



Delivering on Plan Belize

Budget Presentation

By Hon. John Briceño
Prime Minister of Belize

March 10, 2023

Madam Speaker,

I rise to provide the annual accounting of the public finances and the economy, to review the performance of the National Budget for the current Fiscal Year 2022/23, and to present Government's Estimate of Revenues and Expenditures for Fiscal Year 2023/24.

At the onset, let me take this opportunity to acknowledge the efforts of the women of Belize and their indispensable role in the building of our nation.

Madam Speaker, the month of March is dedicated to women worldwide.

For us, it is a time not only to celebrate our incredible Belizean women but, also a time for us, to recognize the tremendous work ahead if we are to make Belize a truly inclusive nation.

I look to a day, Madam Speaker, when this chamber will be equally represented by women and men alike.

I also envision the day when from the office of the Prime Minister to the Office of the Sargent at Arms, will be occupied by women.

For now, we on this side will continue our work to include women in all levels of leadership and government.

To this end, I am happy to say that in both chambers of this National Assembly, we have women in the lead.

In the Judiciary we have a woman chief justice and, while in the Cabinet women are in the minority, at all other levels of leadership in my administration women serve as leaders, from chief executive officers to heads of departments.

And I must say that Belizean women are great leaders and managers and should be credited for being equal partners in the great performance of this government.

This is one of, if not the most, inclusive governments in the history of our nation.

A few weeks ago, after a passionate appeal from my wife, the Special Envoy for the Development of Families and Children, as well as the Minister of Human Development, Families and Indigenous People's Affairs Hon. Dolores Balderamos Garcia, Cabinet determined that effective 1st April all taxes will be removed from sanitary products for women.

Madam Speaker, as the member from Belize Rural Central said to her Cabinet colleagues, it is past time that we put an end to taxing women's femininity, something she attributed to young Seidi Quetzal who is running a campaign, "Don't Tax My Femininity."

So, from all of us to women everywhere and to you, Madam Speaker, I say thank you, and Happy Women's Month! #Embrace Equity.

At the close of March, this Administration will complete its second full budget year, and I am exceedingly proud to proclaim that our second year, like the first, has attained surpassing successes for Belize and for our people.

By almost every measure of economic progress, Belize is doing so much better than before we took office.

The economy is growing, expanding in 2022 by an estimated 12.4 percent, more than 10 times the average annual growth rate of 1.7 percent experienced under the UDP administration.

Comparing these two trajectories, at the UDP administration's average annual rate of growth, it would have taken almost two generations, a half a century — 50 years — for Belize's economy to double in size.

With the rate of growth experienced and projected under my administration, our economy will double in size in just about ten years.

That means a lot more money in ALL our pockets much faster.

We said it!

We meant it and yes,

Everybody wins!

More Belizeans have jobs — 95 percent of those who seek employment are working.

42,965 workers have received a one dollar and seventy cents or 51 percent per hour salary increase because of the recent increase in the minimum wage to 5 dollars per hour.

The skeptics on the other side said it couldn't be done, they said who comes next would face the worst.

Yet here we are:

68,000 fewer Belizeans are poor, according to the last poverty assessment.

Exports are rising.

Serious crimes are falling.

Fourteen thousand public officers, teachers and security personnel received a restoration of their full wages last July.

And a few weeks from now, more specifically, starting 1st of April, we will restore increments for our deserving public officers, teachers, police, BDF and coast guard.

For the first time in a generation, Belize's public debt is deemed sustainable, as the country's indebtedness has been cut in half in just the last two years.

And once again, I table a new budget today that contains a primary surplus and a budget that does not include any tax increases **WHATSOEVER!**

Quite the opposite of tax increases, last year, three million DOLLARS monthly or 100 thousand dollars per day in taxes was foregone by our Administration in order to moderate the increase in the pump price of fuel to keep it as stable as possible.

Today, on the world stage, in direct consequence of a sustained effort by this Administration to mobilise private sector innovation and capital, to refocus public investments on education, healthcare and vital infrastructure and to build alliances with IFIs, bilateral partners and NGO partners, Belize's position and profile sparkle and shimmer like never before.

In just the last few weeks alone Belize has:

played host to a senior delegation of executive directors from the World Bank, representing 68 countries;

hosted the President of the IDB;

served as the venue for the annual meeting of the IDB Governors for Central America and the Dominican Republic;

concluded the most positive IMF Article IV Consultation in decades;

hosted the Investment Conference: "Initiative 20 by 20, Bonn Challenge, and AFOLU 2040 Joint Meeting on Restoring Lands;

signed the first major disbursement of 10 million U.S. dollars from the United States MCC Agreement in support of education and reducing the cost of electricity;

and, assumed the Chairmanship of SICA following our eventful Chairmanship of CARICOM.

