

LUXEMBOURG LISTING MEMORANDUM



DATED JUNE 4, 2013

BELIZE

U.S.\$ 529,928,800 Dollar Bonds Due 2038 (ISIN US07782GAG82 and USP16394AG62)

Belize issued the U.S. Dollar Bonds Due 2038 (the “2038 Bonds”) pursuant to an offer to exchange (the “Offer”) the 2038 Bonds for the claims listed on Schedule A of this listing memorandum (“Eligible Claims”). The Offer expired on March 8, 2013 and the exchange closed on March 20, 2013. The 2038 Bonds are general, direct, unconditional, unsubordinated and unsecured obligations of Belize and rank equally with all other existing and future unsubordinated and unsecured Public Debt of Belize. The 2038 Bonds are backed by the full faith and credit of Belize.

The 2038 Bonds have been issued pursuant to an indenture with The Bank of New York Mellon, as Trustee for the bondholders (the “Indenture”), and will be governed by the law of the State of New York.

An investment in the 2038 Bonds involves a high degree of risk. See “Risk Factors” beginning on page 14 of this listing memorandum.

The 2038 Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or the securities laws of any other jurisdiction. The 2038 Bonds will be offered only to “qualified institutional buyers” in the United States under Rule 144A of the Securities Act and to persons outside the United States under Regulation S of the Securities Act. The 2038 Bonds are subject to restrictions on resale under applicable law. See “Notice to Investors”.

Delivery of the 2038 Bonds was made on March 20, 2013. The 2038 Bonds were delivered in book-entry form through the facilities of The Depository Trust Company, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme, and were accepted for clearing and settlement.

Application has been made to list the 2038 Bonds on the Luxembourg Stock Exchange and for admission of the 2038 Bonds for trading on the Euro MTF Market. This listing memorandum constitutes a “prospectus” for the purposes of Part IV of the Luxembourg Act dated 10 July 2005 on prospectuses for securities and may be used only for the purposes for which it has been published.

Neither the United States Securities and Exchange Commission, or the “SEC,” nor any regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this listing memorandum. Any representation to the contrary is a criminal offense.

MAP OF BELIZE



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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this listing memorandum. You must not rely on any unauthorized information or representations. The information contained in this listing memorandum is current only as of this date.

In this listing memorandum, references to the “*Government*” are to the Government of Belize. References to the “*Exchange Agent*” are to Citibank, as Exchange Agent for the Offer; references to the “*Trustee*” are to The Bank of New York Mellon, as Trustee under the indenture for the the Indenture for the 2038 Bonds, as the context may require; and references to the “*Information Agent*” are to D.F. King & Co., Inc., as Information Agent for the Offer.

After having made all reasonable inquiries, Belize confirms that:

- the information contained in this listing memorandum is true and correct in all material respects and is not misleading in any material respect as of the date of this listing memorandum;
- it holds the opinions and intentions expressed in this listing memorandum;
- it has not omitted other material facts, the omission of which makes this listing memorandum as a whole misleading as of the date of this listing memorandum; and
- it accepts responsibility for the information it has provided in this listing memorandum.

Belize has not authorized the making or provision of any representation or information regarding Belize or the Government or the 2038 Bonds to you other than as contained in this listing memorandum. Any such representation or information should not be relied upon as having been authorized by the Government or any of its instrumentalities. Belize does not assume responsibility for information other than as provided in this listing memorandum. Neither the delivery of this listing memorandum nor any aspect of the Offer shall under any circumstances imply that there has been no change in the condition (financial or other) of Belize since the date of this listing memorandum.

In making an investment decision, you must rely on your own examination and evaluation of Belize and the terms of the 2038 Bonds, including the merits and risks involved. You should consult your own advisors as needed to make your investment decision and as to whether you are legally permitted to acquire the 2038 Bonds under applicable legal investment or similar laws or regulations.

Belize is listing the 2038 Bonds in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to sales of securities that do not involve a public offering. The 2038 Bonds have not been recommended by any U.S. or non-U.S. securities authorities, and these authorities have not determined that this listing memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

The 2038 Bonds will be subject to restrictions on resale under applicable law. See “Notice to Investors” in this listing memorandum. Holders of the 2038 Bonds will be deemed to have represented and warranted to the effect set forth in, and agreed to, all the provisions contained in that section of this listing memorandum.

Notice to New Hampshire Residents Only

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes with the State of New Hampshire, nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire, constitutes a finding by the Secretary of State that any document filed under Chapter 421-B is true, complete and not misleading. Neither any such fact, nor the fact that an exemption or exception is available for a security or a transaction, means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

PRESENTATION OF CERTAIN INFORMATION

Economic and financial data and statistical information included in this listing memorandum are based upon the latest official data and information available at the date of this listing memorandum. Economic and financial data and statistical information provided in this listing memorandum may be subsequently revised in accordance with Belize's ongoing review of such data and information, and Belize is not obligated to distribute such revised data and information to any investor. Economic and financial data and statistical information for 2010, 2011 and 2012 may, in particular, be subject to revision. In addition, some economic and financial data and statistical information for 2010 and 2011 as well as all such data and information for 2012 presented herein are estimates based on the latest available data.

Unless indicated to the contrary, estimates in this listing memorandum are estimates of the Ministry of Finance of Belize or the Central Bank of Belize. The Government operates on a fiscal year beginning April 1 and ending March 31. References to a single year (*e.g.*, "2010") refer to the calendar year ending December 31, and references to fiscal year (*e.g.*, "fiscal year 2010/11") refer to Belize's fiscal year ending March 31.

In this listing memorandum, all references to "Belize dollars" and "Bz.\$" are to the lawful currency of Belize, all references to "U.S. dollars" and "U.S.\$" are to the lawful currency of the United States of America and all references to "Euro" and "€" are to the lawful currency of the European Economic and Monetary Union. Belize publishes external economy information, such as external debt and goods and services exported, in U.S. dollars. All international currencies, such as external debt denominated in Euro, are translated into U.S. dollars. Belize publishes domestic economy information in Belize dollars.

Gross domestic product, which we refer to in this listing memorandum as "GDP", is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. Under the 1993 System of National Accounts, GDP figures may be calculated at (1) nominal market prices or (2) constant market prices of a particular year. Unless otherwise indicated, all GDP figures in this listing memorandum are presented at real market prices based upon constant 2000 prices and ratios of debt, balance of payment indicators and fiscal performance indicators to GDP are computed using nominal GDP figures. Nominal GDP at market prices was U.S.\$1,447.5 million in 2011 as compared to U.S.\$1,398.5 million in 2010.

Gross imports may be measured on a cost, insurance and freight basis, which we refer to in this listing memorandum as "cif", or on a free-on-board basis, which we refer to in this listing memorandum as "fob". For balance of payments purposes, imports and exports are calculated based upon entry and departure statistics on a free-on-board basis at a given point of departure, unless otherwise indicated.

The inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. Belize measures the inflation rate by the percentage change between two periods in the consumer price index, which we refer to in this listing memorandum as the "CPI", unless otherwise specified. The CPI is based on a basket of goods and services identified by the Central Statistical Office that reflects the pattern of consumption of Belizean households. The price for each good and service that makes up the basket is weighted according to its relative importance in order to calculate the CPI. The annual average percentage change in the CPI is calculated by comparing the average index for the four quarters of a given year, against the average index for the four quarters of the immediately preceding calendar year.

Since September 2006, Belize has participated in the International Monetary Fund's (IMF) General Data Dissemination System (GDDS) which provides a framework for Belize to enhance its statistical capacity, especially for macroeconomic statistics. It also provides for comprehensive information on Belize's statistical production and dissemination practices to be posted on the IMF's Dissemination Standards Bulletin Board. The GDDS framework also includes precise guidelines for countries to use when publishing reserves data.

We use the term "N/A" to identify data that is not presented for a particular period because it is not available for that period. We use the term "n/a" to identify data that is not presented for a particular period because it is not applicable to that period.

A "ton" is 2,000 pounds, a "tonne" is 2,204.6 pounds and a "long ton" is 2,240 pounds.

Totals in certain tables in this listing memorandum may differ from the sum of the individual items in such tables due to rounding.

EXCHANGE RATES

The Belize dollar has been pegged to the U.S. dollar at a rate of Bz.\$2.00 to U.S.\$1.00 since May 1976.

GOVERNING LAW AND ENFORCEMENT OF CLAIMS

Belize is a foreign sovereign state. It may be difficult for you to obtain or enforce judgments of courts in the United States or elsewhere against Belize.

The 2038 Bonds and the indenture will be governed by the law of the State of New York.

In the indenture and the 2038 Bonds, Belize will irrevocably submit to the non-exclusive jurisdiction of any U.S. federal or New York state court sitting in the City of New York and any appellate court thereof, over any suit, action or proceeding against Belize or its properties, assets or revenues with respect to the 2038 Bonds or the indenture.

Except as provided below, Belize will irrevocably waive and agree not to plead, to the fullest extent permitted by applicable law, any immunity (sovereign or otherwise) from the jurisdiction of such courts in connection with any action arising out of or in connection with the 2038 Bonds or the indenture. Without limiting the generality of the foregoing, Belize will agree that such waivers shall have the fullest scope permitted under the U.S. Foreign Sovereign Immunities Act of 1976, except as provided below. Belize reserves the right to plead sovereign immunity under any applicable law, including, without limitation, the U.S. Foreign Sovereign Immunities Act of 1976, with respect to actions brought against it under U.S. federal securities laws or any state securities laws. In the absence of a waiver of sovereign immunity by Belize in such a securities law-based action, it would not be possible to obtain a U.S. judgment in such an action unless a court were to determine that Belize is not entitled to sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to such action. Belize will waive, to the fullest extent permitted under applicable law, any objection to any action arising out of or in connection with the 2038 Bonds or the indenture in such courts whether on the grounds of venue, residence or domicile or on the ground that the proceedings have been brought in an inconvenient forum.

There is no agreement between Belize and the United States for the reciprocal enforcement of each other's judgments. However, subject to the discussion of attachment and execution in the next paragraph below, it may be possible to enforce U.S. judgments in Belize under the general rules of conflict of laws without any retrial or reexamination of the merits of the original action by a Belizean court.

Belize is subject to suit in the Supreme Court of Belize, the Court of Appeal in Belize and the Caribbean Court of Justice in Trinidad and Tobago. Section 25(4) of the Crown Proceedings Act, Chapter 167 of the Laws of Belize, Revised Edition 2000-2003, provides that no execution or attachment shall be issued by any court in Belize for the purpose of enforcing payment by Belize of any money or costs. Execution or attachment means a legal process whereby the debtor's property is taken under an order of the Court and may be sold to satisfy the judgment debt. No such order can be made by a Belizean court against Belize. Instead, the Crown Proceedings Act provides that where in any civil proceedings by or against Belize, any order (including an order for costs) is made by any court in Belize in favor of any person against Belize, the proper officer of the court shall, on an application and after taxing of costs, issue a certificate to such person which may be served upon the Attorney General or the Financial Secretary of Belize. If the order provides for the payment of money or costs, the Ministry of Finance normally shall pay the amount due to such person. In some cases, the courts of Belize may not enforce the judgment of a foreign court if such judgment is contrary to the public policy of Belize, *e.g.*, where the judgment was not given by a competent court having jurisdiction over Belize or to whose jurisdiction Belize had not submitted by agreement, or where the judgment was obtained by fraud.

FORWARD-LOOKING STATEMENTS

This listing memorandum includes forward-looking statements that reflect Belize's current views with respect to future events. The words "expects", "intends", "anticipates", "believes", "projects", "estimates" and similar expressions identify forward-looking statements. These forward-looking statements are based upon estimates and assumptions made by Belize or its officials that, although believed to be reasonable, are subject to certain known and unknown risks and uncertainties. These risks and uncertainties include, among others, the following:

- political, economic and other conditions in Belize and globally;
- the actual rates of growth, if any, for GDP and other economic indicators of Belize in any relevant year or other period;
- the financial condition of Belize;
- changes in interest rates or exchange rates;
- a reduction in the foreign currency reserves of Belize;
- legislative, regulatory or administrative initiatives affecting businesses, financial institutions and foreign investment in Belize;
- the financial condition and liquidity of banks and other financial institutions in Belize;
- climatic or geological occurrences;
- trade and tariff policies of Belize's trading partners;
- declines in the Government's tax revenues;
- receipt of bilateral and multilateral donor financing;
- Belize's ability to execute its comprehensive debt management strategy;
- prevailing conditions in domestic international and multilateral lending markets and domestic and international capital markets, which may affect the Government's ability to finance budgetary requirements and to refinance outstanding debt and other obligations; and
- other factors identified in this listing memorandum.

All forward-looking statements contained in this listing memorandum are qualified in their entirety by these factors. You are cautioned not to place undue reliance on these forward-looking statements. Belize disclaims any obligation or undertaking to publicly update or revise any forward-looking statement contained in this listing memorandum, whether as a result of new information, future events or otherwise. Future events or circumstances could cause actual results to differ materially from historical results or those anticipated.

SUMMARY

This summary highlights information contained in this listing memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed information elsewhere in this listing memorandum.

Selected Economic Information

	Year ended December 31,					As of Sept. 30, 2012
	2007	2008	2009	2010	2011	
	<i>(in millions of U.S.\$ unless otherwise indicated)</i>					
Domestic Economy:						
Nominal GDP	1,276.8	1,363.5	1,349.0	1,398.5	1,447.5	n.a.
Nominal GDP per capita (U.S.\$/person)	4,121.7	4,233.2	4,048.6	4,468.5	4,476.4	n.a.
Real GDP at constant 2000 prices	1,147.0	1,188.2	1,188.8	1,221.2	1,245.1	998.7
Change in real GDP(%)	1.3	3.6	0.0	2.7	2.0	5.8
Inflation rate (%) ⁽¹⁾	2.3	6.4	(1.1)	0.9	1.5	1.4
Interest rates (%)						
Weighted average lending rate ⁽²⁾	14.3	14.1	14.0	13.8	13.0	12.2
Weighted average deposit rate ⁽²⁾	6.0	6.4	6.1	5.6	3.7	2.8
Treasury bill yield ⁽³⁾	3.2	3.2	3.2	2.7	2.2	2.0
Unemployment rate (%) ⁽⁴⁾	8.5	8.1	13.1	n.a.	n.a.	14.4
Average annual nominal exchange rate ⁽⁵⁾	2:1	2:1	2:1	2:1	2:1	2:1
External Economy:						
Total current account	(52.1)	(144.9)	(79.3)	(40.0)	(19.9)	(31.0)
<i>Of which:</i>						
Goods balance	(216.4)	(308.2)	(236.5)	(168.9)	(174.6)	(131.1)
Services balance	229.9	216.9	182.7	175.5	169.1	125.6
Income balance	(159.0)	(165.2)	(104.9)	(138.5)	(98.2)	(86.8)
Transfers balance	93.4	111.5	79.4	91.8	83.7	61.3
Total capital and financial account	123.7	214.5	139.4	33.4	44.7	54.6
<i>Of which:</i>						
Capital account	4.1	9.0	18.5	5.6	25.8	21.9
Foreign direct investment	142.2	166.9	108.4	96.1	94.7	128.3
Overall balance of payments	22.9	57.9	47.3	4.3	18.1	35.6
Increase in official international reserves	22.9	57.9	47.3	4.3	18.1	35.6
Gross official international reserves (year-end) ⁽⁶⁾	108.5	166.4	213.7	218.0	236.1	271.7
<i>Of which:</i>						
Central Bank	98.8	155.6	205.7	209.6	227.7	263.3
Government	9.7	10.8	8.0	8.4	8.4	8.4
Equivalent weeks of imports (in months) ⁽⁹⁾	2.3	2.8	4.2	4.5	4.3	4.5
Public Finance:⁽⁷⁾						
Revenue and grants	365.7	388.9	367.8	388.8	417.8	205.8
<i>Of which:</i>						
Current revenue	338.0	343.2	348.6	383.1	397.3	195.4
Capital revenue	15.1	2.2	2.4	2.3	3.9	1.1
Grants	12.6	43.5	16.8	3.4	16.6	9.3
Expenditure	374.5	383.7	384.2	412.5	433.7	201.3
<i>Of which:</i>						
Current expenditure	300.7	316.9	334.4	341.0	362.2	168.5
Capital expenditure	73.8	66.8	49.8	71.5	71.5	32.8
Primary balance	49.4	57.2	32.2	24.8	34.1	17.8
Overall balance (after grants)	(8.9)	5.2	(16.4)	(23.7)	(15.9)	4.5
Ratio of total revenue and grants to nominal GDP (%)	28.2	28.6	27.0	27.6	28.6	n.a.
Ratio of total expenditure to nominal GDP (%)	28.8	28.2	28.2	29.2	29.7	n.a.
Ratio of primary balance to nominal GDP (%)	3.8	4.2	2.4	1.8	2.3	n.a.
Ratio of overall balance to nominal GDP (%)	(0.7)	0.4	(1.2)	(1.7)	(1.1)	n.a.
Public Debt:						
Domestic public sector debt ⁽⁸⁾	168.5	172.7	164.2	187.5	228.4	236.5
Percentage of nominal GDP	13.2%	12.7%	12.2%	13.4%	15.8%	n.a.
External public sector debt	971.9	957.9	1,016.0	1,011.1	1,022.7	1,018.9
Percentage of nominal GDP	76.1%	70.3%	75.3%	72.3%	70.7%	n.a.
Government guaranteed debt ⁽⁹⁾	10.7	10.9	9.2	6.9	0.7	0.6

	Year ended December 31,					As of Sept. 30, 2012
	2007	2008	2009	2010	2011	
	<i>(in millions of U.S.\$ unless otherwise indicated)</i>					
Percentage of nominal GDP	0.8%	0.8%	0.7%	0.5%	0.1%	n.a
Total public sector debt (including Government guaranteed debt)	775.2	1,141.0	1,189.4	1,205.5	1,251.8	1256.1
Percentage of nominal GDP	60.7%	84.0%	88.2%	86.2%	86.5%	n.a
External public sector debt service:						
Amortization.....	84.4	52.7	41.4	35.6	37.1	30.2
Interest payments.....	58.0	44.0	43.1	41.0	44.3	36.3
Total external public sector debt service.....	142.4	96.7	84.5	76.6	81.4	66.5
Ratio of debt service to exports (%) ⁽¹⁰⁾	17.3	11.2	11.6	9.4	8.6	8.8
Tourism:						
Stay-over visitors ⁽¹¹⁾	241,575	234,706	221,654	226,632	233,401	195,956
Cruise ship visitor arrivals	560,478	537,632	634,697	688,165	654,790	409,788
Total visitor arrivals	802,053	772,338	856,351	914,797	888,191	605,744
Occupancy rate ⁽¹²⁾	44.3	39.9	34.1	34.9	39.3	n.a

(1) Change in Consumer Price Index.

(2) The weighted average lending rate takes account of the aggregate amount of loans in each category of lending, including personal loans, commercial loans and mortgage loans, among others. Similarly, the weighted average deposit rate takes into account the aggregate amount of deposits associated with the deposit rates for time, savings and demand deposits.

(3) Treasury bills mature within 90 days.

(4) The Statistical Institute of Belize classifies unemployed persons as persons without a job who are actively seeking employment.

(5) The Belizean dollar has been pegged to the U.S. dollar at a rate of two-to-one since May 1976.

(6) Official international reserves exclude foreign currency assets of commercial banks and include the foreign currency holdings of Government.

(7) Fiscal year data is from April 1 to March 31 of that year. For example, 2011 refers to the period from April 1, 2011 to March 31, 2012 (*i.e.*, fiscal year 2011/12). Information for the column on the far right refers to the period April 1 to September 30, 2012.

