



GOVERNMENT OF BELIZE

Ministry of Finance

Belmopan, Belize

BONDHOLDERS MEETING

Tuesday, 30 June 2020

Opening Statement by Joseph Waight, Financial Secretary

Good afternoon,

The Government of Belize thanks you for joining us today.

On June 17th, 2020, Belize announced its intention to seek the support of bondholders, by way of a consent solicitation, for the capitalization of interest payments on its 2034 Bonds, through February of next year. Such a request is part of a broader macroeconomic and fiscal strategy planned by Belize and aimed at first providing relief to those affected by this crisis, achieving economic stabilization, followed then by recovery.

As you are aware, the outbreak of COVID-19 has hit the economy of Belize hard. The Government took early and aggressive actions to mitigate the threat of the pandemic. A countrywide lockdown was imposed in March with all borders closed, and the international airport was shut down as well. These measures were taken at the height of the busiest month for tourism, which, as you know, directly and indirectly generates 40 percent of Belize's economic activity and 60 percent of our foreign currency earnings.

The lockdown has already led to a contraction of 4.5 % of GDP in Q1 of 2020. The contraction during Q2 is expected to be far steeper. Estimates for 2020 GDP contraction range from 18 to 30%, compared to 2019. Since the start of the crisis, over 80,000 Belizean workers have applied for unemployment relief, constituting 70% of active social security payees or about half of the employable population. At the same time Belize's revenues have plunged by 40% during the last 90 days, compared to the same period last year.

The government's current projections suggest that a budgeted primary deficit of 0.7% of GDP and overall deficit of 3.9% of GDP respectively, will collapse to a primary deficit of 6.9% and an Overall Deficit of 8.8% at the end of FY 2020/21. The current account imbalance is expected to widen sharply. In the face of this literally unprecedented crash, GoB has been compelled to tap domestic and IFI sources to fund food assistance, un-employment relief, and the purchase of medical equipment and supplies to cope with the COVID-19 Response. So far, about 3% of GDP in concessionary loans have been secured, which are currently being disbursed to cope with the Crisis.

The Government's early and aggressive steps to contain the spread of the virus -- as painful as they were to the economy -- have paid off. Only 24 cases of COVID-19 have been confirmed to date although we watch with growing concern the spread of the virus in neighboring countries such as Mexico and Guatemala. We are planning for a gradual reopening of the economy consistent with prudent health precautions and the reopening of the international airport is now slated for August 15th, 2020. In parallel to securing urgently needed financing, the GOB has been taking measures to stabilize the fiscal accounts. These include:

- A freeze to all new hires and the elimination of salary increments.
- Cuts in allowances for many senior officers
- Reductions in the number of officers on contract

- Reduction by 25% in the budget for goods and services for this Fiscal Year.
- Deferral of capital expenditures in the amount of \$30m

These steps account for savings of about 3% of GDP over the remainder of the fiscal year. Regrettably, despite such fiscal management decisions, funds to meet the coupon payments on the 2034 Bond, scheduled for August 2020, November 2020, and February 2021(which together represent 1.5% of GDP) will simply not be available.

When the 2020/21 Budget was approved by Parliament on the 25th of March, 2020, the Central Bank of Belize estimated that the Debt to GDP ratio stood at 96%, and a well- advanced rebasing of the GDP, along with potential fiscal consolidation measures, including revenue strengthening measures, would yield a Debt to GDP ratio of 80% by 2025.

The Covid-19 Crisis has shattered these forecasts, with debt to GDP ratio, due principally to the contraction in the economy, now projected to be substantially higher by the end of this Fiscal Year. Thus, we were well advanced in our program to improve Belize's fiscal position before the COVID-19 pandemic hit us and forced a redeployment of our available resources toward crisis amelioration measures. We look forward to resuming our program of fiscal consolidation as soon as this crisis abates but cannot at this point know precisely when that will occur. Nothing we have seen, however, suggests that anything resembling normalcy will return to our economy this year.

Our position comes down to this -- with all the uncertainties surrounding the COVID pandemic: How long will it last? When will tourism resume? How much damage will have been inflicted on the world economy and Belize's economy? and, Can Belize continue to avoid a major outbreak of the disease?

With all these uncertainties, we don't want to launch ourselves into a full-scale restructuring of the Superbond unless this step becomes absolutely unavoidable. Such a step won't be pleasant for the country, but it equally won't be pleasant for the bondholders. None of us knows the future so we cannot promise that a restructuring of the bond won't be necessary at some point down the road. But we are trying hard to avoid that outcome and are asking for the cooperation of the bondholders as we attempt to navigate our way through this difficult period. The measure we have proposed - a capitalization of interest coupons for a limited period - gives us the best chance of riding out this storm while not materially prejudicing the bondholders' position.

The Government is asking all our other creditor groups to assist in meeting this emergency. We are pursuing the maximum amount of new financing possible from multilateral sources. Our largest bilateral creditor, Taiwan, has signaled that it will increase its financial assistance to Belize as a result of these events. Because of the US sanctions, we have been unable to process payments to Venezuela under the Petro-Carib program. If that situation changes within the next year, however, we will be asking Venezuela for equivalent debt relief. We expect to continue rolling over local currency debt, in the normal course, in order to keep that market open, should the Government require additional financing.

We believe therefore, that a temporary suspension of interest payments, to allow the trajectory of the economic recovery and the public finances to take shape, is both necessary and reasonable.

I thank you.

I would now be happy to take your questions.