And in this month when we celebrate the achievements of women worldwide, we can report the successful implementation of the Women Economic

Empowerment Project, which in its first full year of implementation, has already included 44 new initiatives worth more than 2.6 million dollars.

How distant now do those bleak, final days of the UDP appear, those desperate times when the government had to borrow a million dollars a day to pay public officer salaries and borrow just to keep the lights on?

How distant now are those traumatic times when Belize had effectively defaulted on its international commercial debt and when the devaluation of our dollar seemed inevitable?

To that chaos and hopelessness, we shall never return. Not so long as we remain faithful to our sacred pledge that “Everybody Fi Win - Todos Ganamos!”.

In a meaningful partnership with the people and day by day, we have kept moving forward delivering on Plan Belize.

Day by day we have kept our focus on addressing poverty, educating our children, keeping our citizens safe, providing adequate healthcare for all, as well as protecting our environment.

Together with the support of citizens from all walks of life we are and will continue to be extra for Belize.

In my presentation, today, I propose to address five broad themes:

First, to outline domestic and regional economic conditions;

Second, to review financial sector and real economy developments;

Third, to report on the projected performance of this year's Budget which ends on 31st March 2023;

Fourth, to summarize the estimates for the new Budget, which starts on 1st April 2023;

And lastly, to highlight select policies and reforms that can have a substantial impact on the economy, the public finances and, most importantly, the quality of life for the citizens we are sworn to serve.

First to External Conditions:

The performance of the economy and the budget is shaped by many issues outside of Government's control.

As a small, open, and vulnerable economy, external factors such as extreme climate events, global economic shocks like that caused by the COVID-19 pandemic, high inflation suffered by the U.S. and our other major trading partners, supply chain disruptions, trade regulations, among others, can either help or hinder our fortunes.

For context, global GDP expanded by 3.7 percent in 2022, down from 6.5 percent in 2021.

Growth in the Latin American region averaged 3.9 percent in 2022, with the notable performances being the United States of America at growth rates 2 percent, Mexico at 1.7 percent and the Caribbean at 10.3 percent.

Growth in Central America moderated to 4.2 percent, down from the 5.5 percent in the previous year.

In 2023, GDP growth in the United States is projected by the IMF at a paltry 1.4 percent while the global rate of economic growth will fall for the second consecutive year to 2.9 percent.

The Russian invasion of Ukraine, which began in February 2022, and the attendant impacts on fuel and food prices and supply chains, provoked the return of high inflation after two decades of relative price stability.

Global inflation reached 8.8 percent in 2022, a level exceeded only once in the previous 26 years.

While the year 2022 will be remembered for its return to the “old normal,” following almost two years of pandemic disruption and social distancing, the prospect of rising interest rates, necessary to tame the beast of inflation, as well as the unmistakable pattern of climate-induced calamities, foreshadow a possible recession in the United States, the country most connected to our economy.

Of special importance for Belize is the trajectory of tourism: global overnight travel is expected to grow by 28 percent and the cruise sector by 13 percent.

This will undoubtedly have a positive impact on our tourism sector.

Over the last 12 months, every major interest rate has seen an uptick.

These increases have the effect of slowing growth and commercial activity worldwide.

The year 2023, by all accounts, will be a difficult year for the U.S. economy, with the almost universal belief being that the Caribbean and Latin America will see a deceleration of economic activity.

In Belize, annual economic growth, according to the latest Statistical Institute of Belize data, reached 12.4 percent in 2022, an impressive jump and double what the IMF had predicted in last year's Article Four Report.

This 12.4 percent rate of growth is even more momentous since it comes on the heels of 15.2 percent growth in 2021.

Of course, the growth was not uniform across all subsectors.

In the primary sector which edged lower by 0.9 percent during 2022, lobster, chicken and yellow corn saw increases while banana, citrus, shrimp and cattle experienced contractions.

In the secondary sector where growth was 11.9 percent, increases were achieved in sugar, beverage production, construction supplies and domestic electricity generation.

On the other hand, citrus juice, fertilizer and imported electricity weakened.

In the tertiary sector, which grew at a vibrant pace of 13 percent for the year, there was almost uniform growth.

Growth in accommodations and food service.