(8) Includes indebtedness of the Government and the non-financial public sector. The Government is only liable for the debt of other entities that the Government expressly assumes or guarantees. See "Public Debt—External Public Sector Debt" for additional information about Government-guaranteed obligations.

(9) Government guaranteed debt for years 2008 to 2011 included Belize Electricity Ltd. and Port Of Belize loans. In June 2011 Belize Electricity Ltd. was nationalized by Government. At September 2012, Port of Belize U.S.\$0.6 million was recorded as Government contingent liabilities. See "Public Debt—External Public Sector Debt".

(10) Excludes debt service payments on contingent liabilities.

(11) Stay-over visitors are those who stay overnight in Belize, as opposed to cruise ship passengers or other day excursionists.

(12) Represents on an annualized basis the number of occupied hotel rooms divided by the aggregate number of hotel rooms available.

Sources: Central Bank of Belize; Ministry of Finance; Belize Tourism Board; Statistical Institute of Belize

respect to the 2038 Bonds.

Modifications	The 2038 Bonds contain collective action clauses. See “Terms and Conditions of the 2038 Bonds—Modifications” with respect to the 2038 Bonds.
Coordinating Committee Expenses	At or before the time of closing on the Closing Date, Belize shall reimburse a portion of the Coordinating Committee’s expenses incurred in the negotiation of the Offer in an aggregate amount of \$1.5 million.
Ranking	The 2038 Bonds are general, direct, unconditional, unsubordinated and unsecured obligations of Belize, will rank equally with all of Belize’s existing and future unsubordinated and unsecured Public Debt and are backed by the full faith and credit of Belize.
Further Issuance	Belize may, without the consent of the Holders, create and issue further debt securities having the same terms and conditions as the 2038 Bonds (or the same except for the amount of the first interest payments) so long as the additional bonds are consolidated and form a single series with the 2038 Bonds; <u>provided</u> that, except in accordance with Section 2.9 of the Indenture, additional bonds may be issued only without, or with less than de minimis, original issue discount for U.S. federal income tax purposes.
Constitutive Document	The 2038 Bonds are issued under an indenture.
Withholding Tax	Belize will make all payments on the 2038 Bonds without withholding or deducting any Belizean taxes, unless required by law. If Belizean law requires Belize to withhold or deduct taxes, Belize will pay holders of 2038 Bonds, subject to certain exceptions, additional amounts to provide the equivalent of full payment to the holders. See “Terms and Conditions of the 2038 Bonds—Taxation”.
Negative Pledge Covenant	Belize may not create or suffer to exist any lien (with the exception of certain permitted liens) on its revenues or assets to secure Public Debt or any Additional Liability (each as defined herein) unless Belize also causes such lien to secure equally and ratably the obligations of Belize with respect to the 2038 Bonds.
Most Favored Creditor Undertaking	Belize shall not enter into any arrangement to pay or to settle in a currency other than Belize dollars an Additional Liability (unless such payment is made in compliance with a final, non-appealable court order or arbitral award) on terms more favorable to the holder thereof (in a net present value sense where present value is calculated using a constant 12% discount rate) than the terms offered in this listing memorandum to the holders of tendered Eligible Claims, without simultaneously making those more favorable terms available to each holder of a tendered Eligible Claim.

Events of Default; Acceleration	<p>The following events, among others, shall be Events of Default under the 2038 Bonds:</p> <ul style="list-style-type: none"> (i) Failure to pay any amount of interest or principal on the 2038 Bonds (with a 30-day grace period); (ii) Failure by Belize to observe or perform any of the other covenants or agreements provided herein or in the indenture, (with a 60-day grace period); (iii) Cross-acceleration of an aggregate principal amount of at least U.S.\$25 million (or equivalent in other currencies) in respect of Public Debt issued, or amended as to payment terms, on or after the original issuance date of the 2038 Bonds and such acceleration shall not have been rescinded or annulled; (iv) Failure by Belize to satisfy, discharge, contest in good faith or obtain a stay of execution of any judgment against Belize or its assets (other than any such judgment rendered in respect of an Eligible Claim) for the payment of money exceeding U.S.\$25 million within a period of 60 days; (v) Invalidity of the 2038 Bonds or the indenture; and (vi) Failure to maintain membership in, or be eligible to use the general resources of, the IMF (with a 60-day grace period).
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Holders of 25% or more of principal amount of the 2038 Bonds may instruct the Trustee in writing to accelerate following the occurrence of an Event of Default.

Enforcement	<p>Following the occurrence of an Event of Default, the power to enforce the 2038 Bonds shall reside with the Trustee under the indenture, unless the Trustee shall have declined to exercise that power as provided in the indenture. In certain circumstances, holders of a Majority of the Outstanding aggregate principal amount of the 2038 Bonds may form a Holder’s Committee (as defined below) to undertake certain actions. See “Terms and Conditions of the 2038 Bonds—Representative Committee.”</p>
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Governing Law	<p>The 2038 Bonds and the indenture are governed by the law of the State of New York. Belize will submit to the non-exclusive jurisdiction of U.S. federal and New York State courts in New York City.</p>
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Restrictions on Resale	<p>The 2038 Bonds have not been registered under the Securities Act and are subject to restrictions on resale under applicable law. See “Notice to Investors”. The 2038 Bonds are subject to contractual transfer restrictions.</p>
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Listing	Belize has applied to admit the 2038 Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.
Denomination	2038 Bonds are issued in denominations of U.S.\$100 and higher integral multiples of U.S.\$100 in excess thereof.
Form	Belize issued the 2038 Bonds in the form of one or more fully registered global securities, without interest coupons attached, registered in the name of a nominee for DTC.
Trustee, Registrar, Transfer Agent and Paying Agent for 2038 Bonds	The Bank of New York Mellon
Luxembourg Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.
Equal Ranking Provision	<p>Paragraph 1(c) of the Terms and Conditions of the 2038 Bonds confirms that the 2038 Bonds shall rank <u>pari passu</u> (equally) among themselves and with all other present and future unsecured and unsubordinated Public Debt (as defined) of Belize.</p> <p>A contractual provision similar, but not identical, to Paragraph 1(c) has been the subject of on-going litigation in U.S. federal courts in a case captioned <u>NML Capital, Ltd. v. Republic of Argentina</u>. The plaintiffs in that case have argued that the <u>pari passu</u> provision in the defaulted Argentine bonds they are holding requires Argentina, if and when it makes a payment under certain of its other debt instruments, to make a <u>pro rata</u> payment on the bonds held by the plaintiffs. This interpretation of the provision is being contested by the defendant, the Republic of Argentina, and by various other interested parties including the United States Government.</p> <p>To ensure clarity on the point, Belize does <u>not</u> understand Paragraph 1(c) of the Terms and Conditions of the 2038 Bonds, or any comparable provision in any other debt instrument of Belize, to require Belize to pay all items of its Public Debt on a ratable basis.</p>
Certain Other Terms	The 2038 Bonds contain certain other features (including provisions for a Principal Reinstatement, the appointment of a Holder's Committee, and the pre-funding of a Trustee Contingency Account) as set out below in "Terms and Conditions of the 2038 Bonds".

RISK FACTORS

An investment in the 2038 Bonds involves a significant degree of risk. Investors are urged to read carefully the entirety of this listing memorandum and to note, in particular, the following considerations.

Risks Relating to the 2038 Bonds

Future Residual Financing Gaps

Belize's latest macroeconomic projections indicate that the country faces material residual financing gaps in the short- to medium-term even once the debt relief implied by the Offer described herein is fully taken into account. These residual financing gaps, which are forecast to grow once the amortizations on the 2038 Bonds begin, are calculated after expected disbursements from official sector sources are taken into account and do not take into account any future capital markets financing that may be available. The elimination of these residual financing gaps would require more favorable macroeconomic conditions and/or a greater availability of official sector and/or capital markets financing than what is currently anticipated, and consequently there can be no assurance that the expected future residual financing gaps will be eliminated. If future residual financing gaps do materialize as expected, Belize's ability to service the 2038 Bonds could be adversely affected.

Ongoing Economic Crisis

Belize is currently restructuring its debt obligations and implementing fiscal adjustment measures in order to address an expected decline in oil-related revenue. However, there is no assurance that these steps will succeed in restoring and maintaining macro-economic stability and debt sustainability. A worsening of international financial or economic conditions, including a slowdown in growth or recessionary conditions in Belize's trading partners or the emergence of a new financial crisis, could have adverse effects on Belize's economy, on its financial condition and on its ability to service its debt over and above that already implied by the future residual financing gaps described above. See "Recent Developments."

Additional Liabilities

Belize faces significant additional claims in relation to the 2009 nationalization of Belize Telemedia Limited (BTL) and the 2011 nationalization of Belize Electricity Limited (BEL). Belize recognizes that compensation to the former shareholders of these two companies is due and has made an offer of compensation to BTL and BEL, but no agreement has been reached on the quantum of compensation that is payable. Both sets of shareholders are pursuing their claims through national and international courts. See "Public Debt—Additional Liabilities". The payout of compensation in relation to the BTL/BEL nationalizations, at any compensation level, is not currently factored into Belize's medium-term macroeconomic projections, and has therefore not been taken into account as a contributing factor to the future residual financing gaps referred to above. The payment of compensation with regard to the BTL/BEL nationalizations, whether negotiated or in the context of a court order, would likely widen the residual financing gaps that are currently forecast and could further compromise Belize's ability to service the 2038 Bonds.

Potential Challenges to Belize's Payments on the 2038 Bonds

Belize's payments on the 2038 Bonds may be attached, enjoined or otherwise challenged by holders of other debt instruments of Belize. Creditors have, in recent years, used litigation tactics against

sovereign debtors that have defaulted on their sovereign bonds--for example, Peru, Nicaragua and Argentina--to attach or interrupt payments made by these sovereign debtors to, among others, holders of bonds who have agreed to a debt restructuring and accepted new securities in an exchange offer. Belize may become subject to suits to collect on defaulted Eligible Claims or other indebtedness. Belize cannot assure you that a creditor will not be able to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the 2038 Bonds.

Future Access to Financing

Belize may be unable to meet future debt service obligations out of current revenues and it may have to rely in part on additional financing from the domestic and international capital markets (or multilateral or bilateral sources) in order to do so. In the future, Belize may not be able or willing to access such markets or sources of funding, and Belize's ability to service its public debt, including the 2038 Bonds, may be adversely affected.

No Established Market for the 2038 Bonds

The 2038 Bonds will be a new issuance of securities without established trading markets. Belize cannot predict the extent to which investor interest will lead to the development of an active trading market for the 2038 Bonds or how liquid those markets may become. Belize intends to apply to admit the 2038 Bonds to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. No assurance can be given as to the liquidity of the trading market for the 2038 Bonds. If an active trading market for either series of 2038 Bonds fails to develop or continue, this failure could adversely affect the trading price of the 2038 Bonds.

Enforcement of Civil Claims

Belize is a foreign sovereign state. Consequently, it may be difficult to obtain or enforce judgments against Belize. See "Governing Law and Enforcement of Claims".

Risks Relating to Belize

Fixed Exchange Rate

Since May 1976, Belize has maintained a fixed exchange rate of Bz.\$2.00/U.S.\$1.00 (See "The Monetary System – Foreign Exchange and International Reserves"). Belize's ability to continue that fixed exchange rate will be significantly affected by the level of the country's international monetary reserves in the future. If circumstances were to force Belize to abandon its fixed exchange rate policy in the future, the cost of servicing Belize's external debt (including the 2038 Bonds) could escalate sharply, possibly forcing the country into another round of debt restructuring.

Economic, Political or Social Conditions

Belize is an emerging market economy and investing in securities of emerging markets issuers involves special risks. These risks include the possibility of economic, political or social instability that may be caused by many different factors, including the following:

- high interest rates;
- devaluation or depreciation of the currency;

- declines in the economic activity of major trading partners;
- inflation;
- exchange controls;
- wage and price controls;
- climatic or geological occurrences;
- global economic recession;
- financial crises in other emerging market countries that can have a “contagious” effect on investor appetite for emerging market securities as a class;
- changes in governmental economic, tax or other policies;
- the imposition of trade barriers; and
- qualification for continuing access to preferential trade arrangements with foreign governments, particularly the United States.

Any of these factors, as well as volatility in the markets for securities similar to the 2038 Bonds, may adversely affect the liquidity of, and the trading market for, the 2038 Bonds.

Climatic or Geological Occurrences

Belize is a coastal nation located in one of the most hurricane-prone regions of the world. Belize may, at irregular and unpredictable intervals, suffer the effects of earthquakes, tidal waves and severe storm damage.

Arbitrations

Several arbitral awards have been delivered against Belize and are pending enforcement. In addition, Belize is involved in several other ongoing arbitral proceedings. See “Arbitral Awards” and “Pending Arbitration Proceedings” under “General Information” below.

BELIZE

History

The territory of what is now Belize was originally settled by the Maya over 4,000 years ago. Although the Spanish nominally took control of the area following the arrival of the conquistadores, the earliest European settlement in Belize was established in 1638 by former British pirates, buccaneers and adventurers known as “Baymen”, following their expulsion by the Spanish from their timber-extraction operations in Campeche in Northern Yucatan. Timber extraction in Belize gradually expanded southwards and westwards as the available supplies of first, logwood, and then mahogany, were depleted along coastal areas and in the north of the country. From the seventeenth century until the mid-1900s, the Belizean economy was based on the export of timber. The importance of forestry in the country’s early economic development is reflected in the Belizean flag, which depicts a mahogany tree between two woodcutters standing on either side of a coat of arms. The national motto “*sub umbra floreo*” (“under the shade we flourish”), a reference to the mahogany industry, also appears in the Belizean flag.

Belize formally became a British colony in 1786, and in 1862, Belize became a British Crown colony under the name British Honduras, initially managed from Jamaica. As a colony, Belize was completely subject to British rule, although there was some local autonomy under various forms of limited representative government operating under the supervision of a resident British Governor. The colonial government granted universal adult suffrage in 1954. Internal self-government began in 1964, with the British Government retaining responsibility for external affairs and defense, and the colony was renamed “Belize” in 1973. The colony’s external relations have been continuously impacted by a claim to its territory by Guatemala, resulting in a British military presence that lasted until very recent times. See “—International Relations—Guatemala”. Belize became a sovereign state on September 21, 1981, and is a member of the British Commonwealth, and of the Caribbean Community and Common Market (CARICOM). Belize is also a member of the Central American Integration System (SICA).

Territory and Population

Belize is situated in Central America, bordered to the north by Mexico, to the south and west by Guatemala, and to the east by the Caribbean Sea. It has a coastline of about 386 km. The area of Belize is roughly the size of Massachusetts at 23,000 km². Construction of the present capital, Belmopan, commenced in the late 1960s following extensive damage to Belize City, the former capital, by Hurricane Hattie in 1961. Belmopan became the capital of Belize in 1970.

Between the 2000 population census and the latest census in 2010, Belize’s population grew at an average annual rate of 2.7%. According to the Statistical Institute of Belize (SIB), the total population of Belize was 312,698 at mid-year 2010, an increase of approximately 30.1% over the 240,204 population total reported in the 2000 census. The 2010 population count indicated that 55.4% of Belize’s population lived in rural areas (compared with 52.7% in 2000), while 44.6% lived in urban areas. Belize City, the country’s largest urban center, had a 2010 population of approximately 53,530, or 17.1% of the total population, although the Greater Belize City area comprises an additional four large villages and an incipient township, all of which serve as significant bedroom communities. Belmopan is located 75 km west of Belize City, and had a 2010 population of approximately 13,350. Based on the census data, the country’s population density is estimated at 13.6 persons per square kilometer, making it one of the least densely populated countries in Central America and the Caribbean.

Society

Belize is the only country in Central America where English is the official language. In addition, Spanish, Creole, Maya, Garifuna and a variety of minority languages, reflecting internal migration and the resulting diversity of the population, are also spoken. Since 1980, an estimated 50,000 Central Americans (mostly Guatemalans, Salvadorans, Hondurans and Nicaraguans) have fled civil strife in their own countries and migrated to Belize, and a steady inflow of economic migrants has continued; on the outflow side, there has been substantial migration by Belizeans to the United States. There has also been a highly visible flow of Chinese and East Indian migrants to Belize, and the country's tourist hotels and restaurants reflect considerable U.S. resident ownership. The result is a multi-ethnic, multilingual society, which is 49.7% Mestizo, 21.1% Creole, 10% Maya, 4.6% Garifuna, 2.3% East Indian, and 12.3% other (Oriental, Caucasian, Middle-Eastern, and mixed).

Belize's population maintains diverse religious beliefs, although Christian denominations predominate, with approximately 83% of the population practicing some form of Christianity. Other major religious groups include the Hindu, Ba'haí, Muslim and Buddhist faiths.

Belize's educational system is based on the British system. Belize education levels are on average relatively high compared with primary and secondary levels in Central America, although domestic university-level education and training are currently in a developmental phase. Pre-primary school education is available to children between the ages of three and five years. Primary schools provide eight years of education and attendance is mandatory for children between the ages of five and 14. Secondary schools offer a four-year programme, while vocational or trade schools offer shorter programmes in basic trades. The public sector Centers for Employment Training and the Institute for Technical and Vocational Education and Training are the most prominent of the vocational and trade schools, with considerable effort being made to adapt curricula to employment trends and changes in the labour market. A Government apprenticeship programme supported by the private business sector has recently been established as part of the effort to develop workplace skills. In addition, a number of educational institutions offer adult education programmes, and there is a small public sector facility offering remedial skills training to school drop-outs. The Government covers most of the costs for students attending public primary and secondary schools and also contributes a portion of the costs (based on a per-student contribution) of the mainly Church-run private primary and secondary schools. A Government-supported school for physically handicapped children has been operating successfully for decades.

In addition to the academic and vocational institutions mentioned earlier, Belize's educational system includes a Government-funded University of Belize (UB, which has about 4,300 students), and the privately-funded Galen University (which has about 500 students). The two university-level institutions together have a student enrollment of about 4,800. While both institutions offer regular undergraduate and graduate degree programmes in the arts, sciences and education (but not medicine, law or engineering), about 55% of the students enrolled in UB pursue Associate's level programmes. UB is not accredited by any of the established accreditation bodies. Galen University grants its own degrees and also provides access to degrees from the University of Indianapolis and the University of North Carolina at Wilmington. Belize also participates in and contributes to the Caribbean campuses of the University of the West Indies (UWI), which also operates an Open Campus center in the country. In addition, there is a private, offshore medical school. While the Government makes a substantial financial contribution to the institutions offering post-secondary education, and offers a number of full merit-based scholarships to the UWI and UB, students are generally required to meet a significant part of the cost of their education at this level. Full and partial scholarships to foreign educational institutions, mainly in the U.S., but also in Cuba, Mexico, Central American countries and Taiwan, are also increasingly available, funded by the Governments of those countries and by private sources.

According to data made available by the SIB, the unemployment rate in Belize during the past five years has increased from 8.5% as of December 31, 2007 to 14.4% as of September 30, 2012, reflecting relatively slow growth in the level of economic activity consequent on global stagnation as a result of the continuing world financial crisis. See “Domestic Economy—Employment and Labor”.

The following table sets forth selected comparative social indicators for Belize and selected Central American countries for the year ended December 31, 2011:

Selected Social Development Indicators (2011)

	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
Infant Mortality (per thousand)	22	9	20	28	20	23	12
Adult Literacy Rate (%)*	n.a.	96.2	84.5	75.2	84.8	78	94.1
Human Development Index	.699	.744	.674	.574	.625	.589	.768
Average Years of Schooling	8.0	8.3	7.5	4.1	6.5	5.8	9.4
GNI Per Capita (in U.S.\$)	5,812	10,497	5,925	4,167	3,443	2,430	12,335
Life Expectancy (years)	76.1	79.3	72.2	71.2	73.1	74.0	76.1

Note: The GNI per capita data above are in 2005 U.S. dollars calculated on a purchasing power parity basis, and will not match Belize per capita GDP data shown elsewhere in this document, but provide a consistent basis for inter-country comparisons.

n.a. Information is not available for the reference period.

