1	1.0	4.3	--	--	0.2	--	--	--	3.5
Suppliers Credit										
Interest (%)	8.3	--	--	10.1	9.5	6.6	6.0	5.8	6.0	--
Maturity (Yrs)	5.5	--	--	5.4	6.3	5.3	9.0	5.5	4.5	--
Grace Period (Yrs)	7.8	--	--	0.9	1.6	0.9	1.8	1.0	0.4	--

Source: Central Bank of Belize

TABLE 10: DISBURSED OUTSTANDING DEBT BY ECONOMIC SECTOR

(%)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Agriculture	14.9	12.6	11.3	9.3	6.6	7.0	6.7	6.2	5.6	4.1
Air Transport	0.7	0.5	3.0	3.4	3.7	3.6	5.2	4.8	4.7	3.9
Energy	4.1	5.1	7.7	8.9	11.6	12.4	9.6	7.5	6.6	4.9
Finance	28.1	23.9	19.7	18.6	16.2	15.7	13.6	13.5	13.6	28.5
Ground Transport	6.0	5.8	7.1	8.8	10.1	10.0	9.8	8.2	7.5	6.5
Health	---	---	---	---	---	---	0.4	6.8	9.0	7.2
Housing	4.8	4.1	3.5	4.2	6.0	7.4	6.6	6.0	6.3	5.6
Manufacturing	---	---	---	---	---	---	---	0.5	0.5	0.5
Industrial Development	2.5	2.1	1.9	1.1	0.9	0.7	1.0	0.7	0.8	0.8
Water Supply and Drainage	---	---	---	0.1	0.1	0.1	6.6	6.0	7.2	5.7
Multi-sector	18.4	19.5	18.9	24.4	26.9	26.8	24.0	24.9	24.3	21.9
Other	20.5	26.4	26.9	21.2	17.9	16.3	16.5	14.9	13.9	10.4
Total DOD (US$ mn)	114.9	124.1	127.8	132.7	142.8	149.7	167.8	184.0	184.3	216.8

Source: Central Bank of Belize

TABLE 11: DETAILED CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

US$ (mn)

	1987/88	1988/89	1989/90	1990/91	1991/92
Total revenue and grants	72.2	103.4	102.3	117.7	125.7
Total revenue	69.0	102.4	99.5	111.2	125.5
Current revenue	67.1	82.0	92.7	105.8	109.2
Tax revenue	60.3	71.9	79.8	88.3	92.4
Income tax	14.1	16.5	17.9	20.6	23.0
Taxes on property	0.7	0.7	0.7	0.7	0.6
Taxes on goods and services	7.2	8.1	9.0	10.1	10.3
Taxes on int'l transactions	36.7	45.1	50.0	54.3	56.4
Stamp duties (other depts.)	1.6	1.4	2.2	2.4	1.9
Non-tax revenue	6.7	10.0	12.9	17.5	16.8
Capital revenue	1.9	20.4	6.7	5.4	16.3
Grants	3.2	0.9	2.8	6.5	0.6
Total expenditure	69.8	81.1	109.5	115.3	144.6
Current expenditure	55.4	60.7	67.3	69.6	77.5
Wages and salaries	28.4	31.1	35.2	38.6	41.7
Pensions	2.9	3.1	3.7	3.6	4.8
Goods and services	11.4	13.6	15.4	15.6	17.2
Interest Payments	6.4	5.9	5.9	4.9	4.4
Foreign	2.2	2.2	2.1	2.1	1.8
Domestic	4.2	3.7	3.8	2.8	2.6
Subsidies and current transfers	6.2	6.9	7.0	6.7	9.2
Capital expenditure and net lending	14.4	20.3	42.2	45.7	67.0
Development expenditure	10.6	18.8	40.1	43.2	62.3
Transfers to NFPEs	3.7	1.5	2.1	2.5	4.7
Current Balance	11.7	21.3	25.4	36.2	31.7
Overall Balance	2.4	22.3	(7.2)	2.4	(18.9)