Growth in wholesale and retail trade, transportation, support services including the BPO sector and public administration.

Only in financial and insurance activities was there a small decline.

Notably, domestic exports rose by 46 million dollars, Foreign Direct Investment (FDI) by 15.7 million dollars for the first nine months of the year, and remittances by 14 million dollars.

The Central Bank of Belize conservatively foresees net FDI, which totalled 261 million dollars in 2022, remaining above a yearly total of 200 million dollars right through to 2027.

This will be chiefly in businesses related to tourism and leisure, agri-business and agro-processing, fisheries and aquaculture, offshore outsourcing and other industries such as sustainable energy, light manufacturing and logistics.

Inflation in Belize rose to 6.3 percent for 2022, up from 3.2 percent in 2021.

Still, these rates were far below the global rates of 8.8 percent in 2022 and 4.7 percent in 2021.

What is remarkable, though, is that 2022 GDP output has exceeded 2019 levels even though tourism arrivals remain materially below this key subsector's 2019 performance.

On this basis, there appears to be great potential for continued growth in 2023, in tourism and across the economy.

Madam Speaker,

Monetary and financial conditions stabilised in 2022 and fundamental indicators remain strong.

A resurgence in lending to the private sector and the continued solid growth in the gross official reserves of the Central Bank underpinned a 4.7 percent money supply expansion.

During the year, the net foreign assets and net domestic credit of the banking system – the two largest components of money supply – grew by 5.2 percent and 5.7 percent, respectively.

On the one hand, the rise in net foreign assets was solely attributable to the 14 percent growth in the Central Bank’s foreign portfolio as those of domestic banks dipped slightly.

The elevated position of the monetary authority’s foreign balances occurred despite an increase in external debt servicing, as robust inflows from sugar export receipts, grants and purchases from commercial banks increased reserves.

Meanwhile, domestic banks’ net foreign assets decreased by 7.3 percent on account of the higher outlays for imported goods and services due to inflation, alongside the full-scale resumption of profit repatriation and dividend payments to international firms.

Notwithstanding these outflows from banks’ foreign holdings, increased foreign revenues flowed into the banking system from tourism, BPOs, commercial freezone activity, and exports of agricultural products.

On the other hand, credit to all three economic agents increased, led by an upswing in lending to the private sector, and to a lesser extent, quasi-governmental entities, and Central Government.

Central Bank's Gross Official Reserves stood tall at 960 million dollars at the close of 2022, with import cover comfortably exceeding the recommended three-month cover.

The IMF projects this level to be maintained through to 2028.

Private sector borrowings climbed by 104 million dollars or 4.5 percent, nearly double last year's outturn, and the largest annual increase since 2019.

Bank liquidity inched up by 4.6 million dollars in 2022, following increases of 219.5 million dollars and 278.1 million dollars in 2020 and 2021, respectively.

The slowdown in liquidity growth was on account of the pickup in lending and the decline in domestic banks' foreign asset holdings.

Regrettably, as a result, excess liquidity amounted to 702.9 million dollars, 91.9 percent above requirements, a situation which the regulator is actively reviewing.

Excess cash reserves summed to 499.3 million dollars, 211 percent above the required level.

Weighted average lending rates decreased by two basis points to 8.62 percent during the year, while weighted average deposit rates slipped by 15 basis points to 1.90 percent.

As a result, the weighted average interest rate spread widened by 13 basis points.

As the IMF underscored, the regulatory capital of domestic banks at 16.6 percent of risk weighted assets, is higher than the required minimum but lower than before the pandemic.

Non-performing Loans (NPLs) have crept higher to 7 percent of gross loans, a shade higher than the prudential ceiling of 5 percent, primarily due to pandemic-induced business contractions and, in some cases, excessive risk-taking.

Nonetheless, the IMF concludes that “the Central Bank’s process for strengthening the banks’ balance sheets and resolving problem loans after the pandemic has been well executed.

The CBB has sufficient tools should it need to intervene.”

I now turn to the actual performance of revenues and expenditures for this Fiscal Year 2022/23.

Total revenues and grants are projected to come in at 1,356 million dollars, of which 89 percent is tax revenue, 8 percent is non-tax revenue and 3 percent in capital revenue and grants.

Actual revenue and grants exceeded the original budgeted amount by approximately 6.9 percent or 93 million dollars, an over-performance of 89 million dollars, which is attributed to tax revenues.

On the expenditure side, total spending, including supplementary allocations approved during the Fiscal Year is expected to be 1,436 million dollars, which is 71 million dollars or 5 percent more than the original estimate.