Sources: *United Nations Development Programme (“UNDP”)*
http://hdr.undp.org/en/media/HDR_2011_EN_Table1.pdf (for all categories except below)
<http://www.indexmundi.com/map/?v=29&r=ca&l=en> (for infant mortality)
<http://stats.uis.unesco.org/unesco/TableViewer/tableView.aspx?ReportId=210> (for adult literacy)

*Data years vary: Nicaragua: 2005; all others: 2010.

Governmental Structure and Political Parties

The Constitution is the supreme law of Belize and sets forth the country’s basic framework and legal underpinnings for governmental activity and for economic and social relations. The Constitution came into effect when Belize became an independent country on September 21, 1981, and includes provisions that safeguard fundamental individual freedoms.

Belize is a parliamentary democracy based on the British Westminster model. The Head of State is also the British Monarch, who is represented locally by the Governor-General of Belize. Traditionally, the British Monarch appoints the Governor-General on the recommendation of the Prime Minister of Belize. The duties and responsibilities of the Governor-General are, for the most part, of a purely formal and ceremonial nature. Under the Constitution, general elections must be held not less frequently than approximately every five years, and the Prime Minister is allowed to call elections at any time within five years of the previous general elections, consistent with the British Westminster model (the March 2012 general elections were held a little more than four years after the February 2008 elections). The next general elections are constitutionally due to be held no later than June 2017.

National legislative power is vested in a bicameral National Assembly composed of a House of Representatives and a Senate. Belize is divided into 31 electoral districts, with each district representing at least 2,000 registered voters. The House of Representatives consists of 31 members, each elected from one of the 31 electoral districts on a first-past-the-post, or simple plurality, system. Belize held its last general elections on March 7, 2012; the results of those elections accorded the United Democratic Party (UDP) 17 of the 31 seats in the House of Representatives. The Prime Minister, the member from the party who can command the support of the majority of the House of Representatives’ members, is appointed by the Governor-General. The current Prime Minister, Hon. Dean Barrow, is a member of the UDP and has entered his fifth year in office, his party having also won the general elections over the People’s United Party (PUP) in 2008.

The Senate is comprised of 12 members appointed by the Governor-General, six of whom are appointed on the advice of the Prime Minister, three of whom are appointed on the advice of the leader of the opposition party, one of whom is appointed on the advice of the Council of Churches, one of whom is appointed on the advice of the business community and one of whom is appointed on the advice of non-Governmental organizations. The President of the Senate is elected by its members from among the 12 members or from outside the Senate.

Amendments to the Constitution that do not affect fundamental rights, the judiciary or certain other key provisions require approval by a two-thirds majority of the House of Representatives. Constitutional amendments to fundamental rights and other entrenched provisions require approval by a three-fourths majority of the House of Representatives as well as a waiting period between first introduction of the proposed legislation and its final passage. Passage of any legislation in the Senate requires only a simple majority.

In addition to the national governing bodies, there are two formal levels of local Government in the country's six administrative districts of Corozal, Belize, Orange Walk, Stann Creek, Cayo and Toledo. City or town councils operate in the nine municipalities, while there are 185 village councils. The Belize City Council has eleven members while each of the other local government entities has seven.

City council, town council and village council members are each elected to three-year terms. The most recent local elections were held in March 2012 to fill vacancies for town councils in Corozal, Orange Walk, San Pedro, San Ignacio, Santa Elena, Benque Viejo del Carmen, Dangriga, Punta Gorda, and city councils in Belize City and Belmopan. Sixty-seven seats were available, contested by 170 persons, of which 134 represented the two main political parties (67 each for the UDP and the PUP) and 36 persons representing two minor parties or running as independent candidates. The UDP won forty-four seats while the PUP won twenty-three. The other parties and the independent candidates were unsuccessful.

The principal policy-making body of the Government is the Cabinet, which is responsible for the general direction and control of Belize and whose members are collectively accountable to the National Assembly. The Cabinet consists of the Prime Minister and members selected from either house of the National Assembly. The Governor-General appoints members of the Cabinet upon the recommendation of the Prime Minister. The power of the Prime Minister to determine the size of the Cabinet is circumscribed by the Belize Constitution, which states that the Cabinet shall be comprised of (a) not more than two-thirds of the elected members of the Party that obtains majority seats in the House of Representatives following the holding of a general election and (b) not more than four Senators.

The Belizean judicial system is based on specific legislation and on English common law and practice, and consists of four levels of institutions: domestically, there are local courts, a Court of Appeal and a Supreme Court. Final appeals are made to the Caribbean Court of Justice (the CCJ, a CARICOM institution), based in Trinidad & Tobago. The CCJ was inaugurated in April 2006 and replaces the Judicial Committee of the (British) Privy Council as the country's final court of appeal on all matters. The CCJ currently performs a similar function for Barbados and Guyana. The CCJ is the Court of Original Jurisdiction for matters involving the Treaty of Chaguaramas, the instrument that established CARICOM; the expectation is that the other CARICOM members will adopt the CCJ as their final court of appeal.

Two parties, the PUP and the UDP, have dominated politics in Belize since the 1950s, although, especially in the case of the latter-named party, name changes and shifting alliances have occurred. Since independence, these two major political parties have continued to dominate Belize's political system. The PUP dominated political life in Belize from its formation in the 1950s until 1984, when it lost the

elections to the UDP. In 1989, the PUP regained power, but lost again to the UDP in 1993. In 1998, the PUP returned to power, winning 26 out of 29 seats in the House of Representatives, and it retained control of the government in the 2003 elections, winning 22 out of the 29 seats in the House of Representatives. In 2008, the UDP won the February general elections with 25 of the 31 seats in an expanded House of Representatives, and retained control of the Government in the March 2012 elections by winning 17 of the 31 seats. Smaller parties and independent candidates were unsuccessful in these elections.

The following table shows the House of Representatives' electoral results for general elections since 1984:

House of Representatives Electoral Results⁽¹⁾

	1984	1989	1993	1998	2003	2008	2012
	(number of representatives)						
People's United Party	7	15	13	26	22	6	14
United Democratic Party	21	13	16	3	7	25	17

(1) The total number of seats in the House of Representatives was increased to 28 in 1984 and to 29 in 1993. In late 2003, following a by-election to fill a vacancy caused by the death of a PUP, the composition of the House of Representatives changed to 21 PUP representatives and eight UDP representatives. The number of seats in the House of Representatives was increased to 31 following the 2003 general elections.

Source: *The Belize Elections and Boundaries Commission*

Social and Economic Policies

Poverty Elimination Plans

With support from the international financial institutions and friendly Governments, and in particular from the Caribbean Development Bank (CDB), the World Bank, the UK Department for International Development, the Canadian International Development Agency and the Republic of China (Taiwan), the Government of Belize has embarked on a multi-faceted programme to address poverty in the country. Belize's small population is scattered over 23,000 km², and its limited industrial operations and nascent tourist industry contribute to considerable poverty and high unit costs in the provision of infrastructure and Government services. This situation has been exacerbated by a large inflow of essentially rural peasants from other parts of Central America, as well as the continued outflow of its more skilled and educated citizens to the United States. Country Poverty Assessments developed with assistance from the CDB have indicated that little progress was made in addressing the situation during the first decade of the new century, and the situation has been made more difficult since 2007 by the general slowdown in economic activity and the loss of jobs and incomes caused by the U.S. financial crisis and by the continuing inability of the developed countries of the OECD as a group effectively to address their internal economic difficulties and to maintain global aggregate demand.

The Government of Belize has made its anti-poverty policy framework the centerpiece of its country development programme, combining its efforts in infrastructure, human development and the private business sector. The Government's anti-poverty policy aims to accelerate private investment, provide specific anti-poverty initiatives designed to provide welfare support to those most in need, provide financial incentives and support to encourage families to take advantage of preventive healthcare and immunizations and to send children to school. This policy framework has become increasingly important with the slowdown in economic activity in the entire Central American and Caribbean region, and its negative impact on jobs and incomes. In support of the education initiative, emphasis has been

placed on expanding skills-training opportunities. The Government has undertaken a number of education initiatives: most schools are now equipped with computers for student use and the authorities have partnered with the main telecommunications company (BTL) to provide free internet service to schools; traditional educational institutions have been encouraged to restructure and expand and a substantial number of new classrooms have been constructed; transportation arrangements for students attending school in rural areas have been substantially improved; and cash-grants are now generally available to families of students attending secondary school. Incentives are now being provided to private secondary schools to encourage acceptance of larger numbers of students coming from impoverished backgrounds, particularly those with performance challenges. In addition, arrangements for the management of the teaching profession are being standardized on a nationwide basis, and are being supported by a detailed teacher-training programme. The economic growth and social sector initiatives are also intended to address some of the main factors behind a steady increase over the past decade in drug-related criminal violence, resulting in part from drug cartels and gangs moving product from South America through Central America to Mexico and the United States, and from stepped-up U.S. action in deporting convicted persons not born in the U.S. back to their home countries.

Media

No daily newspaper is published in Belize. Several weekly newspapers are published, including two that are sponsored by Belize's main political parties, such as *The Belize Times* (sponsored by the PUP), *The Guardian* (sponsored by the UDP) and a number of independent newspapers with substantial readership, including *The Amandala*, *The Reporter*, *The San Pedro Sun*, and *The Dangriga Star*. *The Gazette*, which is privately printed under contract with the Government, is a weekly publication that carries official notices together with legislative bills, acts and statutory instruments. *The Gazette* is also utilised by the private sector for the publication of legal notices.

There are several private radio and television stations in the country, with most of the latter re-distributing foreign programming content via cable. Currently, four television stations provide local weekday news coverage, and post transcripts of their weekday news broadcasts on the internet. Some news broadcasts are also available via live internet streaming. Some of the radio and television stations support weekday phone-in programmes covering a broad range of topical issues that are well-utilised by the general populace. Both the radio and television stations are utilised by the political parties for regular press conferences. There is no government-owned radio or television station.

Healthcare

Registered medical personnel in Belize as of December 31, 2010 included 241 physicians, 12 dentists, 469 nurses, and 112 pharmacists. As of that same date, Belize had approximately 360 hospital beds in seven public and eight private hospitals, with the public hospitals being divided into a main referral hospital in Belize City that also provides emergency services, three regional hospitals serving, respectively, the northern, southern and western parts of the country, and three primary-care district hospitals. Two public sector polyclinics are operational in Belize City, together with one in San Pedro, Ambergris Cay. Rural healthcare has been expanded by the provision of health centers and mobile clinics, which offer free outpatient services. Health services are supplemented by frequent visits by overseas-based individual medical specialists and specialist medical teams under established arrangements with both the public and private hospitals, and special or urgent cases are referred abroad (mainly to the U.S., Mexico or Guatemala) where financial circumstances, including medical insurance coverage, permit. A pilot project under a proposed National Health Insurance Scheme commenced operation in 2001, and is being rolled out slowly as fiscal capacity permits. The current intention is to provide nationwide coverage, with co-payments by patients based on assessed financial capacity. The

Ministry of Health also provides public health services, which include immunisations, inspections, certifications and preventive interventions.

Infrastructure

Improving Belize's physical infrastructure is of primary importance to the Government, as it constitutes one of two critical elements (the other being improvement in institutional capacity for business and social sector support) required for sustained growth in private business investment. Improvements in infrastructure are necessary in order to expand the level of economic activity and for visible and sustained improvement in the quality of life for all residents of the country, particularly the poor and vulnerable members of the society. The Government continues to develop roads, ports, airports, utilities, housing and education and healthcare infrastructure. The Government is currently placing particular priority on the maintenance and development of roads and ports. Although main roads are paved in most areas of the country, the road network itself requires both expansion, reflecting the fact that transportation during the greater part of the country's history was water-borne, as well as ongoing maintenance, as most of the road system consists of gravel roads that require frequent grading, particularly in the rainy season. Road maintenance has generally been uneven, and the quality of the network has deteriorated, particularly with expanded use by buses and heavy-duty trucks, and a substantial increase in the number of cars and light trucks. In addition, poor maintenance of cargo-handling facilities, privately-owned and operated, and sea-depth levels at the main port in Belize City have presented an ongoing challenge in terms of both cost and operational efficiency to port users.

Roads

Road development and drainage improvement are important components of the Government's plans to improve transportation efficiency. As indicated earlier, there are substantial deficiencies in the existing road network, and many roads in the country are prone to flooding following heavy rainfall because of poor drainage and inadequate bridges and culverts. Low-lying Belize City is particularly susceptible to flooding because of poor drainage and because it is located on a river delta, in consequence of the past transportation arrangements for timber.

Funding for roads and drainage has been provided by a number of sources, including the CDB, the World Bank, the Inter-American Development Bank (IADB), as well as bilateral loans and grants from the United Kingdom (UK), the Kuwait Fund, and the Government of Trinidad & Tobago. The Trinidad & Tobago contribution came as a one-off grant in 2009 in response to substantial road damage caused by rainstorms and flooding. Belize has four major highways, two of which provide direct border crossings to Guatemala and Mexico. All main towns and villages are linked by road to Belmopan and to Belize City. Private bus services operate to and from all major towns on a daily basis.

A major road project is currently underway that will connect the southern highway to the border with Guatemala, eventually providing Belize with a link through Guatemala to the Pan-American Highway system that runs from Canada to the southern part of South America along the Pacific coast. A second project will rehabilitate parts of the northern and western highways, and will replace bridges and river crossings. Substantial work will be required to replace bridges on the northern and Hummingbird highways that are approaching the end of their design lives and can no longer cope adequately with traffic volumes and vehicle weights. A third project that is about to start will address road safety issues.

Attention is also being given to streets in the municipalities. Poor construction practices, insufficient attention to drainage, inadequate maintenance and a substantial increase in traffic volumes have left many streets in cities and towns in disrepair, contributing to high levels of vehicle operating costs. An IADB-financed drainage project on the northside of Belize City and a World Bank-financed

poverty alleviation project on the southside of Belize City that includes a drainage component are currently being implemented alongside the installation of concrete surfaces on many of the main streets in Belize City. The construction is being undertaken via labour-intensive techniques priced on a piece-work basis as part of the effort to provide employment and incomes during the present difficult economic period. It is anticipated that this project in Belize City will provide a longer-term solution to street-maintenance issues; if so, it is likely to be duplicated in other municipalities.

In addition, a new paved road in the Placencia peninsula, financed by the CDB, provides easy access to a rapidly-expanding high-end tourist destination was recently completed and opened.

Ports

Two main seaports in Belize handle freight, one in Belize City that handles general break-bulk and container cargo as well as the bulk of the country's imports, and the other at Big Creek in the south that handles banana exports and bulk shipments of citrus products and grains as well as imports destined for the south and west of the country. Shallower water depth in the Belize City harbour compared with Big Creek results in the use of tenders to land passengers from the visiting cruiseships that now make a large and growing contribution to the country's tourism industry (Big Creek is located too far away in the south from the main visitor attractions to make cruiseship handling operations there economical). A long jetty at the Belize City port allows roll-on-roll-off operations for smaller container ships. Both ports are privately owned and operated. Control of a third set of seaport facilities, located in deep water at Commerce Bight, near the town of Dangriga and between Belize City and Big Creek, was acquired by the same private operator from the Government at the time of acquisition of the Belize City port facilities, and was then taken out of service. The Belize City port facilities have not been well-maintained, and there have been complaints from the private sector with regard to efficiency and cost issues; the operation was recently placed in receivership by its creditors, although the port continues to operate. Seaport operations are overseen by the Belize Port Authority, a statutory entity.

The country's international airport is located some 14 km northwest of Belize City, and currently handles daily flights originating from various points in the U.S. and in Central America. It is also used by the two main domestic carriers for flight connections between the international airport and tourist destinations around the country. All but two of the country's municipalities (San Ignacio/Santa Elena and Benque Viejo del Carmen) have airstrips, and additional airstrips are located at various parts of the country, including on a number of the cayes, with the main Municipal Airport being located within Belize City. All the airstrips can accommodate the domestic carriers. The Belize Airports Authority and the Civil Aviation Department oversee airport and aircraft operations in the country.

Housing

Public sector activity in housing has been substantially reduced following major financial difficulties in the Development Finance Corporation (DFC) and the Social Security Board (SSB) as a result of their participation in substantial Government intervention in the housing sector between 1998 and 2006, and a considerable proportion of housing financing is now being sourced once again from private commercial financial institutions. The Government's direct intervention in the housing sector is now focused on poor and vulnerable households. Following detailed reviews of its operations by the IADB and the CDB, the DFC has been restructured under new legislation, its deposit-taking powers have been eliminated and it has been placed under the financial supervision of the Central Bank. While it still engages in housing-mortgage lending, its activities have reverted to the normal prudential approach that had characterised its operations prior to 1998, and it is once again eligible for financing provided by CDB. Both the DFC and the SSB now have strong private sector representation on their Boards as part of the effort to minimize the likelihood of a repeat of past Government misdirection of their operations. This

followed two separate Commissions of Inquiry into the operations of the institutions in response to public protest over Government's contribution to their mismanagement.

Utilities

The Public Utilities Commission (PUC) was created pursuant to the Public Utilities Act of 1999 to regulate operations and tariffs in the water and sewage, telecommunications and electricity sectors with a view to improving the quality and coverage of utility services by supporting the continuity, reliability and expansion of services while protecting consumer interests. The PUC has been active in discharging its mandate, and has instituted a programme of public consultation in arriving at its determinations. Operations in the water and sewage sector and the electricity distribution sector are conducted by entities that enjoy monopoly status, while there are two operators in telecommunications.

Telecommunications

The two operating telecommunications companies in the country are BTL and Speednet Communication Limited (Smart). BTL operates a direct-dialing telephone network linking the most populous areas with villages often being served by a single community telephone, and combines both wired and wireless services. BTL provides Belize's main external communications links with the outside world, and is the sole provider of both retail and backbone internet services links that are utilised by Smart and by a number of cable television services that bundle cable TV with internet service. Smart's services are exclusively wireless, and utilise BTL's services for most of its foreign communications links. Both companies provide cellular services that cover most of the country, including the cayes; and there is interconnection between the two telecommunications providers.

BTL was previously a Government-owned monopoly that grew out of a limited domestic telephone system run as a Government department, with the UK-based Cable and Wireless (C&W) providing external communications services under a licence that was periodically renewed. The domestic and external services were eventually combined into a single company in the 1980s, initially with majority ownership by the public sector, following the expiration of the C&W licence. Ownership was gradually privatized, until 2009 when the company was almost completely in the private sector with the majority of the shares controlled by a single private group. Beginning in 2003 a new private company (Smart) concluded facilities sharing agreements with BTL and began offering wireless-based telecommunications services. The new company expanded rapidly, utilising modern technology, while capacity expansion by BTL lagged. In the second half of 2009, citing public interest issues involving a series of secret agreements between the company and the previous administration that only became public after the change in administration and that were considered to be illegal, the Government attempted to negotiate a solution and enacted legislation to acquire the shareholding in BTL of the majority private sector group after those efforts failed. Since then the company has been managed by a board of directors appointed by the Government, and there has been ongoing litigation in Belize over the constitutionality of the acquisition. The Constitution requires that compensation be paid to the former shareholders, and there is currently a considerable gap between the amount claimed by the former shareholders and the offer made by the Government, the latter based on an opinion provided by a consulting firm in New York. Existing legislation provides that, in the absence of a voluntary agreement between the parties, the Supreme Court is empowered to set a compensation value. Approximately 5% of the shareholding in BTL were held by individual, small shareholders at the time of acquisition; those shares were not acquired by the Government. Since the acquisition, the Government has offered part of its new holdings for sale. As a result of the offer, holdings were acquired by the SSB, the Central Bank of Belize, and a substantial number of individual private shareholders. The Government has indicated its interest in selling a minority shareholding in the company to a private strategic investor.