	1992/93	1993/94	1994/95	1995/96	1996/97
Total revenue and grants	140.7	132.5	140.3	135.1	155.4
Total revenue	140.3	129.0	133.7	134.6	153.4
Current revenue	122.9	124.9	131.5	129.6	141.3
Tax revenue	103.6	109.6	115.9	116.5	125.8
Income tax	30.0	30.1	31.8	29.5	27.9
Taxes on property	1.3	0.6	0.8	0.6	0.8
Taxes on goods and services	10.5	14.7	14.6	14.3	50.6
Taxes on int'l transactions	58.8	61.6	65.3	68.6	42.2
Stamp duties (other depts.)	2.9	2.6	3.2	3.5	4.1
Non-tax revenue	19.3	15.3	15.6	13.0	15.5
Capital revenue	17.4	4.0	2.2	5.0	12.0
Grants	0.1	3.4	6.6	0.5	2.0
Total expenditure	171.6	167.2	175.4	156.1	159.1
Current expenditure	95.2	109.6	119.9	116.4	120.8
Wages and salaries	52.3	60.3	65.9	63.5	61.5
Pensions	5.7	6.3	7.2	7.9	8.1
Goods and services	22.0	22.5	23.0	21.0	24.3
Interest Payments	5.5	10.4	10.9	11.6	12.2
Foreign	2.1	4.0	5.4	6.0	5.8
Domestic	3.4	6.4	5.5	5.6	6.4
Subsidies and current transfers	9.6	10.1	12.7	12.4	14.5
Capital expenditure and net lending	76.4	58.0	55.5	39.6	38.3
Development expenditure	73.0	56.8	53.9	38.0	35.9
Transfers to NFPEs	3.3	1.2	1.6	1.6	2.4
Current Balance	27.7	15.3	11.6	13.2	20.5
Overall Balance	(30.9)	(34.7)	(35.1)	(21.0)	(3.7)

Sources: Ministry of Finance; Central Bank of Belize; IMF and World Bank staff estimates.

TABLE 12: CENTRAL GOVERNMENT SUMMARY OF REVENUE AND EXPENDITURE

US$ (mn)

Fiscal Year	Current Revenue	Current Expenditure	Current Balance	Capital Expenditure	Total Revenue & Grants	Overall Balance	Net Financing	
							Domestic	External
1987/88	67.1	55.4	11.7	14.4	72.2	2.3	1.9	(4.2)
1988/89	82.0	60.7	21.3	20.3	103.4	22.4	(27.4)	5.0
1989/90	92.7	67.3	25.4	42.2	102.3	(7.2)	3.5	3.7
1990/91	105.8	69.6	36.2	45.7	117.7	2.4	(12.5)	10.1
1991/92	109.2	77.5	31.7	67.0	125.7	(18.8)	9.1	9.7
1992/93	122.9	95.2	27.7	76.4	140.7	(30.9)	11.4	19.5
1993/94	124.9	109.6	15.3	58.0	132.5	(35.1)	10.2	24.9
1994/95	131.5	119.9	11.6	55.5	140.3	(35.1)	19.9	15.2
1995/96	129.6	116.4	13.2	39.6	135.1	(20.9)	13.2	7.7
1996/97	141.3	120.8	20.5	38.3	155.4	(3.7)	(43.5)	47.2

*Fiscal Year runs from April 1 to March 31.
Sources: Ministry of finance; Central Bank of Belize; World Bank and IMF staff estimates.

TABLE 13: GOVERNMENT OF BELIZE DOMESTIC DEBT

US$ (mn)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
LOANS & ADVANCES	3.9	2.1	1.0	0.0	1.3	12.3	23.9	24.2	26.2	27.6
OD Facility (CBB)	0.0	0.0	0.0	0.0	0.0	11.2	21.2	21.0	23.6	24.1
SSB	---	---	---	---	1.3	1.0	2.7	3.2	2.6	3.5
Comm. Banks	3.9	2.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SECURITIES	36.3	36.8	36.9	36.9	36.9	37.9	37.9	50.8	55.8	58.4
Central Bank	6.9	8.9	12.2	3.9	14.7	3.8	9.6	13.1	17.4	32.0
Comm. Banks	20.5	17.9	15.0	23.2	18.5	30.5	24.5	31.5	32.1	19.9
SSB	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.8	3.7	3.6
Other	6.9	8.0	7.7	7.7	1.7	1.5	1.7	2.4	2.6	2.7
TOTAL	40.3	38.9	37.9	36.9	38.3	50.2	61.9	75.1	82.0	85.9

Source: Central Bank of Belize.