Recurrent expenditure will come in 48 million dollars more than the original estimates while investments in capital projects will total approximately 397 million dollars, or an additional 119 million dollars.

This year's budget will require total financing of about 178 million dollars, to be sourced from the following loan facilities:

120 million dollars from the IFI lenders, namely the IDB, the CDB, the World Bank, CABEL and the OPEC Fund,
30 million dollars from the Republic of China (Taiwan);
and 28 million dollars from domestic borrowing.

Once again, Belize benefitted from the generosity of the Government and People of the Republic of China (Taiwan), to whom I offer our abiding appreciation.

At the bottom line for this Fiscal Year, Government expects a Primary Surplus of half a percent of GDP or roughly 31 million dollars.

The Primary Surplus is an important gauge of budget health, representing the difference between revenues and expenditures, but without interest charges.

A positive primary balance such that we achieved in FY 2021/22 as well as this Fiscal Year, is a clear signal of our fiscal strength and our capacity to sustain our debt.

The Overall Deficit, which includes interest cost, is projected to be 1.38 percent or 80.5 million dollars, a level that is affordable.

During the Budget Debate, Ministers will delve deeper into the financial details of their portfolios but allow me to highlight some of the major capital projects funded from our external partners.

These include, as thirteen examples,

- (1) ongoing upgrading of the Caracol Road,
- (2) ongoing upgrading of the Coastal Road,
- (3) upgrading of the Philip Goldson Highway and Remate Bypass Project,
- (4) upgrading of the Sarteneja Road and the construction of a new bridge at Laguna,
- (5) the new Haulover Bridge,
- (6) the completion of 3 miles of the Nago Bank Road under the Resilient Rural Belize Program,
- (7) the Natural Disaster Management Project & Climate Vulnerability Reduction Program,
- (8) a new tranche for the Social Investment Fund,
- (9) the Strengthening and Digitization of Tax Administration,
- (10) The Education Quality Improvement Project & the Education Reform Program,
- (11) the Sustainable Tourism Program,
- (12) the construction of police and defence facilities and the procurement of equipment including forensic equipment under the Belize Integral Security Program, and
- (13) the new loan program at the DFC designed specifically for MSME's especially women led small businesses.

As if these were not already great achievements, through the Social Investment Fund we inaugurated six school projects, provided laptops for every child as a part of the Belize City South Side free-education program,

constructed three polyclinics and built three new water systems all at a value of 14 million dollars.

Madam Speaker, while progress is being made on many fronts, I would like to take time to highlight one in particular - and that is the remarkable turnaround at the Lands Department.

At the start of our administration, our backlog instruments were at over 20,000.

Already we have managed to reduce that to 2,687.

In the 2022/23 fiscal year alone, we cleared 9,860 instruments.

In fiscal year 2022/23, National Estate produced approximately 10,000 lease approvals, purchase approvals, grants and land certificates.

The land mobiles are a huge part of eradicating the backlogs that haunted the Ministry for the past 13 years.

We practically held a land clinic every two and a half weeks - equally split between public land clinics and internal land clinics; a total of 22 land clinics combined.

But perhaps more refreshingly and instructive for the economy, is that we are at this minute concluding a special land clinic for the Land Registry. That saw the completion of 2,500 land certificates and land titles - reducing the backlogs there by 50 percent.

And that does not include the over 14,000 land certificates, deeds and Transfer Certificate of Titles that have been issued over the course of the fiscal year.

All these efforts, the reduction of the backlogs at National Estate from 20,000 to under 3,000, and the halving of the Land Registry backlogs from 5,000 to 2,500 will allow the Ministry to get current - to now ensure that the wait time for lease approvals, and purchase approvals, and land certificates and land transfers are cut down considerably.

In the past year, we distributed a little over 1,000 purchase approvals and titles to what we call the Super Constituencies - the teachers, nurses, police officers, public officers and Belize Defence Force soldiers.

And as we speak, 10,000 lots are being surveyed all over the country so that we can reach first-time land owners as well as more public officers, teachers and nurses, and members of our police and security forces.

And in this coming financial year we will do even more!

I now report on the public debt.

In December 2022, the total public debt stood at 4.031 million dollars or the equivalent of 64.1 percent of GDP.

2.716 million dollars represented loans to external lenders, while 1.314 million dollars was owed by Government to domestic creditors.

67 cents of every dollar of debt are owed to foreign creditors and 33 cents of every dollar to local creditors.