Since the acquisition, the Government has amended the Constitution to entrench majority ownership of the utilities (defined to include BTL, but not Smart, the electricity distribution utility, but not private sector wholesale power suppliers, and the water and sewerage company) in the public sector. See “Risk Factors—Additional Liabilities”.

Electricity

BEL, which is now owned and controlled by the public sector, is the primary commercial distributor of electricity in Belize, the balance of the supply involving very small private facilities and two other facilities in respect of which negotiations for connection to the national grid are currently in progress. Prior to 1992, the Government was the sole owner of the Belize Electricity Board, a statutory entity, which was the only source of generating, transmitting and distributing energy in Belize. The electricity sector was privatized pursuant to the Electricity Act of 1992. Upon its sale to the private sector, the Belize Electricity Board was renamed BEL, with Fortis, Inc. (Fortis), a privately held Canadian company, acquiring a controlling interest. Prior to privatisation, the company experienced difficulty in satisfying power demand, and there were frequent rolling blackouts during the 1980s. Subsequent to privatisation, Fortis, through a subsidiary (Belize Electricity Company Limited, or BECOL), established hydroelectricity generation facilities in the west of the country, wholesaling power to BEL; and additional generation facilities were made available by other private suppliers. Fortis was the majority owner of BEL until those shares were acquired by the Government through special legislation enacted in 2011. Currently, the Government holds 70.2% of the shares in the company, with the SSB owning 26.9%, and with about 1,500 small individual shareholders holding the balance. Negotiations are currently in progress between the Government and Fortis over compensation.

BEL met peak electricity demand of approximately 80 megawatts (MW) in 2011 from multiple sources, which included electricity purchased from Comisión Federal de Electricidad (CFE), the Mexican state-owned electricity company; from the Mollejon, Chalillo and Vaca hydroelectric facilities in western Belize, owned by BECOL, a Fortis subsidiary; from Belize Co-Generation Energy Limited (Belcogen), a power-generation facility owned by Belize Sugar Industries Ltd that utilises bagasse from its sugarcane processing operations; and from its own diesel-fired generators. Electricity sales in 2011 amounted to 428.5 gigawatt hours (GWh). All major load centers are connected to the national grid, except the Caye Caulker load center where there is standalone diesel-fired generation. Installed generation capacity in BEL in 2011 amounted to just over 28 MW. In 2005, the power supplied by BEL’s diesel generators and hydroelectric facilities accounted for approximately 20.2% and 16.9%, of BEL’s total power supply, respectively. In 2005, BEL purchased approximately 62.9% of its power supply from CFE. In the past this dependence on Mexico has exposed Belize to periods of power outages because CFE did not give Belize the same priority as it did its Mexican customers; more recently, with improvement in CFE’s delivery capacity, the issue has become one of cost, as Mexican power supplied to Belize is generated from expensive petroleum-based fuel compared with the considerably lower cost of domestic hydro power. The difficulty facing BEL is that hydro generation depends on rainfall and river-flow levels, both of which are low during the first six months of the year.

In 2007-08, BEL (while still under Fortis control) sought electricity tariff increases from the PUC, which were not granted on the basis that they were not justified, and the company’s subsequent appeal was dismissed in court for the same reason. During the period between the initial tariff increase and the dismissal of the appeal, the company obtained injunctive relief, restraining the PUC from conducting scheduled tariff reviews pending a court decision. In the meantime, world petroleum prices rose sharply, increasing BEL’s cost of power; however, tariff increases could not be obtained because of the injunction against PUC action, which the company refused to lift, seeking instead to have the Government legislate tariff increases. The Government sought to accommodate the company by first providing letter of credit facilities for the company to obtain power from CFE, and subsequently prepaid

its own estimated power bills for some months in advance, while attempting, without success, to negotiate a resolution of the issues. In June 2011, BEL indicated that it was running out of cash, and stated that the country would begin facing rolling blackouts if tariff increases were not immediately legislated or additional Government funds were not provided. The Government responded that it would not contemplate major disruption of the country's electrical power supplies, and acquired the Fortis shares in the company utilising special legislation. Since then, the now Government-controlled company has arranged for the injunction to be lifted, the PUC has conducted a tariff review, tariffs have been reduced, and there have been no blackouts.

As indicated earlier, the Government has now entrenched majority public sector ownership of specified utilities in the Constitution, and compensation negotiations are underway with Fortis. The Fortis-owned hydro facilities have not been affected by the BEL acquisition and continue to wholesale power to BEL under existing contracts. See "Risk Factors—Additional Liabilities".

Water and Sewage

The Ministry of Natural Resources and Environment and the Ministry of Health share the responsibility for the management and provision of water and sanitation services in Belize. The PUC oversees the operations, including tariffs and services quality, of Belize Water Services Limited (BWSL), which provides water and some sewerage services in the main municipalities, and the Ministry of Local Government oversees the operations of village Water Boards. The Government's water and sewage program under the Poverty Elimination Plan seeks to increase the provision of water and sanitation services to its population, particularly in areas of unplanned urban growth and in the rural areas of the country. Significant funding for the extension of pipe-borne water supplies has come from the CDB, with funding going both to the BWSL by way of loans through the Government, and for village water supplies by way of grants under the CDB's Basic Needs Trust Fund.

The Water and Sewage Authority, a Government-owned entity, provided water and sanitation services in the main municipalities of Belize until the operations were privatized in 2001, with a Netherlands-based company taking a majority shareholding (83%) in the renamed BWSL, the remaining shares being held by the SSB (10%) and local small shareholders (7%). The new owners of the company encountered resistance from the Government in their efforts to raise tariffs as provided for in the purchase agreement, and in 2005 the disagreement was resolved when the Government repurchased the entire 83% shareholding, utilising in part credit provided by the Dutch company. A subsequent attempt to sell shares to the general public was unsuccessful, and the Government remains the majority shareholder. The company is marginally profitable, and has been expanding its operations slowly in line with its financial capacity.

International Relations

Belize maintains diplomatic relations with almost every nation in the world. It is a member of the United Nations, the Organization of American States, the IADB, the Sistema de la Integración Centroamericana and the respective agencies of each organization. Belize is also a member of the Association of Caribbean States, CARICOM, the African Caribbean Pacific (ACP) group of countries, the CDB, the British Commonwealth, the World Bank Group, the International Labor Organization, the IMF and several other international agencies including the World Trade Organization.

Belize is also a signatory to the Cotonou Agreement between the EU and the developing countries of Africa, the Caribbean and the Pacific, and is a beneficiary of the Caribbean Basin Economic Recovery Act, and the Caribbean-Canada Trade Agreement (CARIBCAN). In addition, as a member of

the United Nations bloc of developing countries, named the Group of 77, Belize is eligible for the Generalized System of Preferences.

Association of Caribbean States

The Association of Caribbean States was created by treaty in July 1994. Members of the Association of Caribbean States include the fifteen CARICOM signatories, other non-Commonwealth countries in the Caribbean and several Latin American nations. The Association of Caribbean States was established primarily to further regional economic integration and cooperation in the areas of science and technology, energy, tourism, transport, education and culture, as well as to coordinate the participation of member states in multilateral forums and to undertake concerted action to protect the environment, in particular the Caribbean Sea.

Caribbean Community and Common Market

CARICOM is a regional common market established by the Treaty of Chaguaramas in 1973 to promote the integration and development of the economies of member states, especially the less developed countries, coordinate the foreign policies of the independent member states and engage in functional cooperation in the provision of services such as education, health and transport among its member countries. CARICOM currently has 15 members consisting of the 12 independent English-speaking Caribbean territories, Haiti, Suriname and Montserrat, four associate members and eight countries that have observer status.

CARICOM's principal activities are in the area of economic integration and development, and the expanded objective of creating a single economic space among its members finds its expression in a Revised Treaty of Chaguaramas which became effective in 2001. As part of this objective, member states have been seeking to harmonise policies, to create common institutions and to cooperate in the provision of services, particularly in such areas as banking and financial sector supervision, fiscal management, the movement of factors of production, security, foreign policy, education and training, tourism, transportation, competition, standards, disaster preparedness and management and, more recently, climate change.

Cotonou Agreement

In February 2000, the EU and the ACP group of countries concluded negotiations for the 20-year Cotonou Agreement, which extended arrangements first agreed under the previous four Lomé Conventions. The Cotonou Agreement provided for:

- duty-free access to the EU markets for goods exported from countries in the ACP group (with certain local value-added qualifications);
- a stabilization fund to compensate countries in the ACP group in the event of reductions in the receipts they derived from the export of their principal basic products;
- financial aid for countries in the ACP group;
- industrial and technological cooperation aimed at promoting a better international division of labor along lines advantageous to countries in the ACP group; and
- joint institutions to supervise observance of the agreement and to promote discussion between the groups of countries.

This agreement has since been superseded by a series of Economic Partnership Agreements (EPA) between the EU and the ACP group of countries, which provides for an increasing element of reciprocity in the arrangements. While Caribbean countries have signed on to the EPA, a number of African countries have been resisting; there also appears to be some hardening of EU attitudes towards those Caribbean countries that have signed on to the EPA but have not implemented its provisions. Belize is a member of this group. Effort is currently underway in Belize to identify the particular issues involved with a view to addressing them. There has been no negative effect to date on Caribbean exports to the EU, and it appears that further accommodation will be provided by the EU in the light of the current difficulties facing the global economy in general and the Caribbean economies in particular.

The Caribbean Basin Initiative

The Caribbean Basin Initiative which became effective on January 1, 1984, is a program of economic assistance by the United States to Caribbean countries designed to stimulate economic growth and to present new opportunities for development in the region. Under the Caribbean Basin Initiative, the Caribbean Basin Economic Recovery Act provides for duty-free access of Caribbean products exported to the United States. To enjoy duty-free access, at least 35% of the added value of manufactured articles must be generated in Belize. This percentage requirement can be reduced to 20% as components made in the United States may account for up to 15% of the value-added. The Caribbean Basin Economic Recovery Act was the first means by which the United States extended preferential trade provisions to any region. All exports from Belize (other than specifically excluded products such as garments and textiles) benefit from the reduction or elimination of U.S. tariffs. With the exception of a limited annual sugar quota, the Caribbean Basin Economic Recovery Act does not guarantee any quotas to Caribbean product exports. The U.S. Congress subsequently passed the Caribbean Basin Recovery Expansion Act, or Caribbean Basin Initiative II, in 1990, which improved the conditions of the original agreement by extending the life of the Caribbean Basin Initiative and providing limited duty-free treatment for articles that the Caribbean Basin Initiative excluded.

The Caribbean Trade Partnership Act of 2000

The Caribbean Trade Partnership Act of 2000 was enacted by the U.S. Congress in May 2000 as part of the U.S. Trade and Development Act of 2000 and enhances the Caribbean Basin Initiative II by reducing or eliminating U.S. duties on those products not previously covered by the Caribbean Basin Economic Recovery Act. The law is intended to reflect the changing dynamics of regional trade which followed the North American Free Trade Agreement of 1994, or NAFTA, among Canada, Mexico and the United States, and to encourage the full participation of Caribbean countries in efforts to promote regional economic integration, including negotiations for a Free Trade Area of the Americas.

The main benefit of the Caribbean Trade Partnership Act of 2000 is duty-free and quota-free entry for imports into the U.S. of apparel sewn and assembled by Caribbean Basin Initiative countries from U.S. cloth and yarn. This product sector had been excluded from the original Caribbean Basin Initiative Act but was provided to Mexico under NAFTA. As in the case of CARIBCAN, Belizean exports have generally not yet benefited from the Caribbean Trade Partnership Act because many of products that benefit from a reduction of duties, such as manufactured items and certain textiles are not exported from Belize at this time.

Caribbean-Canada Trade Agreement

CARIBCAN is an agreement entered into by Canada and the CARICOM countries in 1986. This agreement established an open-ended program for trade, investment and industrial cooperation, and features the unilateral extension by Canada of preferential duty-free access to the Canadian market for

many imports from CARICOM countries. CARIBCAN's basic objectives are to enhance the Caribbean region's existing trade and export earnings, improve its trade and economic development prospects, promote new investment opportunities and encourage enhanced economic integration and cooperation within the region. Many exports that are allowed duty-free access to Canada under the CARIBCAN are, in large part, not exported from Belize. As a result, Belizean exports have generally not yet benefited from duty-free access to Canada under this trade agreement. Currently, new Canada-Caribbean trade arrangements are being negotiated.

Generalized System of Preferences

Under the auspices of the United Nations Conference on Trade and Development, the Generalized System of Preferences was designed to afford developing countries preferential access for a wide range of their exports to the markets of developed countries. The Generalized System of Preferences is an export-promotion tool with the objectives of increasing the export earnings of the developing countries, promoting industrialization in the developing countries and accelerating the rate of their economic growth.

Central American Bank for Economic Integration

In September 2006, the Government of Belize signed an Association Agreement with the Central American Bank for Economic Integration (CABEI), which enables Belize to be incorporated in CABEI as a Non-Founding Beneficiary Member. CABEI is a development finance institution founded by Honduras, Guatemala, El Salvador, Nicaragua and Costa Rica in 1960 for the promotion and implementation of the economic integration of Central America through the financing of investment projects. Belize has already sought access to funding from CABEI for infrastructure development, and the project review process in that institution is currently underway.

Guatemala

Belize's relations with Guatemala have been affected by a territorial dispute involving a claim by Guatemala to the territory of Belize. Belize received the support of the United Nations for its independence in the late 1970s. Votes were taken in the Fourth Committee of the United Nations, the committee responsible for monitoring de-colonization, from 1975 to 1980 on the subject of Belizean independence. Every member of the United Nations supported Belizean independence in the 1980 vote except for Guatemala, which abstained. Once Guatemala returned to a democratic form of Government in January 1986, negotiations for a settlement began in earnest. In 1991, Guatemala recognized Belizean independence, though it continued to claim the territory of Belize.

Relations between the two countries are relatively good. The countries have exchanged ambassadors, there is continuing and easy movement of persons at official border crossing-points, a partial-scope trade agreement allows the cross-border movement of specified goods, and both private and public service motor vehicles from each country are regular and frequent users of the roads of the other. Visas are not required by either country for travel by citizens of the other. At the same time, including very recently, there have been illegal border incursions by Guatemalan loggers, gold prospectors, and related exploiters of the forest, and there has been strong reaction from Belize where these incursions have taken place in environmentally protected areas. Since 2000, the two countries have sought to accelerate a settlement of the dispute, utilising the services of the OAS. The arrangements have been well advanced; referenda are due to be held in both countries on the same day in October 2013 on whether the dispute should be referred for settlement to the International Court of Justice in The Hague.

Defense

In 1994, the UK withdrew its garrison of 1,200 Army and 300 Royal Air Force personnel that had served as the front line of the informal defense guarantee provided to Belize by the UK at the time of independence, formally handing over defense responsibilities to the Government of Belize. The small British military training school that remained has since been formally closed, following fiscal retrenchment in the UK in 2010-11. Belize maintains a small military capacity, the Belize Defense Force (BDF), which includes both a small air-wing and a Coast Guard. The BDF has been utilised in recent times to support the Police Department given a recent upsurge in violent crime. More recently, the BDF has been engaged in border protection activities given the illegal incursions from Guatemala in environmentally sensitive areas.

Environmental Policy

The protection and conservation of the environment through sustainable development, while contributing to the efforts of the authorities to reduce poverty, is an objective in its own right. Achievement of this objective involves raising the level of environmental awareness of the Belizean population and the implementation of the following environmental activities:

- assessing land use and natural resources;
- creating a master plan of protected areas;
- developing a conservation strategy for tourism with heightened environmental public awareness and guidelines for coastal tourism development;
- reducing land-based sources of pollution, targeting industrial and domestic sources, primarily as they affect marine resources;
- developing and implementing strategic, rational land management plans for urban development;
- developing proper solid waste management practices; and
- implementing measures to manage water resources.

The authorities take the view that sound management of natural resources and protection of the environment are of critical importance to its citizens, given the need to maintain a balance between satisfying the needs of residents of the country through increased production and output growth, and the impact of such expansion and growth on the social and physical environment.

Belize is one of four countries (the others being Mexico, Guatemala and Honduras) which have signed on to the Meso-American Barrier Reef Project, which is headquartered in Belize. The project is supported by the Global Environmental Facility following the United Nations World Summit on Sustainable Development in 1992, and is administered by the World Bank. The twin goals of the project are:

- to sustain the marine life in and around Belize's barrier reef, which is the longest in the western hemisphere, by preventing land-based pollution; and
- to preserve the livelihoods of fishermen that harvest the area.

Pursuant to the Coastal Zone Management Act of 1998, the Coastal Zone Management Authority advises the Minister of Agriculture and the Minister of Natural Resources on the development and utilization of coastal zone resources. The Coastal Zone Project, financed by the Global Environmental Facility, seeks to enhance Belize's efforts in this area.

Drug Trafficking

The location of Belize on the Central American land bridge between South America and the U.S., its relatively sparse population, its many cays and islets and its proximity to Mexico make Belize an attractive transshipment point for drugs destined for the United States. Belize has been intensifying its efforts to reduce domestic drug use and drug trafficking through its borders and to combat the violent crime that is associated with drug trafficking. Belize has been cooperating with neighbouring countries on narcotics control, with that cooperation extending to an intensification of the country's anti-money-laundering efforts, and the country has received useful and valuable support, particularly from the U.S., in the form of equipment and intelligence. Local law enforcement has been emphasizing a zero-tolerance policy with respect to drug trafficking, and there have been numerous recent seizures and convictions with respect to trafficking in cocaine and cannabis.

Human Trafficking

Belize has stepped up its efforts to eliminate trafficking in persons, following a U.S. State Department opinion in 2006 that the country was a "Tier 3" country, one that was not doing enough to stamp out the practice. Since then, and including 2012, Belize has been ranked "Tier 2", or a country that is making significant effort to address the issues (see <http://www.state.gov/j/tip/rls/tiprpt/2012/index.htm>). Very recently, the authorities secured convictions in respect of persons being forced into prostitution, and there is now a substantial ongoing media campaign, supplemented by workshops and training sessions, to encourage the general public to help identify instances of human trafficking, and advising persons on how to protect themselves and their families from being victimized in this way.

RECENT DEVELOPMENTS

The Economic Situation

Belize has made significant efforts to deal with the difficult economic situation that has evolved in recent years. Although the country had to cope with substantial natural disaster damage since the late 1990s, the main cause of the economic difficulties was public sector borrowing from external private commercial institutions on unsustainable terms to finance excessive capital spending, particularly since there is scant evidence that productive capacity had expanded as a result of such expenditures. This had represented a shift in public sector financing practices, as in the past the Government had relied on relatively low-cost multilateral and bilateral project financing, and their accompanying technical assistance and implementation support, to fund the public sector investment programme. While the high levels of public spending temporarily boosted the level of economic activity, the growth was illusory; and the financing terms, in the context of the country's debt sustainability capacity, soon required repeated refinancing operations, leading to a consistent rise in already high borrowing costs, and eventually to a need for comprehensive restructuring of the outstanding private commercial external debt. Predictably, the inability to borrow to finance the maintenance of public spending levels resulted in a sharp contraction in the rate of growth of economic activity after 2004, and the situation has since been exacerbated by the global downturn that has followed the 2007 financial crisis in the United States.

