GOVERNMENT OF BELIZE

Ministry of Finance

Belmopan, Belize

Please Quote:

REPORT TO THE NATIONAL ASSEMBLY ON PRIMARY BALANCE BUDGET OUTTURN FOR FISCAL YEAR 2019-2020

Section 5, Paragraph 3, Subparagraph F of the Terms and Conditions of the Belize U.S. Dollar 2034 Bonds, requires that a Report be submitted to the National Assembly in the event that the Primary Surplus for Fiscal Year 2019/20 turns out to be less than 2% of GDP.

On Thursday, March 05, 2020, the Hon. Prime Minister and Minister of Finance, in the Budget Presentation, estimated the Primary Surplus for the Fiscal Year 2019/20 to be 1.34% of GDP, modestly short of the budgeted Primary Surplus of 2.12% of GDP.

There are two pre-eminent factors that account for the actual outturn:

1. First, the BZ$15 million (0.4% of GDP) shortfall in recurrent revenues, attributable to the unforeseeable fall in Quarter 4 GDP output occasioned by the emergence of the COVID-19 virus; and
2. Second, the deliberate policy decision to seize the financing opportunity for the start of construction on three major national highways, including multiple bridges, as part of the Government's capital investment program. Those capital expenditures for FY 19/20 exceeded budgeted levels by B$38m (1% of GDP).

Jointly, these two factors accounted for a 1.4% of GDP underperformance of the primary balance in FY 2019/20.

FACTOR 1: Tourism and its economic offshoots represent 40% of Belizean economic activity, with United Sates visitors accounting for 75% of visitor arrivals. After the first COVID-19 case emerged in Washington State, USA, in January 2020, travel to Belize remained unaffected until late February. Then, precipitously, forward booking nosedived and by the second week of March, traditionally the busiest month for tourism flows, airlines disclosed plans to discontinue service and cruise ships calls were discontinued. On March 23, 2020 all tourist and other travel to Belize ceased with both the international airport and all land borders closed. As a consequence, the Quarter 1 GDP output declined by 4.5%, according to the Statistical Institute of Belize. GoB's recurrent revenues, already under some pressure due to a historic drought suffered by Belize in 2019, fell by 1.3% for the fiscal year.

FACTOR 2: FY 2019/20 presented an extraordinary opportunity to finance three long-pending roadways, each with high potential for future tourism growth. These were: first, the 38-Mile Coastal Road (estimated cost BZ$140m) primarily financed by the CDB and UK; second, the 35-Mile Sarteneja

Road (estimated cost BZ$100m) financed by the Republic of China on Taiwan; and third, the 50-mile Caracol Road (estimated cost BZ$140m), funded by the OPEC and Kuwaiti Funds. All three projects will unlock new regions of the country for tourism and agricultural expansion, and together can stimulate the creation of long-term jobs and economic growth. Once completed, these three projects are expected to add between 2% and 5% of output to GDP. As 'one-off' capital investments contracted during a period of otherwise modest economic growth, GoB considered these commitments as productive infrastructure and highly beneficial to citizens and creditors alike.

Underscoring GoB's otherwise judicious adherence to budget targets are the results in FY2019/20 for other broad budget lines such as wages, pensions, and good and services, which together accounted three fourths of all recurrent expenditures. These three cost centers combined were down 2% for the fiscal year, compared to the approved budget (down BZ$17m or .4% of GDP), with the goods and services outlays falling by 8%.

The primary fiscal outturn then, which was just short of the 2% of GDP target for FY 2019/20 is the result of the COVID-19 crisis and of GoB's purposeful decision to take advantage of immediately available low-cost, non-commercial infrastructure financing.

Ministry of Finance
26 June 2020