To meet the terms of this debt stock during this fiscal year, Government paid some 112 million dollars in interest and 97.5 million dollars in principal repayments.

Of every dollar in total revenue and grants for this budget year, Government therefore paid 8 cents in interest.

The average interest rate on the public debt comes in just under 3 percent, though rising interest rates globally will nudge upward the cost of financing the public debt.

Each year, going back 20 years, the IMF, based on what is called a debt sustainability analysis, has appraised Belize's public debt as unsustainable, which is double speak for credit distress and potential default.

That being the case, there is a special sense of achievement to quote from this year's IMF Article Four Concluding Statement:

"The Government has achieved a large reduction in the public debt...from 133% of old GDP to 101% of new GDP, ...to 80% of GDP in 2021,... to 64.1% in 2022."

And the Statement provides the specific measures that resulted in this spectacular achievement of reducing the public debt from 133 percent of old GDP to 64.1 percent of new GDP, and I quote:

"the rebasing of national accounts, sizable fiscal consolidation, the debt for marine protection swap, strong GDP growth, expenditure containment including a temporary 10 percent cut to public sector wages and the suspension of wage increments during FY 2021/23, a strong recovery of

revenue and a material discount on the debt owed to Venezuela under Petrocaribe.”

End of quote

I invite those on the other side to consider this fact: the public debt surged by two billion dollars between 2009 and 2020, from 2.2 billion dollars to 4.2 billion dollars.

In contrast, this Administration, through its public debt management operations, has reduced the amount owed by the Government by over one billion dollars - 315 million US dollars in debt reduction attributable to the Super Bond/Blue Bond transaction, which includes the principal reinstatement Belize avoided; up to 163 million U.S. dollars of Petrocaribe debt from the recent reduction provided by Venezuela; and 39 million U.S. dollars in damages avoided as a result of last September’s settlement of the compensation claims for Belize International Services Ltd (BISL) - a grand total of 517 million US dollars of debt reduction.

And the IMF projects that debt to GDP will fall to 53 percent of GDP by 2028 while interest payments on debt will not exceed 1.8 percent of GDP, more or less the current level of debt servicing costs.

Rescuing our dollar from devaluation while restoring Belize’s credit worthiness are without question, epoch-making accomplishments of this PUP Administration and we were able to do this in just two short years!

At the start of this year, and after sweeping deliberations, the Government shared with stakeholders and the public, Belize’s Medium Term Development Strategy (MTDS).

The action plan is founded on six key cornerstones:

Poverty reduction,
economic transformation and growth,
trade deficit reduction,
Citizen Security,
Protection of the Environment and
Stopping Corruption.

224 Programs and Projects are identified as critical for the achievements of targets in each area of focus.

And these programs and projects in turn interlock with the Ministry of Finance's Five-Year Fiscal Forecast, including the flow of funding from both external and domestic sources.

Into the 5-year horizon, both the IMF and the Central Bank expect revenue and grants to average 23 percent of GDP; wages, pensions, goods and services and subsidies and transfers at 16 percent of GDP, debt servicing at just under 2 percent of the GDP and crucially, capital investments at 5.6 percent of GDP.

At these levels, the primary balance remains positive, and the overall deficit stays below 1 percent of GDP, a level that can be financed.

It is that last number – capital spending – which represents less than 20 cents of every dollar at Government's disposal from revenue and grants that largely funds the programs and projects necessary for the attainment of the objectives of the Medium Term Development Strategy.

This will enlarge this investment pool and yes, public sector wages and operational-related spending must be contained.

To this end, tax collections must continue to improve and new sources of financing, such as the Green Climate Fund, must be maximized.

Belize cannot and should not expect that the great leap forward will be funded by handouts or reparations for the climate catastrophe caused by the so-called developed countries.

While we pursue novel sources of financing, what remains within our control is to reduce waste, to ensure those who should, pay their fair share, and we must work to reduce the 70 cents out of every dollar of public funds that is being consumed by non-capital spending.

Consider Hurricane Lisa as an example.

Lisa made landfall just south of Belize City last November at the very end of the hurricane season, causing substantial losses.

NEMO estimates damages totaling 212.4 million dollars with 172,000 Belizeans affected by the storm.

And how much financial support came from external sources?

A grand total of 2.2 million US dollars, a mere drop in the bucket, most of which came from our Central American development partner, CABEL, with whom we are truly grateful.

Fortunately, this administration had by then created sufficient fiscal space for supplementary allocations, which addressed the most urgent needs of our people.

Let me now outline the estimates of revenues and expenditures for the new Fiscal year 2023/24.