The debt restructuring operation in early 2007 involved, in retrospect, overly optimistic assumptions about Belize's future economic performance (in particular, the assumptions did not foresee the global economic recession and its impact on economic activity, incomes and jobs in Belize, the sharp declines in international interest rates, significant increases in import prices reflecting sharp rises in commodity prices including the cost of refined petroleum imports, nor the projected sharp contraction in Government revenue flows from crude petroleum exports as a result of the depletion of the small oilfield reserves). Hence, despite major successful efforts between 2007 and 2012 both to maintain positive primary fiscal balances and to contain the overall fiscal deficit in a global environment in which the fiscal performance of even the G7 countries demonstrably worsened, it has become clear that these efforts cannot be maintained into the future given the continued poor prospects for economic performance in the country's main trading partners.

This situation has forced the authorities to undertake an exhaustive general review of the country's economic growth prospects with a sharp focus on the sustainability of the public finances going forward. Significant effort had already been made to maintain a positive primary surplus in excess of 2% of GDP, and to keep the overall fiscal deficit well below 3% (between fiscal 2006-07 and 2011-12, the primary surplus averaged 3.1% while the fiscal deficit averaged 1.3% of GDP). This had, however, come at the expense several areas of the economy: infrastructure maintenance and upgrading, particularly in respect of roads and bridges given a substantial increase in heavy-duty traffic generated by bus tours for cruise ship visitors, the need to transport crude petroleum by road to the Big Creek port and a general increase in commuter traffic; institutional capacity in the public service, particularly with respect to project implementation, but also in respect of education and health services, and services provision generally in rural areas; and law enforcement capacity and judiciary services to cope with a significant increase in apparent drug-related crime and violence at the expense of personal and property security. The situation with respect to infrastructure (and to economic production) was further complicated by substantial tropical storm damage in 2008 (two storms in that year) and 2010. Action to maintain the integrity of the public finances included a substantial increase in the General Sales Tax (from 10% to 12.5%), with zero-rating of basic goods to protect poor and vulnerable households, and with the removal of import duties on lower-end stoves, refrigerators and washing machines for the same reason. On the expenditure side, general salary increases for the public service were put on hold, and only in exceptional cases were new hirings and the filling of vacancies approved. It was clear that overall performance had

been greatly assisted by Government collections from crude petroleum production and export, and that disruption of that flow would have serious consequences.

The reviews referred to above clearly indicated that the authorities had reached the limits of capacity in generating further revenue through increased taxes, and that there was little scope for further expenditure restraint. The authorities remained mindful of the contractionary effects on the economy of further tax increases and public expenditure restraint, especially given the slowdown in externally sourced aggregate demand that had manifested itself principally through declines in tourism visitor spending, a sharp contraction in tourism-related construction activity and a slowdown in remittances inflows as Belizeans working abroad lost jobs and income. Efforts to tap bilateral grant sources were considerably less successful than in the past, as the traditional donors were themselves experiencing worsening economic conditions.

The situation was further complicated by the discovery of major adverse and hitherto concealed developments involving the telephone utilities, and subsequently by developments in the Electricity sub-sector that posed a serious and credible threat to the maintenance of the country's electricity supply. Efforts at negotiation failed to resolve the issues, and Government authorities felt that they had no choice but to nationalize the two privately-controlled companies, in accordance with arrangements set out in the Constitution. In accordance with the requirements to pay fair compensation to the former owners, the Government commissioned external consultants to value the companies at the time of acquisition. The former shareholders have also estimated the amount of compensation they believe they are due, and their estimates are much higher than those commissioned by the Government. See "Risk Factors—Additional Liabilities". Despite the reorganization of both companies under Government control and the return to profitability of the electricity utility (the telephone utility had continued to generate profits) and the expected flow of dividends to the new owner, the need to pay compensation will pose additional difficulties for public finances.

An additional and unexpected area of concern manifested itself in the financial sector in the form of sharp increases in non-performing loans (NPLs) as the period of slow economic growth continued. Although all of the five licensed banks showed increases in NPLs, as would be expected in any downturn, detailed reviews of the performance and internal practices of the private-owned commercial institutions uncovered significant and continuing failure to maintain banking prudence in two of them, which had strong links with the previous administration, and with the difficulties having arisen as a result of activities undertaken during that period. With external support (including an assessment of the financial sector, a detailed assessment of the affairs of one of the commercial banks and the drafting of new banking legislation, all done by or with assistance from the IMF), major effort has been underway to address the situation, and the indicators are now moving in the right direction. The situation remains delicate, however, and there is potential for public sector involvement.

Given the need to reverse the country's worsening poverty profile, the capacity of the authorities to address general fiscal constraints through capital spending reductions were determined to be minimal, apart from continuing attention to maintaining efficiency and effectiveness in implementing the public sector investment programme. Finally, officials have focused their attention on debt and debt-servicing costs. Bilateral and multilateral debt carry low interest rates and extended maturities, reflecting the explicit social and economic development focus of the institutions and governments providing such support and assistance, and there is no room for negotiating further accommodation, particularly as those institutions also provide significant grant assistance to Belize. The Government also borrows domestically. That debt comprises short-term, rolled over Treasury Bill issues, longer-term Treasury Notes and Bonds, and overdraft borrowing from the Central Bank. Treasury Bills are mostly held by the banks and carry market-related interest rates, currently about 2.0%. The longer-term Treasury securities carry interest rates at around 7%, while the overdraft interest rate is fixed at 11%. With the

implementation of a monetary reform programme that served to increase the Central Bank's autonomy in conducting monetary policy, the Central Bank has been holding almost all of the longer-dated Treasury securities, partly as an income-generation device, and overdraft lending to the Government has been greatly reduced from the levels obtained prior to 2010. Thus there is also little scope for relief on domestic debt. The size of the external private commercial debt, together with its current coupon rate in the context of international U.S. dollar rates, the rapidly approaching start of amortization payments, and concern over the impact of high interest rates on stressed Eurozone economies, provides the only real opportunity, through re-negotiation of debt terms, for the Belize public sector to address its current fiscal difficulties.

Details of general economic and public finances performance are provided in the "Domestic Economy" and "Public Finance" sections.

Financing Gaps

Belize is expected to incur substantial public sector and balance of payments financing gaps in the foreseeable future in the absence of marked improvements in macroeconomic conditions. As indicated earlier, the global economic downturn that affected the level of domestic economic activity and the accelerated decline in revenue from petroleum exports were not factored into the economic and financial assumptions on which the terms of the 2006-2007 bond restructuring were based. As a result, the expected growth in Government revenues was not achieved, and the capacity to meet critical expenditure requirements, including debt service, has not materialized. As indicated, there have been significant adjustments to the situation since 2008 in respect of both revenue (increased taxation) and expenditure (growth restraint and outright cuts); the internal review of the fiscal situation referred to above has made it clear that further effort is still required.

The programme to address the situation includes the following objectives:

- ensuring the maintenance of financial flows from official creditor sources and multilateral financial institutions for the financing of the public sector investment programme. The authorities have been consulting with the country's development partners in order to ensure that development support will continue, as part of a burden-sharing effort among stakeholders;
- streamlining of revenue and revenue-collection arrangements. This includes bringing hotels into the General Sales Tax system; redirecting external funding inflows for activities that promote investment and tourism to the Government Consolidated Fund, and providing specific budget allocations for those activities; consolidate the operations of the General Sales Tax Department and the Income Tax Department; and the replacement of import licences with import tariffs. A programme to modernize the operations of the Customs Department through internet-based clearance and payment arrangements is now almost complete and has resulted in a substantial reduction in bottlenecks and overtime costs. In addition, the authorities have sought the assistance of the IMF to conduct a general review of the country's tax system and taxation arrangements in order to improve its efficiency, effectiveness and equity, and to maximize the contribution of the public finances management system to the country's development;
- restraining the growth in recurrent expenditure. This includes the decision to not increase, in real terms, the Government wage bill except to fill critical technical positions and to address increasingly pressing security and violent crime concerns;

- strengthening and expanding banking and financial system legislation and regulation to address concerns raised by the regulatory agency and reviewed under the Financial Sector Assessment Programme conducted by the IMF, as well as to provide for the further development of the financial system; and
- soliciting creditor support for the Government's external commercial debt restructuring programme.

Economic Plan

Authorities in Belize recognize that dealing successfully with Belize's development problems, including fiscal, balance of payments and debt concerns and the more fundamental issues of poverty, education and health, over the medium and long-term requires sustained economic growth. The authorities in Belize have always operated on the basis that the role of government is to provide a framework that facilitates, encourages and supports private enterprise business activity, which is expected to be the source of sustained output expansion. In recognition of the peculiar circumstances of very small economies, and the narrow margins for policy error, the current administration has undertaken to work closely with the private sector in the larger enterprise of economic expansion. All of the important industry oversight boards (related to citrus, sugar, bananas, tourism, agricultural health, financial sector regulation, Social Security) have private sector representation. In addition, in November 2011, the Government convened a Business Forum, which has since transformed into an Economic Development Council (EDC), with the objective of institutionalizing private-public sector cooperation in order to address issues and concerns that may adversely affect business processes and business activity in the country. The Steering Committee of the Council has been meeting formally approximately every three weeks since November 2011, and has been addressing issues on both sides of the table. In order to facilitate the arrangements, the Government has appointed a Business Liaison Officer from the private sector to coordinate activities of the EDC from the Office of the Prime Minister.

At the same time, the authorities in Belize have continued to utilize existing processes to manage the country's development efforts. The Ministry of Economic Development maintains and manages a rolling Public Sector Investment Programme (PSIP) that comprises the current and prospective projects through which the Government gives effect to its development vision and its support for the other stakeholders in the economy and society, including the private business sector. The PSIP is developed, prioritised and reviewed through ongoing analysis of obstacles, constraints, past performance, needs and opportunities, and through consultation with stakeholders. The PSIP is implemented through the series of projects that make up the capital section of the annual Government budget. Increasing operational complexity has meant that most projects have multi-year implementation periods and larger funding requirements; as a result, the Ministry of Economic Development also acts as an intermediary with the country's development partners and funding sources. In addition, the Ministry of Economic Development coordinates the relationships between those partners and sources, on the one hand, and the implementing agencies in Belize, on the other.

Debt Strategy

In view of Belize's high debt level, debt strategy since the completion of the 2007 debt restructuring has been focused on preventing a deterioration in debt dynamics through an avoidance of external commercial borrowing. The financing required for investment projects and budgetary needs has been sourced primarily from official sector sources on concessional terms. Future debt strategy will continue to be guided by this policy. The authorities have also continued with the orderly development of domestic capital markets, especially for low-cost treasury bill funding.

DOMESTIC ECONOMY

For purposes of this section, the amounts and percentages relating to contribution to GDP of Belize and the growth and contraction rates of sectors and sub-sectors of the Belizean economy have been calculated based on real GDP at constant 2000 prices.

General

Belize has a small economy, whose principal sectors are as follows:

- agriculture;
- manufacturing, which primarily includes agro-based products such as sugar and citrus products as well as petroleum; and
- services, which includes primarily tourism and public administration.

Between 2006 and 2011, the hotel and restaurant sector, the closest proxy for measuring tourism, represented 3.7% of Belize's GDP on an average annual basis. Tourism, petroleum, agriculture and agro-based manufacturing are the major foreign exchange earning sectors for Belize. During 2011, exports of goods and services from Belize represented approximately 75.9% of GDP, with exports of goods representing 48.3% of GDP. Export goods principally include marine products (including farmed shrimp), sugar, citrus products, bananas, petroleum and small manufacturing.

The United States and the UK are major trading partners of Belize. During 2011, exports to the United States amounted to U.S.\$209.4 million, or 60.2% of total exports, and exports to the UK amounted to U.S.\$66.3 million, or 19.0% of total exports.

The relative strengths of the Belizean economy include a stable judiciary and political system, an English-speaking population, an abundance of land, forest and water resources, Belize's proximity to the United States and the country's historically close ties to the UK. Belize's environmental resources also create substantial opportunities in the nature or ecology-based tourism market. However, Belize also faces many of the challenges associated with a small economy, such as small production volumes, limited economic diversification, limited human resources and high telecommunications, energy and electricity costs. Over the past 10 years, Belize has been significantly impacted by hurricanes and storms. Since 2001, four hurricanes and five tropical storms have adversely affected the Belizean economy, illustrating the vulnerability of Belize to natural disasters. The declining preferred market access available to certain export products such as bananas and sugar under various international arrangements is another challenge for Belize, although Belize expects that the diversification of its export products will partially offset any losses in preferred market access arrangements.

External Factors

Impact of Global Events

The United States is the most important trading partner of Belize. In 2011, for example, the United States purchased 60.2% of Belizean exports and was the country of origin of 66.4% of Belize's stay-over tourists. As a result, economic and other conditions in the United States have historically affected the performance of the Belizean economy. In particular, any downturn in the U.S. economy is likely to have a negative impact on tourism and the economy of Belize. This vulnerability came to the forefront as the impact of the global recession permeated throughout Belize's small open economy. The

downturn that began in 2007 with the U.S. mortgage market later developed into a global phenomenon and spread to various sectors of the local economy in the form of depressed revenue flows and business activity. The tourism industry was among the hardest hit as stay-over arrivals declined by 2.8% in 2008 and 5.6% in 2009, while the contractions in private sector credit in 2010 and 2011 reflected the sluggish economic conditions and increased risk aversion in the market due to the lingering effects of the global slowdown.

In 2011, the United States was the source of 31.0% of Belize's imports. As a result, any rise or fall in the U.S. Export Price Index (an index compiled by the U.S. Bureau of Labor Statistics) could result in an increase or decrease in prices in Belize. Because the Belize dollar is pegged to the U.S. dollar, any decline in value of the U.S. dollar will result in a decline in the value of the Belize dollar. In the case of a decline in the value of the U.S. dollar relative to other currencies, the cost of imports from countries other than the United States is likely to increase.

Hurricanes and Tropical Storms

During the 19-year period from 1978 to 1997, no hurricanes and only three tropical storms reached Belize. However, between 1998 and 2011, Belize suffered significant damage caused by Hurricanes Keith (2001), Iris (2001), Dean (2007) and Richard (2010), as well as five tropical storms.

These natural disasters have caused considerable damage to infrastructure and have affected the performance of several economic sectors. The vulnerability of Belize to these natural disasters was highlighted in 2008 and 2010 when two relatively weak weather systems, Tropical Storm Arthur (June 2008) and Tropical Depression 16 (October 2008) and Category 1 Hurricane Richard (October 2010), caused much devastation and disrupted economic activities.

Damage resulting from these two storms and one hurricane was responsible for losses equivalent to approximately 4.3% of GDP in 2008 and 2.0% of GDP in 2010. The National Emergency Management Organization (NEMO) calculated these losses based on data relating to hurricane damage following the guidelines established by the United Nations Economic Commission on Latin America and the Caribbean. Belize has undertaken reconstruction projects to repair damage caused by these storms and the hurricane costing more than U.S.\$21.5 million in reconstruction expenditure in the period between 2008 and 2011.

Since 2007, the government has been paying an annual premium of U.S.\$0.5 million to the Caribbean Catastrophic Risk Insurance Facility (CCRIF) in order to partly cover the risk of hurricane damage. In the event that the country is directly hit by a hurricane that falls within the parameters of the policy, an insurance settlement ranging between U.S.\$9.5 million – \$11.5 million may be paid out. The United Nations Development Program (UNDP)/NEMO Strengthening of Disaster Preparedness and Response Capacity in Belize project is currently being implemented, and is valued at U.S.\$1 million. The project aims to build NEMO's institutional capacity by means of vulnerability studies and improvements in training, equipment and planning. Another NEMO project in the pipeline for implementation in the period 2012-2014 will focus on enhancing Belize's resilience to climate change and is to be underwritten by EU/UNDP grant funds of U.S.\$0.3 million.

Gross Domestic Product

Overview

Belize follows the United Nations System of National Accounts to compile its national accounts, which generally divides economic activity into three sectors as follows:

- Primary sector—comprises products that do not undergo any transformation, including the activity of extraction of raw materials, and includes the Agriculture and Forestry sub-sector, the Fishing sub-sector and the Mining and Quarrying sub-sectors.
- Secondary sector—comprises oil production and all economic activities directed to the transformation of raw materials into finished products, and includes the Manufacturing sub-sector (including agro-based manufacturing), the Construction sub-sector and the Electricity and Water sub-sector. Certain food products, including citrus juice and sugar, are included in the Manufacturing sub-sector of the secondary sector as they constitute final products obtained from the processing and conversion of fruits and sugarcane.
- Tertiary sector—comprises all activities directed toward the generation of final services, and includes the Wholesale and Retail Trade sub-sector, the Hotel and Restaurant sub-sector, the Transport and Communications sub-sector, the Financial Intermediation sub-sector, the Real Estate, Rental and Business Services sub-sector, the General Government Services sub-sector, and the Community, Social, and Personal Services sub-sectors.

Belize's GDP rose by 2.7% in 2010 and by 2.0% in 2011 as a result of growth in the Services and a rebound in the Manufacturing sub-sectors. The primary sector contracted by 4.8% with declines in both the Agriculture and Fishing sub-sectors. However, an upswing in output of domestic electricity combined with an expansion in the manufacture of food products contributed to a 1.1% increase in the secondary sector, while the tertiary sector expanded by 3.3% due to increased activities in all of its sub-sectors.

The tertiary sector's contribution to GDP rose from 54.2% in 2010 to 54.9% in 2011 with its largest component, the Wholesale and Retail Trade sub-sector, also accounting for the largest share of GDP (14.5%) among all the sub-sectors. The secondary sector continued to be the second largest contributor to GDP, accounting for 20.7% of GDP in 2011 and 20.8% of GDP in 2010. The Manufacturing sub-sector was the largest component of the secondary sector and accounted for 11.2% of GDP. The primary sector's share of GDP was 10.6% in 2011 and 11.4% in 2010, with the Agriculture and Forestry sub-sector accounting for 8.6% of GDP in 2011 and 9.0% in 2010.

The 2011 growth in output was accomplished with a modest inflation rate of 1.5%. The main source of upward pressure on the price level was an 8.1% increase in import costs as measured by the U.S. Export Price Index as well as an increase in fuel prices at the pump. The increase in fuel prices was moderated in part by the replacement of the 12.5% General Sales Tax on fuel imports with a fixed rate of import duty in March 2011. The United States and the CARICOM countries were the sources of 31.0% and 2.0% of Belizean imports, respectively, in 2011.

January 1, 2012 to September 30, 2012 Performance

The SIB estimates that real GDP grew by 5.8% over the first three quarters of 2012 as compared to 3.1% in the same period in 2011. This growth was primarily due to rebounds in agricultural output, gains in tourism, an upswing in construction and increases in domestic output of electricity from hydro-electric and co-generation plants.

Primary sector activity grew by 21.9% during the first three quarters of 2012 as compared to the same period in 2011. The Agricultural sub-sector grew by 26.5% with marked improvements in banana, citrus and sugarcane outputs following recent natural disasters. Farmed shrimp production recovered mildly with the resumption of operations of the country's largest shrimp farm. The 8.5% rebound in shrimp output contributed to the 5.3% upswing in the activities of the Fishing sub-sector.

Despite the downturn in the Manufacturing sub-sector owing to the sharp downturn in petroleum extraction, the secondary sector grew by 3.3% in the first three quarters of 2012 as compared to the same period in 2011. The Construction sub-sector was buoyant, expanding by 12.4% over the period, while the Electricity and Water sub-sector grew by 9.3%, notwithstanding a prolonged drought that limited the generation of hydro-electricity in the third quarter. The 26.9% decline in oil output underpinned the 2.4% contraction in the Manufacturing sub-sector and outweighed the effects of notable improvements in citrus juice and sugar production.

Stay-over visitor arrivals increased by 8.9% over the first three quarters of 2012, as compared to the same period in 2011, which contributed to growth in the Hotels and Restaurants (6.2%), and Wholesale and Retail Trade (3.8%) sub-sectors. Due to the growth in agriculture and tourism, the Transport and Communications sub-sector grew by 5.6% over the period, while modest increases were recorded in the Government Services and Other Private Service sub-sectors.