TABLE 14: VISIBLE TRADE

US$ (mn)

Year	Retained Imports	Exports	Trade Deficit	Imports/ GDP (%)	Exports/ GDP (%)
1987	128.3	86.9	(41.4)	53.5	36.3
1988	159.2	95.1	(64.1)	59.9	35.8
1989	190.7	94.0	(96.7)	62.2	30.6
1990	194.0	104.5	(89.5)	57.3	30.9
1991	220.7	95.3	(125.4)	60.7	26.2
1992	244.6	116.3	(128.3)	59.4	28.2
1993	262.4	114.3	(148.1)	58.2	25.3
1994	230.8	127.5	(103.3)	49.7	27.5
1995	240.2	143.0	(97.2)	48.6	29.0
1996	234.6	153.4	(81.2)	45.8	29.9

Sources: Central Statistical Office

TABLE 15: BALANCE OF PAYMENTS (NET FLOWS)

US$ (mn)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
CURRENT ACCOUNT	17.9	-4.6	-18.9	22.0	-26.6	-29.1	-49.0	-22.6	-2.0	0.5
Visible Trade	-24.5	-44.8	-67.8	-59.0	-97.3	-104.3	-116.5	-80.4	-68.9	-56.1
Invisible Trade	11.5	16.8	21.2	51.3	42.6	44.9	38.2	28.5	29.0	27.5
Shipment	-16.0	-20.2	-23.8	-23.2	-27.6	-30.1	-30.9	-28.6	-28.4	-27.6
Other Transp.	4.1	4.0	6.6	7.1	2.6	3.9	1.5	0.3	-4.0	-2.9
Travel	14.3	15.5	21.8	37.8	37.2	45.3	48.7	52.7	56.2	60.7
Investment Inc.	-6.1	-6.2	-9.7	-8.1	-9.4	-14.9	-18.5	-20.1	-19.9	-21.7
- Direct Inv.	-3.0	-4.8	-8.8	-7.4	-8.6	-12.6	-14.7	-13.1	-11.3	-14.2
- Interest Inc.	-3.1	-1.4	-0.9	-0.6	-0.7	-2.3	-3.8	-7.0	-8.5	-7.5
Other Goods & Serv.	15.2	23.6	26.2	37.8	39.7	40.2	37.3	24.2	25.1	18.6
Official N.I.E.	15.3	18.1	24.7	26.4	23.5	24.0	26.6	19.0	9.1	2.2
Private	-0.1	5.5	1.5	11.4	16.2	16.7	10.7	5.2	16.0	16.3
Unrequited Transfers	30.9	23.4	27.6	29.7	28.0	30.3	29.3	29.2	37.9	29.5
Official	15.7	10.6	11.2	13.0	12.6	12.7	13.8	14.7	16.2	10.5
Private	15.2	12.8	16.3	16.6	15.4	17.5	15.5	14.5	21.7	19.0
CAPITAL ACCOUNT	6.5	29.2	27.2	18.2	22.0	29.1	43.3	1.8	-13.4	25.4
Direct Investment	6.8	12.8	19.1	17.2	13.6	15.6	11.5	8.5	8.2	5.9
Other	-0.3	16.3	8.1	1.0	8.4	13.5	31.7	-6.7	-21.6	19.5
Official	0.5	9.6	13.7	0.9	17.8	12.3	23.0	7.0	-4.0	30.6
Private	-0.9	6.7	-5.6	0.1	-9.3	1.2	8.7	-13.7	-17.5	-11.1
- Commercial Bks.	-1.3	4.6	-11.2	-2.0	-1.8	12.7	7.1	-12.6	-13.7	-5.9
- Other	0.4	2.1	5.5	2.5	-7.5	-11.5	1.6	-1.1	-3.8	-5.1
NET ERRORS & OMISSIONS	-14.1	-5.9	3.8	-27.6	-11.2	1.0	-13.8	16.4	18.7	-4.3
OVERALL BALANCE	9.4	18.6	12.0	12.6	-15.8	1.0	-19.5	-4.3	3.3	21.6
CHANGES IN RESERVES (-=Increase)	-10.3	-18.6	-12.0	-12.6	15.8	-1.0	19.5	4.3	-3.3	-21.6

Source: Central Bank of Belize.