The Ministry of Finance projects total revenues and grants of 1.408 billion dollars comprised of tax revenues of 1.372 billion dollars, non-tax revenues of 112 million dollars, capital revenues of 5.5 million dollars and grants of 30 million dollars

The sub-categories of tax revenues are as follows:

- (1) taxes on goods and services that account for 49 cents of every tax dollar,
- (2) taxes on income and profits accounting for 26 cents of every tax dollar,
- (3) taxes on international trade and transactions accounting for 18 cents of every tax dollar,
- (4) and taxes on property, accounting for less than 1 cent of each tax dollar collected.

On the expenditure side, a total of 1.496 billion dollars is proposed.

Of this sum, 1.112 billion dollars is classified as recurrent spending, this covers wages, pensions, goods and services, subsidies and transfers and debt service interest costs.

I am pleased to confirm that effective 1st April the wage provisions include the resumption of increments for public officers.

This will be merit based and comes a full 12 months prior to the original date for restoration.

In addition to recurrent costs, 383.4 million dollars is programmed for capital investments during the new Fiscal Year, of which some 158 million dollars

are so called Capital 3 funding, drawn down from the various loans and grants already approved.

One hundred and eight million dollars is the amount projected for amortization payments; that is, the repayment of principal on loans already contracted.

The Budget for Fiscal Year 2023/24 is forecasted with a primary surplus of 24.3 million dollars or 0.39 percent of GDP. That GDP is projected to be a robust 6.253 billion dollars of economic output.

Inflation for 2023 is forecasted at 4.1 percent.

The overall deficit for Fiscal Year 2023/24 will be 1.41 percent of GDP, or some 88.1 million dollars.

Budget financing requirements including amortizations will total 210 million dollars to be sourced from the following facilities:

Loans from International Financial Institutions - 128 million dollars

Grants from our Bilateral Partners - 30 million dollars

Domestic Financing - 54 million dollars.

In addition to several of the major multi-year capital projects to receive funding once again in this FY – such as the Caracol, Coastal and Sarteneja Roads, the Philip Goldson Highway, the Remate Bypass and the Haulover Bridge, the upgrading of 4.7 miles of the Valley of Peace Road, 3 miles of the San Carlos Road and 3 miles of the Trio Road under the Resilient Rural Belize Program, among others.

New project funding will also flow to these programs:

- (1) The San Estevan Road Construction Project
- (2) The Strengthening Public Expenditure Management Project
- (3) The Lands and Civil Registry Digitization Project
- (4) The Sustainable and Inclusive MSME Program, and
- (5) The Trade and Investment Facilitation Project, among others.

Madam Speaker, apart from the on-going support for the recurrent and capital programs, this new budget will focus on several priority areas in keeping with our Medium Term Development Strategy and with the overarching goals of Plan Belize.

More money is being provided for following high priority areas:

- An additional 4.0 million dollars to expand the Free Education Program to schools in the Southside of Belize City and in the Toledo District.
- An additional 1.0 million dollars to fund the surveying and processing cost for lots for first-time, low-income homeowners.
- An additional 7.0 million dollars for the expansion of the National Health Insurance Program in the Orange Walk District.
- An additional 3.0 million dollars for municipal streets and drains.
- An increase of 5.0 million dollars to meet the recruitment of an additional 225 police cadets, 110 BDF recruits, and some 60 coast guard recruits.
- An additional 1.0 million dollars to support the Financial Intelligence Unit including the establishment of a Civil Asset Forfeiture and Recovery Unit to combat corruption.

Let me say this Madam Speaker, as a result of my taking time to visit communities across this nation, having spoken and interacted with Belizeans from every walk of life, and fielding questions time and again from the press about the rising cost of living, I am aware that with all our successes of the past year, there are still many Belizeans who believe they are working harder and spending more for less.

We all are.

The fact is that the global shocks I laid out earlier are affecting people worldwide.

To alleviate this, we have to spend more of our income on Belizean-made products, invest more in Belizean ingenuity and creativity and waste less, and budget smart.

One example of this Madam Speaker is the progress we have made in the soybean industry.

With the increase in production of soybean concentrate, the importation of soybean as animal feed and cooking oil has been reduced at a savings of 25 million dollars.

Through collaboration and partnerships with the private sector and other stakeholders, the Government of Belize has transformed itself into an effective, forward-looking, fiscally disciplined entity that places the support of our Belizean businesses at the heart of Plan Belize, which will continue to pursue efforts for the implementation of the MSME Strategy.