Inflation for the first three quarters of 2012 as measured by the CPI averaged 1.4% with increases in most categories of goods and services except in the Clothing and Footwear and Household Goods and Maintenance categories. The main drivers of the general price increase over the period were the increases in cost of meat products, nightclub admissions and petroleum products, which underpinned the growth in the Food, Beverage and Tobacco (2.5%), Recreation and Culture (2.0%) and the Transport and Communications (2.8%) categories, respectively.

The following table shows real GDP at 2000 prices by economic sectors and as a percent of GDP for the five years ended 2011 and the nine-month periods ended September 30, 2011 and September 30, 2012:

Sectoral Share of Real GDP at 2000 Prices

	Year ended December 31,										Nine-
	2007		2008		2009		2010		2011		Amou
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amou
	<i>(in millions of U.S.\$, except percentages)</i>										
Primary Sector											
Agriculture & Forestry	U.S.\$ 115.2	10.1%	U.S.\$116.0	9.8%	U.S.\$ 110.5	9.3%	U.S.\$ 110.4	9.0%	U.S.\$ 106.6	8.6%	U.S.\$ 8
Fishing	26.8	2.3	26.0	2.2	28.4	2.4	28.4	2.3	25.4	2.0	?
Total Primary Sector	U.S.\$ 142.0	12.4%	U.S.\$142.0	12.0%	U.S.\$ 138.9	11.7%	U.S.\$ 138.7	11.4%	U.S.\$ 132.0	10.6%	U.S.\$10
Secondary Sector											
Manufacturing	U.S.\$ 127.1	11.1%	U.S.\$ 134.1	11.3%	U.S.\$ 142.8	12.0%	U.S.\$ 135.5	11.1%	U.S.\$ 139.5	11.2%	U.S.\$10
Electricity & Water	46.3	4.0	47.7	4.0	55.8	4.7	66.9	5.5	67.9	5.5	4
Construction	34.2	3.0	46.5	3.9	55.2	4.6	52.1	4.3	49.9	4.0	?
Total Secondary Sector	U.S.\$ 207.6	18.1%	U.S.\$228.3	19.2%	U.S.\$ 253.8	21.4%	U.S.\$ 254.5	20.8%	U.S.\$ 257.3	20.7%	U.S.\$19
Tertiary Sector											
Wholesale & Retail Trade	U.S.\$ 166.4	14.5%	U.S.\$173.8	14.6%	U.S.\$ 162.5	13.7%	U.S.\$ 171.9	14.1%	U.S.\$ 180.0	14.5%	U.S.\$13
Hotel & Restaurant	45.7	4.0	43.0	3.6	40.9	3.4	44.0	3.6	46.0	3.7	?
Transport & Communications	129.1	11.3	131.3	11.0	127.7	10.7	131.4	10.8	136.7	11.0	10
Other Private Services ⁽¹⁾ excluding FISIM ⁽²⁾	188.3	16.4	196.0	16.5	200.4	16.9	200.9	16.5	203.7	16.4	13
General Government Services	97.9	8.5	102.4	8.6	106.4	9.0	113.4	9.3	117.0	9.4	8
Total Tertiary Sector	U.S.\$ 627.5	54.7%	U.S.\$646.5	54.4%	U.S.\$ 637.9	53.7%	U.S.\$ 661.5	54.2%	U.S.\$ 683.4	54.9%	U.S.\$5
All Sectors at Basic Prices	977.0	85.2	1,016.8	85.6	1,030.7	86.7	1,054.6	86.4	1,072.7	86.2	8
Taxes Less Subsidies on Products	170.0	14.8	171.5	14.4	158.1	13.3	166.6	13.6	172.3	13.8	13
Total Real GDP at Constant 2000 Prices	U.S.\$1,147.0	100.0%	U.S.\$1,188.2	100.0%	U.S.\$1,188.8	100.0%	U.S.\$1,221.2	100.0%	U.S.\$ 1,245.1	100.0%	U.S.\$94

- (1) This category provides the aggregated performance for three sub-sectors: Community, Social, and Personal Services; Financial Intermediation; and Real Estate Services.
- (2) Financial Intermediation Services Indirectly Measured (FISIM) refers to the total property income receivable by financial intermediaries minus their total property income receivable from the investment of their own funds, as such income does not arise from financial intermediation.

Source: Statistical Institute of Belize

The following table shows the rate of growth of real GDP by economic sectors at constant 2000 prices for the five years ended December 31, 2011 and the period ended September 30, 2012:

Growth Rate of Real GDP at Constant 2000 Prices

	Year ended December 31,					Nine-month period ended September 30,
	2007	2008	2009	2010	2011	2012
	<i>(percentage change in real GDP at constant 2000 prices)</i>					
Primary Sector						
Agriculture, Hunting & Forestry	(1.4)%	0.7%	(4.8)%	(0.1)%	(3.4)%	26.5%
Fishing	(57.0)	(2.9)	9.4	(0.3)	(10.3)	5.3
Total Primary Sector	<u>(20.7)%</u>	<u>0.0%</u>	<u>(2.2)%</u>	<u>(0.1)%</u>	<u>(4.8)%</u>	<u>21.9%</u>
Secondary Sector						
Manufacturing (including Mining & Quarrying)	8.3%	5.5%	6.5%	(5.1)%	2.9%	2.4%
Electricity & Water	2.4	3.1	17.1	19.7	1.6	9.3
Construction	(3.0)	35.7	18.8	(5.7)	(4.1)	12.4
Total Secondary Sector	<u>4.9%</u>	<u>9.9%</u>	<u>11.2%</u>	<u>0.2%</u>	<u>1.1%</u>	<u>3.3%</u>
Tertiary Sector						
Wholesale & Retail Trade	1.9%	4.5%	(6.5)%	5.8%	4.8%	3.8%
Hotel & Restaurant	4.5	(6.0)	(4.8)	7.5	4.7	6.2
Transport & Communications	14.0	1.7	(2.7)	2.9	4.0	5.6
Other Private Services excluding FISIM ⁽¹⁾	2.6	4.9	2.2	0.3	1.4	1.7
General Government Services	4.4	4.6	3.9	6.5	3.2	4.1
Total Tertiary Sector	<u>5.0%</u>	<u>3.3%</u>	<u>(1.3)%</u>	<u>3.7%</u>	<u>3.3%</u>	<u>3.7%</u>
All Sectors at Constant 2000 Prices	(0.1)	4.1	1.4	2.3	1.7	6.0
Taxes Less Subsidies on Products	<u>10.3</u>	<u>0.9</u>	<u>(7.8)</u>	<u>5.3</u>	<u>3.5</u>	<u>4.4</u>
Real GDP at Constant 2000 Prices	<u>1.3%</u>	<u>3.6%</u>	<u>0.0%</u>	<u>2.7%</u>	<u>2.0%</u>	<u>5.8%</u>

(1) Financial Intermediation Services Indirectly Measured (FISIM) to the total property income receivable by financial intermediaries minus their total interest payable, excluding the value of any property income receivable from the investment of their own funds, as such income does not arise from financial intermediation.

Source: Statistical Institute of Belize

Principal Sectors of the Economy

Belize classifies its GDP activities into the three following major sectors: (1) the primary sector, with the Agriculture and Forestry sub-sector contributing the largest share; (2) the secondary sector, with the Manufacturing sub-sector (which includes crude oil extraction and agro-based manufacturing) contributing the largest share; and (3) the tertiary sector, with the Wholesale and Retail Trade sub-sector contributing the largest share.

Primary Sector

Agriculture, Hunting and Forestry

The Agriculture, Hunting and Forestry sub-sector was the fifth largest contributor to GDP in 2011 and 2010, accounting for U.S.\$106.6 million, or 8.6% of GDP, and U.S.\$110.4 million, or 9.0% of GDP, respectively. During 2011, the Agriculture, Hunting and Forestry sub-sector contracted at a rate of 3.4%, as compared to a smaller decline of 0.1% in 2010. The decline in the Agriculture, Hunting and Forestry sub-sector was attributed to a downturn in crop production due to adverse weather, diseases and operational issues.

The Agriculture, Hunting and Forestry sub-sector includes:

- the crop segment, including sugarcane, bananas, citrus fruits, papayas, and other agricultural products such as grains and vegetables;
- the livestock product segment, including beef, poultry, pork, milk, honey and eggs; and
- the forestry, logging and hunting segments.

The following table shows the production of selected agricultural products for each of the five years in the period ending December 31, 2011 and the nine-month periods ending September 30, 2011 and 2012:

Agricultural Production

	Year ended December 31,					Nine-month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
	<i>(in thousands of pounds, unless otherwise indicated)</i>						
Crops							
Bananas ⁽¹⁾	3,417	3,751	3,752	4,288	4,085	3,236	4,432
Sugarcane ⁽²⁾	1,163	1,001	811	1,165	920	778	929
Citrus fruits ⁽¹⁾	6,097	7,516	7,061	4,992	5,613	4,578	5,652
Papayas	70,965	59,477	54,349	58,925	49,599	45,844	32,800
Corn	84,467	65,274	99,298	99,254	109,393	n.a.	n.a.
Rice	39,187	25,971	45,449	45,246	42,068	n.a.	n.a.
Red kidney beans	6,255	5,533	5,874	14,573	8,167	n.a.	n.a.
Livestock Products							
Beef	3,567	3,780	3,582	3,336	3,518	n.a.	n.a.
Pork	2,464	2,352	2,634	2,690	2,597	n.a.	n.a.
Poultry	29,473	27,767	28,577	30,113	30,574	n.a.	n.a.
Milk	5,966	6,438	8,277	7,331	8,689	n.a.	n.a.
Honey	106	63	130	89	130	n.a.	n.a.
Eggs ⁽³⁾	2,950	3,374	3,427	4,034	3,534	n.a.	n.a.

n.a. Information is not available for the reference period.

(1) Banana and citrus fruit production volume is presented in thousands of boxes.

(2) Sugarcane production volume is presented in thousands of long tons.

(3) Egg production volume is presented in thousands of dozens.

Sources: Statistical Institute of Belize, Citrus Products of Belize Ltd., Belize Sugar Industry Ltd.

Bananas. During 2011, production of bananas declined by 4.7% to 4.1 million boxes, as compared to 4.3 million boxes in 2010. This decrease was primarily due to losses incurred as a result of adverse weather conditions at the beginning and end of the year.

In the first three quarters of 2012, banana production increased by 33.9% to 4.4 million boxes, as compared to 3.2 million boxes in the same period of 2011, primarily due to the rehabilitation of storm-damaged acreages and favorable growing conditions. The industry has maintained banana acreage at around 7,000 acres over the prior five years, with production increases stemming from improvements in field productivity rather than acreage expansion. Yields have improved from 620 to 760 boxes per acre in the period between 2007 and 2012, supported by favorable climatic conditions and more field investments including those intended to increase farm access to irrigation.

As a member of the African, Caribbean and Pacific (ACP) nation states, Belize has traditionally benefited from non-reciprocal, preferential market access to the EU market for bananas under the Lomé Convention. However, this preferential regime came under intense pressure as a result of complaints brought to the WTO by Latin American producers who were supported by the United States. On December 16, 2007, the European Commission (EC) and CARIFORUM (CARICOM and the Dominican Republic) countries signed a comprehensive EPA in Bridgetown, Barbados. The EPA's signing set up a free trade area between the EU and ACP countries that conformed to WTO rules and therefore eased the

increasingly hostile pressure from non-ACP countries against the non-reciprocal, preferential, market access provided under the Lomé Convention.

On January 1, 2008, the CARIFORUM EPA became effective and it granted duty-free, quota-free access for Belize's bananas, and a tariff of €176 per tonne was charged on bananas to most favoured nation suppliers. However, this did not assuage the problem entirely and Latin American producers demanded lower tariffs. In 2009, a new tariff arrangement was made between the Latin American producers and the EU. Under the new deal, the EU will gradually cut its import tariffs on bananas from Latin America in eight stages, from €176 in 2009 per tonne to €114 per tonne in 2017. In return, the Latin American parties are to drop all actions brought against the EU for infringing the rules of international trade related to the banana industry.

The decrease in tariffs should intensify competition between ACP and Latin American producers, which could lower prices for European consumers and affect the competitiveness of Belize's banana production. See "External Economy—Foreign Trade—Exports".

Sugarcane. Almost all sugarcane in Belize is produced by individual farmers for the production of sugar and other by-products of sugarcane, such as molasses. The local sugar processor accounts for less than 9.0% of harvested sugarcane. The sugarcane harvest season begins on December 1 and ends on July 1 of the following year. During 2011, sugarcane production declined by 21.0% to 920,000 long tons, as compared to 1,165,000 long tons in 2010. This decrease contrasts the 43.6% increase in 2010, as compared to 811,000 long tons in 2009. The downturn in output was due to unfavorable weather conditions during the critical growing period of the crop that resulted in lower overall yields and a three and a half week disruption in operations at the processing plant during the first three months of the year. In the first three quarters of 2012, production increased by 19.3% to 929,022 long tons, as compared to 778,449 long tons in the same period of 2011, primarily as a result of the absence of interruptions in processing at the sugar factory.

The lowest price received by farmers for their sugarcane during the five year period from 2007 to 2011 was U.S.\$22.64 per long ton in 2010. Prices for the remainder of the period were above U.S.\$31.59 on average and rose to U.S.\$36.09 in 2011 due to the appreciation of the Euro versus the U.S. dollar, the improved quality of processed sugar and rising commodity prices on the global market.

Citrus Fruits. The primary citrus fruits grown in Belize are oranges and grapefruits. Growers sell substantially all their production to domestic fruit processors for the production of concentrate juices, not-from-concentrate juices and citrus pulp. The citrus fruit season runs from October 1 to July 1 of the following year.

During 2011, citrus fruit production rose by 12.4% to 5.6 million boxes, as compared to 5.0 million boxes in 2010. This increase followed a steep decrease in 2010 of 29.3%, as compared to 7.1 million boxes in 2009. The contraction in production in 2010 was due to losses that resulted from damaged caused by Hurricane Richard, the cyclical nature of the Valencia variety of citrus trees and the reduced usage of field inputs by cash squeezed farmers. Output in 2011 benefitted from the absence of natural disasters and increased usage of field inputs, as production in the second half of the year doubled as compared to the same period in 2010. In addition, the irregular blossoming of citrus trees during the year resulted in an unusual third quarter harvest of grapefruit. Citrus deliveries for the first three quarters of 2012 increased by 23.4% to 5.7 million boxes, as compared to 4.6 million boxes in the same period of 2011, primarily due to the recovery of production following the damage inflicted by Hurricane Richard in late 2010.

Other Crops. Other agricultural crops include the production of minor agricultural products such as papayas and other fruits, grains, vegetables and livestock.

The production of grain and bean crops significantly declined in 2011 as compared to 2010, with corn being the only exception. Increased demand in Belize and in the Caribbean prompted increases in the acreage under mechanized production of corn, which in 2011 boosted output of this grain by 10.2% to 109.4 million pounds, as compared to 99.3 million pounds in 2010. In contrast, in 2011 sorghum production fell by 49.9% to 22.0 million pounds, as compared to 43.9 million pounds in 2010, primarily due to a 40.8% decline in the average yield that was caused by bad weather. In 2011, soybean output decreased by 55.2% to 1.3 million pounds, as compared to 2.9 million pounds in 2010, primarily as a result of a 47.6% fall in soybean acreage during this period. In 2011, bean production decreased by 21.9% to 20.0 million pounds, as compared to 25.6 million pounds in 2010, as a result of heavy rains. Notwithstanding the rise in mechanized acreage, in 2011 rice output declined by 7.0% to 42.1 million pounds, as compared to 45.2 million points in 2010, primarily the result of farmers scaling back production in response to the excess supply in the industry. The decision to decrease production of rice resulted from the Marketing Board's inability to assure producers that their crop would be sold locally, which was in turn due to the elevated levels of surplus production since 2009.

Vegetable and root crop production was mixed in 2011, as sharp increases in Irish potato, hot pepper, squash and onion production were countered by declines in carrot, cabbage, broccoli, cauliflower, pumpkin, cucumber, celery and tomato production. The increases in Irish potato, hot pepper, squash and onion were attributable to increases in acreage and average yield per acre. In 2011, output of onions rose by 192.6% to 3.3 million pounds, as compared to 1.1 million pounds in 2010. Hot pepper production rose by 163.6% to 0.7 million pounds in 2011, as compared to 0.3 million pounds in 2010. Irish potato production rose by 36.7% to 2.5 million pounds in 2011, as compared to 1.8 million pounds in 2010. Squash output increased by 12.0% to 0.3 million pounds in 2011, as compared to 0.2 million pounds in 2010. The decreased production of carrots, cabbage, broccoli, cauliflower, pumpkin, cucumber, celery and tomato in 2011 was attributable to lower productive acreages.

Papaya production declined by 15.8% to 49.6 million pounds in 2011, as compared to 58.9 million pounds in 2010, primarily as a result of plant diseases and poor weather. First quarter production suffered in 2011, as unfavorable weather hindered fruit development and caused a production shortfall, while fourth quarter output was depressed by uncontrolled viral infections. There were 1,315 acres of papaya at the end of 2011, with the majority (97.7%) being in the Corozal District and the remaining 30 acres being in the Orange Walk District. In addition, a new requirement of the U.S. Environmental Protection Agency that only chemicals specifically designated for use on papaya should be utilized on imports into the U.S. market has left local producers currently without an approved virus treatment option. This comes at an inopportune time as output from the Mexican market, the largest supplier to the U.S., has been rejected over the past two years following concerns about salmonella contamination. Belize's share of papaya exports to the U.S. market was relatively constant at 18.8% in 2011, as compared to 18.6% in 2010. Papaya production for the first three quarters of 2012 fell by 28.4% to 32.8 million pounds, as compared to 45.8 million pounds for the same period in 2011.

Livestock Products. Livestock and dairy output was also mixed in 2011, with increases in cattle dressed weight, milk and poultry offset by declines in pig dressed weight and egg production. In 2011 there were marginal increases in cattle dressed weight and poultry as production grew by 5.4% and 1.5%, respectively, to 3.5 million pounds and 30.6 million pounds, as compared to 3.3 million pounds and 30.1 million pounds in 2010. In addition, milk production grew by 18.5% to 8.7 million pounds in 2011, as compared to 7.3 million pounds in 2010. Improvements in the monitoring of cross border transactions have revealed higher levels of live cattle exports, which in 2011 grew by 122.7% to 10,902 heads, as compared to 4,895 heads in 2010. In contrast, in 2011 egg production fell by 12.4% to 3.5 million

dozens, as compared to 4.0 million dozens in 2010, while pork dressed weight declined marginally by 3.4% to 2.6 million pounds, as compared to 2.7 million pounds in 2010. Livestock is primarily consumed in the domestic market.

Fishing. The fishing industry is comprised of lobster, conch, finned fish, farmed fish and shrimp farming. The Fishing sub-sector contracted at an average annual rate of 1.5% between 2007 and 2011. The declining trend was attributable to the reduction in aqua-cultural production as numerous shrimp and fish farms ceased operations in the face of financial difficulties. Since 2007, six shrimp farms and two fish farms have closed their doors due to falling international prices, primarily in the U.S. market, that stemmed from the economic downturn. In the period between 2007 and 2011, farmed shrimp exports have declined by 11.0%, from 11.9 million pounds (valued at U.S.\$20.9 million) to 10.6 million pounds (valued at U.S.\$17.0 million), respectively.

The following table shows the export volume and values of the fishing products for the five years ended December 31, 2011 and the nine-month periods ended September 30, 2011 and September 30, 2012:

Fishing Exports

	Year ended December 31,					Nine-month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
Export Volume⁽¹⁾							
Shrimp	11,885.1	10,467.5	12,464.3	12,478.5	10,575.4	8,060	7271.7
Lobster	458.7	449.1	519.8	600.1	668.4	493.3	636.7
Conch	526.2	648.5	665.5	704.8	821.3	411.1	501.4
Other	365.7	2,672.9	1,599.5	1,277.7	1,257.3	1,047.3	4,441.1
Total	13,235.6	14,238.0	15,249.0	15,061.1	13,322.4	10,011.7	12,850.9
Export Values⁽²⁾							
Shrimp ⁽³⁾	U.S.\$ 20.9	U.S.\$ 21.9	U.S.\$ 20.8	U.S.\$ 19.2	U.S.\$ 17.0	U.S.\$ 12.4	U.S.\$ 12.5
Lobster	8.0	7.4	6.5	7.2	9.6	7.0	6.6
Conch	2.7	3.3	3.6	3.8	4.4	2.2	2.6
Other	0.5	2.2	1.1	0.8	0.3	0.3	0.4
Total	U.S.\$ 32.1	U.S.\$ 34.8	U.S.\$ 32.0	U.S.\$ 30.9	U.S.\$ 31.3	U.S.\$ 21.9	U.S.\$ 22.1

- (1) Export volume is presented in thousands of pounds.
(2) Export value is presented in millions of U.S. dollars.
(3) Reflects value of shipments and not sales.

Source: Statistical Institute of Belize

Fishing accounted for U.S.\$25.4 million (2.0 %) of real GDP in 2011, compared to U.S.\$28.4 million (2.3%) of real GDP in 2010. During 2011, the Fishing sub-sector declined at a rate of 10.3%, following a downturn of 0.3% in 2010. The steeper contraction in 2011 relative to 2010 was primarily a result of the following:

- a 24.3% contraction in farmed shrimp production from 14.7 million pounds in 2010 to 11.1 million pounds in 2011, primarily as a result of the closure of the largest shrimp producer, which left a 3.7 million pound void in the industry. Similarly, farmed fish production plummeted by 88.3% to 0.2 million pounds during the year, as compared to 1.3 million pounds in 2010, primarily as a result of the closure of the tilapia (closed in 2010) and cobia (closed in the second semester of 2011) producers. These losses in production capacity were partially offset by a cyclical upswing in reproduction, which in 2011 increased

the lobster catch by 21.8% to 0.7 million pounds, as compared to 0.6 million pounds in 2010, and the conch output by 21.4% to 0.9 million pounds, as compared to 0.7 million pounds in 2010; and

- a decrease of 11.5% of marine exports to 13.3 million pounds in 2011, as compared to 15.1 million pounds in 2010. This decline was principally due to the downturn in farmed shrimp exports, which contracted from 12.5 million pounds in 2010 to 10.6 million pounds in 2011. Notwithstanding the closure of Belize's largest fish farm in 2010, the decline in the volume of marine fish sales in 2011 was held to 1.6% due to the heightened activity of southern fishing cooperatives.

During the first three quarters of 2012, the volume of marine exports rose by 28.4% to 12.9 million pounds, as compared to 10.0 million pounds during the same period of 2011, as a 9.8% decline in shrimp export volume was offset by increases in the export volume of lobster, conch and fish. Marine fish production quadrupled during the first three quarters of 2012 reaching 4.4 million pounds, as compared to 1.1 million pounds during the same period of 2011, primarily due to the higher export volume of the southern fishing cooperatives. This growth was due to demand emanating from a new export market in the Caribbean, to which sales had commenced in the fourth quarter of 2011. In addition, the wild capture of conch and lobster contributed to double digit increases in exports during the first three quarters of 2012 as compared to the same period 2011.

Secondary Sector

Manufacturing

Belize's principal manufacturing products include processed agro-based products, such as sugar, molasses, citrus juices, pulp and other products. Belize includes agro-based products in the secondary sector because they are derived from the processing of agricultural raw materials, such as sugarcane, oranges and grapefruits. In the measurement of GDP, crude oil extraction is recorded in the secondary sector due to the SIB's practice of including crude oil extraction in its measurement of manufacturing value added.

The Manufacturing sub-sector was the third-largest contributor to GDP in 2010 and 2011, accounting for U.S.\$139.5 million, or 11.2% of GDP, in 2011, compared to U.S.\$135.5 million, or 11.1% of GDP, in 2010. During 2011, manufacturing increased by 2.9%, as compared to a 5.1% decline in 2010. This modest growth was due to increased output of citrus juices, sugar and soft drinks that outweighed the decline in crude oil production.

The table below sets forth production data with respect to certain manufacturing products for the five years ended December 31, 2011:

Manufacturing Production

	Year ended December 31,					Nine-month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
	<i>(in thousands of gallons, unless otherwise indicated)</i>						
Food Products and Beverages							
Sugar ⁽¹⁾	94,610	81,869	83,084	93,116	104,778	92,725	102,483
Citrus juices ⁽²⁾	33,608	41,700	38,302	27,214	33,934	28,581	34,536
Concentrate	32,618	40,494	37,531	26,567	33,424	28,284	34,425
Not from concentrate	990	1,206	770	647	510	297	111
Molasses ⁽³⁾	46,408	40,041	24,867	55,479	30,781	27,177	27,352
Citrus pulp ⁽⁴⁾	2,009	2,411	2,445	1,446	2,208	1,854	2,455
Rum ⁽⁵⁾	38,627	37,776	27,296	28,173	21,073	n.a.	n.a.
Soft drinks	5,364	5,447	5,289	5,464	6,190	4639	n.a.
Beer	2,156	2,348	2,099	2,113	2,160	1647	n.a.
Textiles, Clothing and Footwear							
Garments ⁽⁶⁾	1,682	29	0	12	0.09	n.a.	n.a.
Other Manufacturing Products							
Cigarettes ⁽⁷⁾	28	26	28	30	15	15	n.a.
Fertilizer ⁽⁸⁾	25,366	16,420	12,936	19,589	15,638	10,615	n.a.
Petroleum							
Petroleum ⁽⁹⁾	1,047,720	1,294,396	1,608,864	1,513,700	1,406,534	1,085,270	793,408

- n.a. Information is not available for the reference period.
- (1) Sugar and molasses production volume is presented in long tons.
- (2) Citrus juices volume are in thousands of pound solids.
- (3) Molasses volume is in long tons.
- (4) Citrus pulp production volume is presented in thousands of pounds.
- (5) Rum production volume is presented in imperial gallons.
- (6) Garment production volume is presented in thousands of pounds.
- (7) Cigarette production volume is presented in thousands of cartons.
- (8) Fertilizer production volume is presented in thousands of tons.
- (9) Petroleum production volume is presented in barrels.

Source: Statistical Institute of Belize; Central Bank of Belize

During 2011, the total value of exported manufactured goods (excl. petroleum) was U.S.\$95.1 million, with citrus juice sales accounting for 49.9% (U.S.\$47.5 million), followed by exports of sugar accounting for 47.4% (U.S.\$45.1 million).

The lead export earner in 2011 was crude oil remained, despite a contraction in export volume. Crude oil production declined by 7.1% in 2011 to 1.4 million barrels, as compared to 1.5 million barrels in 2010. However, total export value increased by 41.5% to U.S.\$145.9 million in 2011, as compared to U.S.\$103.1 million in 2010, primarily as the result of higher crude oil prices which compensated for the lower export volume.

The following table shows export values with respect to selected manufactured products for the five years ended December 31, 2011:

Selected Manufactured Products Exports

	Year ended December 31,					Nine-month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
Export Volumes⁽¹⁾							
Citrus juices ⁽²⁾	32,399	34,909	36,593	36,876	30,630	26,015	28,009
Concentrate	32,399	34,907	36,515	36,875	30,626	26,013	28,001
Not-from concentrate	0	1	78	0	4	2.2	8.1
Sugar ⁽³⁾	83,246	66,277	77,476	72,149	81,750	81,710	97,114
Molasses ⁽³⁾	41,628	28,932	22,178	42,303	20,968	20,968	22,135
Citrus pulp ⁽⁴⁾	2,287	1,859	2,524	1,654	1,904	1,681	1,782
Petroleum ⁽⁵⁾	858,781	1,143,189	1,261,600	1,431,980	1,347,989	1,009,218	688,796
Garments ⁽⁶⁾	1,682	29	0	12	0.1	0.1	30
Export Values							
	<i>(in millions of U.S.\$)</i>						
Citrus juices ⁽⁷⁾	U.S.\$ 53.1	U.S.\$ 44.8	U.S.\$ 37.0	U.S.\$ 46.9	U.S.\$ 47.6	U.S.\$ 39.9	U.S.\$ 48.6
Concentrate	53.1	42.6	36.6	46.8	47.5	39.9	48.6
Not-from concentrate	0.0	0.0	0.2	0.0	0.0	0.0	0.0
Sugar	44.1	35.7	44.5	29.4	45.1	41.2	53.8
Molasses	2.9	1.8	1.9	2.1	1.7	1.4	1.9
Citrus pulp	0.8	0.7	1.0	0.6	0.7	0.6	0.7
Petroleum	61.1	115.5	60.3	103.1	145.9	108.4	71.6
Garments	9.4	0.2	0.0	0.2	0.1	0.1	0.2

- (1) Export volume with respect to a specific product may be higher than production volume in a given year as it may include exports of output produced during prior years.
- (2) Citrus juice export volume is presented in thousands of pound solids.
- (3) Sugar and molasses export volume is presented in long tons.
- (4) Citrus pulp export volume is presented in thousands of pounds.
- (5) Petroleum export volume is presented in barrels.
- (6) Garment export volume is presented in thousands of pounds.
- (7) Reflects value of sales, not shipments.

Source: Central Bank of Belize; Statistical Institute of Belize

Citrus Juices. Citrus juice products include orange and grapefruit not-from-concentrate juices and grapefruit and orange concentrates, with the latter being the mainstay of the industry. During 2011, citrus juices were the most important agro-processed product in the Manufacturing sub-sector in terms of export values. In 2011, the volume of citrus juice production increased by 24.7% to 33.9 million pound solids, as compared to 27.2 million pound solids in 2010, due to a 12.4% increase in citrus fruit production and a higher juice out-turn per box of fruit. Notwithstanding a 16.9% decline in the aggregate export volume of citrus juices to 30.6 million pound solids, as compared to 36.9 million pounds solid in 2010, citrus juices' export value increased by 1.5% to U.S.\$47.6 million in 2011, as compared to U.S.\$46.9 million in 2010. The modest rise in the aggregate value of citrus juice exports was attributable to strong international prices arising from an upswing in demand from the major importing countries.

With an emphasis on the more lucrative concentrate product, the production of not-from-concentrate juices remained minimal at approximately 0.5 million pound solids in 2011 compared to 0.6 million pound solids in 2010, while the production of concentrates increased by 25.8% to approximately 33.4 million pound solids in 2011, as compared to 26.6 million pound solids in 2010.

For the first three quarters of 2012, citrus juice production rose by 20.8 % to 34.5 million pound solids, as compared to 28.6 million pound solids during the same period of 2011, as a result of a growth in deliveries. The production of concentrates increased by 21.7% to 34.4 million pound solids, as compared to 28.3 million pound solids during the same period of 2011, while not-from-concentrate juice output was minimal and amounted to only 0.1 million pound solids. Export revenue for the first three quarters of 2012 rose by 21.8% to U.S.\$48.6 million, as compared to U.S.\$39.9 million in the same period of 2011, due to generally stronger prices in 2012.

Sugar. During 2011, sugar was the second most important agro-processed product in the Manufacturing sub-sector in terms of export value. Sugar production rose by 12.5% in 2011 to 104,778 long tons, as compared to 93,116 long tons in 2010. The increase in sugar production in 2011 was due to an extended dry period that led to an improvement in the crop's sucrose content. In addition, delivery schedules by appointment and test groups ensured the timely conveyance of sugarcane to the processor and subsequently improved the quality of the delivered product. In 2011, the aggregate value of sugar exports grew by 53.4% to U.S.\$45.1 million, as compared to U.S.\$29.4 million in 2010, due to an increase in export volume and a price rally in the United States market.

During 2011, the Belizean sugar processor sold almost all the sugar produced in Belize in the export market. The EU and the United States were Belize's major sugar export markets in 2011, accounting for 72.4% and 25.5% of sugar export values, respectively. Under the EPA, as of October 2009, Belize's sugar exports had quota-free, duty-free access into the EU market. Belize currently enjoys a sugar quota allocation to the United States of approximately 11,000 long tons per year.

Sugar production for the first three quarters of 2012 increased by 10.5% to 102,483 long tons, as compared to 92,725 long tons during the same period of 2011, with sugarcane deliveries rising by 26.8% during the first three quarters of the year as compared to the same period of 2011. Export revenue for the first three quarters of 2012 rose by 30.6% to U.S.\$53.8 million, as compared to U.S.\$41.2 million in the same period of 2011, due to an increase in export volume.

Molasses. Molasses is a by-product of the sugar manufacturing process and is exported primarily for animal feed and rum production. Exhibiting its inverse relationship with sugar production, molasses production in 2011 fell by 44.5% to 30,781 long tons, as compared to 55,479 long tons in 2010. Notwithstanding stronger international prices, molasses exports were not as profitable in 2011 due to a 50.4% decrease in export volume to 20,968 long tons that garnered an export value of U.S.\$1.7 million, as compared to an export volume of 42,303 long tons in 2010 that garnered an export value of U.S.\$2.1 million. Molasses production for the first three quarters of 2012 increased by 0.6% to 27,352 long tons, as compared to 27,177 long tons during the same period of 2011. Export revenue for the first three quarters of 2012 rose by 35.7% to U.S.\$1.9 million, as compared to U.S.\$1.4 million in the same period of 2011, due to generally stronger prices in 2012 and an increase in export volume.

Citrus Pulp. Pulp is the fiber remaining in the fruit after the removal of its liquid content; it is used generally for animal feed and as fertilizer. During 2011, the production of citrus pulp increased by 52.7% to 2.2 million pounds, as compared to 1.4 million pounds in 2010. For the first three quarters of 2012, the production pulp increased by 32.4% to 2.5 million pounds, as compared to 1.8 million pounds during the same period of 2011, as the processor continued to emphasize output of by-products to maximize the industry's returns. Export revenue for the first three quarters of 2012 rose by 16.7% to U.S.\$0.7 million, as compared to U.S.\$0.6 million in the same period of 2011, due to an increase in export volume.

Beverages. In 2011, rum production decreased by 25.2% to 21.1 million gallons, as compared to 28.2 million gallons in 2010, primarily as a result of the fall in the production of molasses, from which

rum is manufactured. In contrast, soft drink production during 2011 increased by 13.3% to 6.2 million gallons, as compared to 5.5 million gallons during 2010, primarily as a result of the upswing in tourist arrivals. Beer production grew more moderately at 2.2% to 2.2 million gallons, as compared to 2.1 million gallons in 2010. With respect to beer, the smaller growth in production could be linked to the continued challenge of contraband trade in this product.

Textile & Clothing. In early 2008, Williamson Industries Limited, a branch of Dickie's International, ceased operations in Belize due to the imminent loss of preferential access into the United States market under the Caribbean Basin Initiative, which was shortly due to expire. With the closure of this major producer, garment production for 2008 was minimal at 0.02 million pounds compared to 1.7 million pounds in 2007 and 3.7 million pounds in 2006. The export value of garments in 2008 amounted to U.S.\$0.2 million compared to U.S.\$9.4 million in 2007 and U.S.\$18.8 million in 2006.

Since the closure of the largest garment producer in Belize, garment production and exports have been negligible. There were no garment exports for 2009, and in 2010 and 2011, aggregate export value amounted to U.S.\$0.2 million and U.S.\$0.1 million, respectively.

Other Manufacturing Products. Other manufactured products include flour, cigarettes and fertilizers. In 2011, cigarette and fertilizer production declined by 49.0% and 20.2%, respectively. The fall in cigarette production was due to the closure of operations in the second half of the year. In 2011, fertilizer output plummeted as purchases of fertilizer by sugarcane farmers decreased notably due to the reduction in the amount of sugar sold under the Fair Trade regime.

Petroleum. Since oil was first discovered in commercial quantities in mid-2005, the SIB's practice has been to include petroleum extraction in the measurement of manufacturing value added. Currently, there are two oil fields with total extractable reserves of approximately 23 million barrels. The Spanish Lookout field has extractable reserves of some 18 million barrels of light sweet crude oil, and the smaller Never Delay field, which was commercialized in 2009, has extractable reserves estimated at 5 million barrels.

Production from the Spanish Lookout field peaked in 2009 at a daily average yield of 4,408 barrels, and then decreased by 5.9% in 2010 to 4,147 barrels and by 13.5% in 2011 to 3,587 barrels, as the field entered its declining phase of production. The Never Delay field commenced commercial operations in the first quarter of 2011 and produced a total of 97,383 barrels in 2011, an amount that was insufficient to offset the declining production from the Spanish Lookout field.

Since the beginning of Belize's oil production, this commodity has accounted for a significant portion of domestic exports. Export revenues from oil production have grown consistently from 20.3% of the value of domestic exports in 2006 to 42.2% in 2011, though they declined in 2009 due to a drop in crude oil prices as a result of the global slowdown. With production at Belize's main oil field in its declining phase, the industry's performance has been sustained so far by price increases.

Petroleum production for the first three quarters of 2012 fell by 26.9% to 793,408 barrels, as compared to 1,085,270 barrels produced during the same period of 2011. Production averaged 2,906 barrels per day in the first three quarters of 2012, compared to the 3,975 barrels averaged during the first three quarters of 2011.

Construction

In 2011, the Construction sub-sector accounted for U.S.\$49.9 million (4.0% of GDP) as compared to U.S.\$52.1 million (4.3% of GDP) in 2010. Activity during these two years was largely

driven by major projects such as the construction of the Vaca Dam and the Belcogen cogeneration plant, as well as foreign investments into tourism-oriented condominium developments. Despite these activities, the Construction sub-sector declined by 5.7% in 2010 and by 4.1% in 2011, primarily as a result of the economic slowdown, completion of many condominium projects, slowdown in foreign investments and sluggish growth in private sector credit.

Electricity and Water

The Electricity and Water sub-sector comprises electricity generation and water production activities. The electricity and water industry was the second largest industry in the secondary sector in 2011 and 2010, and amounted to U.S.\$67.9 million (5.5% of GDP) in 2011 as compared to U.S.\$66.9 million (5.5% of GDP) in 2010. In 2010, growth in the electricity sub-sector surged by 19.7%, principally due to the expansion in domestic electricity production as a result of the Belcogen cogeneration plant and the Vaca Dam facility becoming fully operational during the year. During 2011, this sub-sector grew by only 1.6% as domestic capacity leveled off. In 2011, BEL, the electricity company that was owned by the Fortis Group, was nationalized in the public interest following the company's proclamation that it would execute rolling blackouts in the country in response to its financial difficulties.

Tertiary Sector

Tourism is a significant contributor to the tertiary sector of the Belizean economy. The impact of tourism is most significant in the Wholesale and Retail Trade, Restaurant and Hotel and Transport and Communications sub-sectors.

Wholesale and Retail Trade

The Wholesale and Retail Trade sub-sector was the largest contributor to GDP of all sub-sectors in the Belizean economy in 2011 and 2010, accounting for U.S.\$180.0 million (14.5% of GDP) in 2011 and U.S.\$171.9 million (14.1% of GDP) in 2010. During 2011, this sub-sector grew by 4.8%, while in 2010 it grew by 5.8%. The growth in 2011 was primarily the result of increased activities in the retail trade sector, to which stay-over tourists and cruise ship passengers contributed.

Transport and Communications

The Transport and Communications sub-sector was the second largest contributor to the tertiary sector in 2011, accounting for U.S.\$136.7 million (11.0% of GDP) in 2011, as compared to U.S.\$131.4 million (10.8% of GDP) in 2010. During 2011, an increase in tourist arrivals led to a 4.0% growth in this sub-sector, as compared to growth of 2.9% in 2010.