The National MSME Roadshow is an initiative that lent support to the MSMEs across Belize under the following pillars: capacity building, access to finance, policy and legislative reform, MSME formalization, and market access.

This national effort was implemented between August to November 2022 and complimented the drive to support local businesses by buying locally-produced goods and services.

This support is crucial, given small businesses' important role in creating jobs, strengthening communities, and increasing economic prosperity.

To combat the challenges brought on by the COVID-19 pandemic, the rising costs of doing business, and increased competition as a consequence of globalization, we joined forces to ensure that MSMEs have opportunities for fair access to finance and other support programs that will improve their competitiveness.

This government supports our MSMEs, promoting buying Belize and remaining engaged in our country's development as MSMEs have shown that in the majority they are women-owned and or women-led.

To build upon what was started, Government approved a Fiscal Incentive Bill that provides incentives across the spectrum of MSMEs and very importantly, reduces the time to approval for both foreign and local investments.

These incentives also offer Micro and Small businesses the option to formalize an amnesty upon registration and provide a year's exemption from Business Tax.

All MSMEs under the Fiscal Incentive Program will be allowed to register for GST to qualify them to obtain their GST refund.

Another very important incentive is with Government procurement in which the Fiscal Incentive Program recognizes MSMEs and allows them to supply the goods or services they produce to Government.

The Fiscal Incentive Program is earmarking 20 percent of all government procurement tenders to MSMEs, that is 20 percent of the Government's Forecasted Budget for 2024/2025 equaling approximately 45 Million dollars.

The other incentive tool is the One Off incentive which will allow the importation of goods for capital investments, and this will expire after 12 months and will not exceed one million dollars of imported goods.

The intention of this investment tool is for businesses that wish to quickly import machinery or equipment to increase production or to expand in a short period of time, due to demand in the market.

In the very near future, the Government of Belize, through the Ministry of Investment and Beltraide, along with our partners in the private sector and civil society, will embark on a massive campaign to sensitize all Belizeans that buying local will benefit the country.

It is the smart thing to do!

Madam Speaker,

This Financial Year 2022/23, Government will have spent 95 million dollars on the pension plan for public officials.

In the next budget, 2023/24 the spending rises to 100 million dollars.

The IMF estimates that the present value of this pension liability is 77 percent of GDP, more than the entire public debt of the country.

I have said publicly, and I say again: this budget line spending is neither sustainable nor fair.

To illustrate, this year the SSB is projected to collect some 140 million dollars in contributions and pay out some 110 million dollars in benefits. This is the nature of a contributory pension scheme.

Belize is an outlier in every material respect so far as retirement age, replacement rate, and contribution rate are concerned.

Everywhere else in the Caribbean and Latin America, public officers' pension schemes are contributory.

The average replacement rate, that is, the average pension divided by average earnings in the entire Latin America and Caribbean Region is 61.9 percent.

In Belize, the average replacement rate for public officers, when combining social security pension at 27.9 percent and public officers' non-contributory pension at 67.5 percent, both of which public officers would be entitled to, is 95.4 percent, a whopping 33.5 percent above the regional average.

In most of the region, the voluntary age of retirement is 60 years and mandatory retirement age of 65 years.

In the Caribbean, countries with special pension plans for public officials tend to have higher retirement ages, 60 years in the case of Trinidad & Tobago and Suriname, for example, and 65 years plus in the case of Jamaica, Barbados, Antigua and Barbuda.

The IMF has presented their formula for public pension reform and sustainability which involves a contribution rate of 10 percent (of wages), half of which — or 5 percent — to be contributed by public officers; raising the current retirement age from 55 to 65; and reducing the replacement rate from 67 percent to 50 percent, all to be gradually phased in over time.

I'm happy to report that at a recent meeting of the Ministerial Consulting Team that has been engaged in meetings with the Joint Unions on the important issues of Increments and Pension Reform, significant progress was made.

The update was positive, as the Joint Unions have agreed to a phased implementation of a contributory pension scheme, having recognized that the current pension scheme is unsustainable.

The first phase of the contributory pension scheme will commence with persons entering the Public Service as of 1st July 2023; and the unions have agreed to work with the Government on mechanisms for a second phase rollout, where other public officers will be included in the contributory pension scheme.

For sure, we must applaud our ministerial team but, more so, the Joint Unions team for this historic and unprecedented collaboration and achievement.

We look forward to the continuation of constructive, reasoned and respectful dialogue.

Quite apart from the categorical steps this Administration has already adopted in the pursuit of national prosperity, the recent IMF report singles out several of the policy enhancements that are already in train.

These include:

- access to affordable credit for micro-, small- and medium-sized enterprises
- the Credit Reporting Act
- the impending Credit Bureau and Collateral Registry
- the electronic invoice module and the modernization of the Fiscal Incentives Act
- the digitization of the land and the business registries
- the single investment window
- the digitization of firms and government services
- updating the national risk assessment and AML/CFT strategy
- steps to mitigate the financial integrity risks in the international financial sector
- and the legal framework for restricting activities involving virtual assets.

This sequence of policy and legislative action is a small sampling of creative solutions this Administration has advocated as we strive towards our strategic objectives.

Looking forward, the legislative agenda planned for the new fiscal year includes several key pieces of legislation all aimed at improving the efficiency and effectiveness of public finance management and administration.

These include:

- A new Procurement and Assets Disposal Act

A new Public Financial Management Act
A new Property Transaction Tax Act
And Tax Administration Legislation.

Madam Speaker, my Cabinet colleagues and I realize that we cannot reverse the prevalence of poverty overnight.

But, our policies and this budget reflect a passionate determination to hasten that reversal.

The recent analysis, published earlier this week by the Statistical Institute of Belize, showed the rate falling from a UDP-produced high of 52 percent to 35.9 percent.

This is an encouraging start.

So are the 7,478 new jobs created in 2022.

The opportunity to work at a minimum wage, now five dollars per hour, is the most basic step out of poverty.

Education, we all know is also a critical antidote to poverty.

That's why the free secondary school education program is being funded to the tune of 6.4 million dollars providing support to 2,600 students who would otherwise not be in the classrooms.

And the novel STEAM Program, set for launch in the new school year with an inaugural class of 75 students, adds one more option for acquiring professional skills.

Housing, the thousands of homes we plan to construct, whether public or private sector built, supported by housing development incentive programs, is another lift out of poverty.

So far, 260 starter homes have been delivered and another 200 will be completed in this fiscal year.

There is one other massive, though often overlooked, antidote to poverty and that's land.

Whether for a home, a small farm or simply as an asset to be leveraged for greater financial independence, a parcel can be a gateway out of poverty.

And that is why, with support from the Ministry of Finance, the Ministry of Natural Resources, is spearheading a survey and distribution program for almost 11,000 parcels in areas of all six districts.

Final surveys have been funded and are almost completed.

Assigning a modest value of ten thousand per lot would mean that this program alone represents a 110-million-dollar transfer of wealth to qualified landowners.

Now, that is truly transformational governance.

Madam Speaker,

There is no duty more sacrosanct than the management of the public purse.

Taxes paid to the state are the product of the blood, sweat and tears of hardworking citizens, who rightfully expect those they elect to allocate these monies wisely.

And they expect those in the public service to spend these monies carefully.

The value of a dollar does not change whether that dollar is directed towards the 132- million-dollar construction of the new Coastal Road or the purchase of a new 800-dollar weed cutter for, say, the village of Scotland Halfmoon.

I will therefore never tire of demanding diligence and honesty – value for the people’s money - from those in Parliament with executive responsibility as well as those public officials who oversee the budgetary and spending processes of government.

The public officers, the projects and the programs funded by this budget are all directed toward the betterment of life for Belizeans and the security of Belize as a nation-state.

From the proceeds of this budget, over four hundred thousand of us, living in cities, towns and villages, should all benefit, many directly but all in aggregate.

In two short years, this Administration has rekindled trust in the public finance, recouping and far overshooting the pre-pandemic output of the economy and the scope of public sector spending and investments.

The magic, the marvel of Plan Belize has only just started.

We push on ensuring that our efforts will lead to more homes, more of our children in schools, more persons included in NHI, more land in the hands of

first-time landowners, a more efficient and effective public service, more jobs, a stronger social safety net, safer cities and yes cleaner and greener rivers, streams and sea.

As we look ahead my administration will not fear, we will not weep, we choose to be bold, and we are determined to do more and to be extra for Belize.

From Consejo in the North to Barranco in the South, from Benque Viejo in the West to the Lighthouse Reef islands in the East, a brighter sun shines, a different, more confident nation awakens.

And with the guidance of our Creator, let us stride forward, perhaps stumbling at times but always moving forward, to that noble land where justice and prosperity abound and where every Belizean shall share in this “wealth untold.”

Thank you.

Madam Speaker, this bill has the recommendation of the Cabinet.