Post and Telecommunications

There are presently two telecommunications companies in Belize that are licensed to provide the full range of telecommunication services, BTL and Smart. The recent growth in the Post and Telecommunications sub-sector has been primarily due to the expansion of cellular and broadband services.

The following table shows the approximate number of telephone subscribers provided by BTL for each of the four years ending December 31, 2011:

	Telephone Lines			
	Year ended December 31,			
	2008	2009	2010	2011
Fixed Lines	31,493	31,000	29,500	25,815
Cellular Subscribers	155,000	175,000	190,000	188,612
Total lines	186,493	206,000	219,500	214,427

Source: Belize Telecommunications Limited

The number of cellular subscribers with BTL increased by 21.7% between 2008 and 2011, from 155,000 in 2008 to 188,612 in 2011.

Hotel and Restaurant

The Hotel and Restaurant sub-sector accounted for U.S.\$46.0 million (3.7% of GDP) in 2011, as compared to U.S.\$44.0 million (3.6% of GDP) in 2010. During 2011, the Hotel and Restaurant sub-sector grew by only 4.7%, as compared to a 7.5% increase in 2010, because of a contraction in cruise ship arrivals.

Tourism

Although not measured as a separate sector or sub-sector of the Belizean economy, tourism is a significant contributor to the three sub-sectors of the tertiary sector discussed above. In 2010, despite the economic downturn and its lasting impacts on the local industry, tourism generated approximately one in every eight jobs created in Belize.

The two major categories of tourist attractions in Belize are:

- marine sporting activities, such as diving, snorkeling, fishing, boating, sailing and sea kayaking, at Belize's barrier reef and at three major offshore atolls, each offering differing underwater coral formations and a variety of flora, fish and marine creatures. In addition, Belizean beaches, including the beach at Placencia in the Stann Creek District and the beach at San Pedro on the Ambergris Caye, have vacationing resorts serving tourists interested in water sports and marine life; and
- natural, archeological and cultural attractions, principally Mayan archeological sites such as temples, palaces, cave systems and pyramids, as well as national parks and other natural and cultural sites. While exploring the Mayan culture and other natural attractions, tourists also participate in other sports such as canoeing, horseback riding and hiking.

Economic and other conditions in the United States and other countries have a strong impact on the Belizean tourism industry. Other factors that may affect the tourism industry include the availability of direct flights to and from the country and developments in other competing tourist destinations, including Mexico, the Dominican Republic, Florida, Cuba and other Caribbean destinations.

The following table sets forth statistics relating to the tourism sector for each of the five years in the period ending December 31, 2011 and the nine-month periods ended September 30, 2011 and 2012:

Key Tourism Indicators

	Year ended December 31,					Nine-month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
Stay-over Visitor Arrivals							
United States	152,569	147,654	141,370	146,301	154,897	120,640	136,327
Canada	16,655	17,695	14,713	16,016	16,910	12,354	15,899
United Kingdom	10,180	10,100	7,664	8,348	7,208	6,305	4,933
Other European	23,995	24,169	20,714	20,091	18,874	13,324	12,956
Other Countries	38,176	35,089	37,193	35,875	35,511	27,239	25,841
Total	<u>241,575</u>	<u>234,706</u>	<u>221,654</u>	<u>226,632</u>	<u>233,401</u>	<u>179,862</u>	<u>195,956</u>
Cruise Ship Passengers	<u>560,478</u>	<u>537,632</u>	<u>634,697</u>	<u>688,165</u>	<u>654,790</u>	<u>448,922</u>	<u>409,788</u>
Total Arrivals	<u>802,053</u>	<u>772,338</u>	<u>856,351</u>	<u>914,797</u>	<u>888,191</u>	<u>628,784</u>	<u>605,744</u>
Number of Cruise Ships	278	274	284	279	269	185	181
Hotel Occupancy Rates (%)	44.3	39.9	34.1	34.9	39.3	40.6	43.3
Average Length of Stay (days)	7.81	7.77	7.50	7.50	8.19	8.19	7.97

Source: Central Bank of Belize; Belize Tourism Board

Based on data compiled by the Belize Tourism Board (BTB), total visitor arrivals during 2011 decreased by 2.9% to 888,191, as compared to 914,797 in 2010. The number of stay-over visitors increased by 3.0% in 2011 to 233,401, as compared to 226,632 in 2010, primarily due to an increase in arrivals from the United States. However, this increase was partially offset by a 4.8% decrease in cruise passengers, from 688,165 in 2010 to 654,790 in 2011. In 2011, cruise ship port calls into Belize declined by 3.6% and amounted to 269, as compared to 279 port calls in 2010. The declines in cruise passengers and port calls was due to a dispute at the start of the year between local tender operators and Carnival Cruise Line that resulted in the cancellation of eleven port calls.

During the first three quarters of 2012, visitor arrivals declined by 3.7% to 605,744, as compared to 628,784 during the same period of 2011. The number of stay-over visitors during the first three quarters of 2012 increased by 8.9% to 195,956, as compared to 179,862 during the same period of 2011. However, the number of cruise ship passengers during the first three quarters of 2012 decreased by 8.7% to 409,788, as compared to 448,922 during the same period of 2011. Port calls to Belize fell marginally in the first three quarters of 2012 to 181 port calls, as compared to 185 port calls during the same period of 2011, and the vessels and carrying capacity were also smaller in 2012.

The tourism industry is the principal earner of foreign exchange for Belize and makes a significant contribution to employment. Transportation and travel accounted for 22.1% and 26.5% of total exports of goods and services in 2011 and 2010, respectively. In 2011 and 2010, hotels alone employed approximately 4,860 and 4,770 persons, respectively. Total visitor accommodation capacity also grew by 22.1% between 2006 and 2011, from 5,789 rooms in 2006 to 7,067 rooms in 2011.

During 2011, the Philip Goldson International Airport was the major tourist entry point of stay-over visitors, accounting for 77.8% of total stay-over visitor arrivals. Land border and seaport arrivals comprised the remaining 17.5% and 4.7%, respectively. The United States and Europe, Belize's two largest tourist markets, accounted for 66.4% and 11.2% of total stay-over visitors, respectively. In 2011, average hotel room occupancy increased by 12.6% to 39.3%, as compared to 34.9% occupancy in 2010.

During the first three quarters of 2012, average hotel room occupancy increased by 6.7% to 43.3%, as compared to 40.6% occupancy in 2010.

Every year since 2006, a tourist survey has been conducted at the International Airport and at the borders of Mexico and Guatemala in order to determine the daily tourist expenditure of stay-over visitors. Based on surveys conducted in 2010 and 2011, estimates of current stay-over visitor expenditure per day were U.S.\$123.05 and U.S.\$121.53, respectively. In addition, the aggregate amount of tourist expenditure was estimated at U.S.\$247.6 million in 2011, as compared to U.S.\$248.6 million in 2010.

Belize Tourism Board

The BTB is the key tourism executive agency of the Ministry of Tourism and is dedicated to the promotion and development of the Belizean tourism industry. The BTB was created under the Belize Tourism Board Act 1990, or the Tourism Act, as a strategic partnership between the public and private sectors for the development, marketing and implementation of tourism programs. The BTB is a quasi-government entity, with autonomy over the use of any revenues it receives in the exercise of its duties. BTB obtains its financing from Government grants as well as funds provided from time to time by the National Assembly, revenues from advertisements and any other funds that it collects under the authority of the Tourism Act. The duties of the BTB include:

- the development, promotion and advertisement of the tourism industry;
- the issuance of regulations, with the approval of the Minister of Tourism, for (1) the promotion and control of the tourism industry, (2) the registration of hotels, (3) the maintenance of statistical tourist information and (4) the training, certification, registration and establishment of standards applicable to the various sectors of the tourism industry, including tour guides, dive guides, tour operators, travel agents, transport entities, nightclubs and related entertainment and hospitality places;
- the levying of tariffs, rates, fees and charges for any of the above purposes; and
- the imposition of penalties for the breach of any tourism regulations.

In 2009, the BTB launched its new “Be one with Belize” campaign, whose promotional material resulted in over 15,000 responses for the industry through a variety of media including telephone calls, emails and on Facebook. The BTB’s news media campaign included the redevelopment of its Belize Tourism Board website (www.belize tourism.org), tablet application advertisements, mobile tags, news releases and media memo. Over 21 million individuals were reached as a result of television advertisements, magazine articles, travel magazine covers, and promotions on the television show Wheel of Fortune. The BTB also hosted a U.S. reality television show in 2011, which is said to have drawn 3 million viewers.

The BTB spent approximately U.S.\$4.6 million in tourism marketing activities in 2011, including international publicity, brochures, public relations, trade shows and other promotional efforts, of which approximately U.S.\$2.9 million was spent in the United States.

Tourism Projects

Under the Sustainable Tourism Project (STP), over Bz.\$16 million is being invested on infrastructural improvements at key tourism destinations within Belize (San Ignacio, Belize City, Placencia, San Pedro and some of the archaeological sites). Designs for these improvements have been

finalized and infrastructural works have begun at all sites. The San Ignacio bus terminal, cafes and kiosks were completed in the third quarter of 2012. The infrastructural improvements at Placencia, which include a new pier, a small plaza and two kiosks, are scheduled to be completed in March 2013, while the water taxi terminal and boardwalk in San Pedro are scheduled for completion in October 2013. One component of the STP is a National Sustainable Tourism Master Plan that includes a development strategy for Belize City's waterfront. Designs for the latter have been completed with planned infrastructural improvements to the Fort George Area (namely, the upgrading of Memorial Park as well as roads and sidewalks from Swing Bridge to Cork Street) estimated to cost Bz.\$5.4 million. The expected date of completion for this project is March 2013.

The BTB's initiatives include the establishment of a Destination Planning Department to execute the improvement of aesthetics of all major tourism zones and services, a Green Team, which has been actively organizing a series of clean-up campaigns with the private and public sector in Belize City and Ambergris Caye, and the installation of directional and informative signs at various key tourist areas. The BTB also collaborated with the Belize City Council in establishing the Fort George Tourism Zone which is characterized by special tourism zoning by-laws.

General Government Services

The General Government Services sub-sector of the tertiary sector includes the Government's provision of health and education services as well as expenditures for other government services. The growth in this sub-sector over the last few years was primarily attributable to the grant of annual salary increases to schoolteachers and administrative personnel, the cost of the housing and population census in 2010 and election outlays in 2011.

General Government Services was the third largest contributor to the tertiary sector in 2011 and 2010, accounting for U.S.\$117.0 million (9.4% of GDP) in 2011, as compared to U.S.\$113.4 million (9.3% of GDP) in 2010. During 2010 and 2011, General Government Services expanded at annual rates of 6.5% and 3.2%, respectively.

Other Private Services

This category provides the aggregated performance for three sub-sectors: Community, Social, and Personal Services; Financial Intermediation; and Real Estate, Renting, and Business Services. The Community, Social and Personal Services sub-sector includes education and health services provided by the private sector. Generally, the growth in this sub-sector is linked to an increase in population. The Financial Intermediation Services sub-sector is comprised of activities of commercial banks, international banks operating in Belize, the Central Bank and insurance and pension funding. This sub-sector's contribution to GDP is measured as interest receivable less interest payable plus commissions and fees explicitly charged. Thus, the Financial Intermediation Services sub-sector's performance will be generally reflective of the profitability of financial intermediation activities. Real estate principally includes owner-occupied homes that are given an imputed rent. Business services comprise professional services, such as the services of consultants, attorneys and accountants. The growth of this sub-sector is linked to growth in households and business activities.

Other Private Services totaled U.S.\$203.7 million (16.4% of GDP) in 2011, as compared to U.S.\$200.9 million (16.5% of GDP) in 2010. During 2011, this category grew by 1.4%, as compared to only 0.3% in 2010, indicative of the low level of profitability of financial intermediation activities as well as the sluggishness of household and business activities.

Inflation

The inflation rate in Belize over the past four years has been heavily influenced by the movement in petroleum prices. In 2008, the inflation rate peaked at 6.4% with the surge in crude oil prices, and in 2009 there was a deflation of 1.1% as petroleum price pressures eased. Since 2009, the inflation rate has exhibited a gradual upward trend, increasing by 0.9% in 2010 and by 1.5% in 2011. In 2011, the largest price increases occurred in the following categories of the CPI:

- transport and communications, in which prices rose by 5.9%;
- personal care, in which prices rose by 3.0%;
- rent, water, fuel and power, in which prices rose by 1.5%; and
- food, beverage and tobacco, in which prices rose by 1.1%.

Rising international prices for food and petroleum were significant factors in the 1.5% average increase in the CPI during 2011. With double digit increases in prices at the pump for diesel and gasoline, the Transport and Communications sub-sector registered the largest annual price increase of 5.9%, and the Rent, Water Fuel and Power sub-sector rose by 1.5%, underpinned by a 6.3% increase in butane prices. The upswing in fuel acquisition costs reflected sharp increases in international oil prices, much of which was due to speculative activities and fear of shortages sparked by geopolitical tensions in North Africa and the Middle East. The average monthly price of West Texas Intermediate (WTI) Crude, a major price indicator, consequently peaked at about U.S.\$110 per barrel in the first half of 2011, approximately U.S.\$20 above its highest value in 2010. These increases were partly moderated by the replacement of the 12.5% general sales tax on fuel imports with a fixed value import duty in March 2011 that ranged from \$1.06 per imperial gallon for gas oils to \$1.21 per imperial gallon for premium gasoline.

Higher import prices, as indicated by the 8.1% increase in the U.S. export price index, underpinned a 3.0% increase in the Personal Care sub-sector, while the 1.1% rise in the Food, Beverages and Tobacco sub-sector resulted from higher global commodity prices and its impact on the local market. Partially offsetting these inflationary pressures, the Household Goods and Maintenance and Clothing and Footwear sub-sector prices fell by 2.2% and 0.2%, respectively.

The following table shows the average annual change in the CPI for the five years ended December 31, 2011 and eight months ended August 31, 2011 and 2012.

Change in Consumer Price Index

	Year ended December 31,					Eight months ended August 31,	
	2007	2008	2009	2010	2011	2011	2012
	<i>(expressed as a percentage)</i>						
Food, Beverage and Tobacco	5.3	13.3	1.6	(3.0)	1.1	0.2	2.5
Clothing and Footwear	0.8	(0.9)	(0.9)	0.4	(0.2)	0.2	(1.2)
Rent, Water, Fuel and Power	1.4	3.6	(3.9)	3.0	1.5	1.5	0.5
Household, Goods and Maintenance	2.3	1.9	(0.2)	(1.1)	(2.2)	(2.3)	(0.2)
Medical Care	1.6	3.0	0.9	0.5	0.2	0.9	3.6
Transport and Communication	(0.6)	3.5	(5.6)	8.2	5.9	6.1	2.8
Recreation, Education and Culture	0.9	0.7	0.8	0.8	0.3	0.7	2.0
Personal Care	2.2	2.1	1.1	0.6	3.0	0.0	3.5
Average, All Items	2.3	6.4	(1.1)	0.9	1.5	1.4	1.4

Source: Statistical Institute of Belize

Inflation for the first three quarters of 2012 averaged 1.4% with increases in most categories of goods and services except in the Clothing and Footwear and Household Goods and Maintenance categories. The largest price increases of 3.6% and 3.5% were recorded in the Medical Care and Personal Care categories, respectively, though they had a negligible effect on the CPI due to their small weight in the index. Higher costs of meat and poultry, in particular, were the driving force behind the 2.5% increase in the Food, Beverage and Tobacco category, while the 2.0% price hike in the Recreation and Culture sub-sector reflected increases in nightclub admissions. Higher prices for petroleum and petroleum products provided the cost-push that resulted in a 2.8% increase in the Transport and Communications category and contributed to the moderate 0.5% increase in the Rent, Water, Fuel and Power category. Conversely, declines of 1.2% and 0.2%, respectively, were recorded in the Clothing & Footwear and Household Goods & Maintenance categories.

Employment and Labor

General

In Belize, information on employment and labor is obtained from an annual survey conducted in April of each year, when employment activities should be at their highest level. The Central Statistical Office, a department of Government was responsible for collecting these data up until April 2007 when legislation establishing the SIB was passed. The SIB is a quasi-government body that is accorded autonomy under the provisions of its governing statute. Its activities are largely financed through an annual subvention received from the Government and it is subject to the oversight of a board of directors that includes representatives from public and private sector entities.

Labour force surveys were not undertaken in 2010, the year of the national census, nor in 2011, and consequently employment statistics for those years are not available. The SIB conducted a survey in April 2012 and found the rate of unemployment to be 14.4% as compared to 13.1% in 2009 and 8.1% in 2008. The upward trend in unemployment is due to the deceleration of the economy that has been affected by the recession in the United States, its major trading partner. More specifically, domestic economic activity has been affected by a slowdown in tourism related construction, damages to major crops from storms and pests and the downturn in petroleum output.

In the previous five years, the Belizean labor force increased by 25.7%, while the population increased by 9.4%. The number of persons with jobs rose by 30,254, which offset the 11,427 increase in the unemployed. The results of the 2012 survey indicate that 49.0% of the unemployed were in the primary sector and consisted of skilled agricultural, forestry and fishery workers. Those in the secondary sector accounted for 34.2% of the unemployed population in 2012, principally those who work as plant and machine operators and in craft and related trades. The lowest rate of unemployment was in the tertiary sector, as only 13.0% of the unemployed were managers, professionals, technicians and others who provide clerical support in services and sales. The incidence of youth unemployment is particularly high, with approximately 43.0% of persons between the ages of 14 and 24 unable to find work and 83.3% of the total unemployed being less than 44 years of age.

The following table shows certain labor force and employment data for the five years ended April 30, 2012:

Labor Force and Employment

Position at April 30,

	2007	2008	2009	2010	2011	2012
	<i>(in thousands of persons, except percentages)</i>					
Total Population	297.1	308.9	319.6	323.4	332.7	338.9
Labor Force	117.8	119.5	132.9	n.a.	n.a.	148.4
Employed	107.9	109.8	115.6	n.a.	n.a.	127.0
Unemployed	9.9	9.7	17.3	n.a.	n.a.	21.4
Unemployment Rate (%)	8.4	8.1	13.1	n.a.	n.a.	14.4
Labor Force Participation Rate (%)	60.3	61.3	58.4	n.a.	n.a.	65.4

n.a. Information is not available for the reference period.

Source: *Statistical Institute of Belize*

The annual median income of the employed labor force was U.S.\$5,316 in 2012, an 18.0% increase as compared to a median income of U.S.\$4,506 five years earlier.

Pensions

Belize has two main pension schemes in place: the Government Pension Plan for public officers and the general Social Security Retirement Pension for private and public sector workers.

The Government Pension Plan is a non-contributory defined benefit scheme in which all expenditures due to the scheme shall be charged on and paid out of the Government Consolidated Revenue Fund. The mandatory retirement age under this scheme is 55 years. Pensions, gratuities and other allowances may be granted by the Governor General in accordance with the regulations contained in the Schedule to the Pension Act, Chapter 30, of the Laws of Belize, Revised Edition 2000-2003, in respect of officers who have been in public service under the Government of Belize.

The Social Security Retirement Pension is a contributory defined benefit scheme to which employees and their employers in the formal economy are obligated to contribute. The scheme is managed by the SSB in accordance with the Social Security Act Chapter 44 of the Laws of Belize, Revised Edition 2000-2003. The legal retirement age is 65 years. A retired person must have at least 500 contributions to qualify for a pension. However, persons who voluntarily retire from insurable employment between ages 60 and 65 years (and are making less than U.S.\$25 per week) and who meet the legal contribution requirement are entitled to a retirement pension. This retirement pension ends should they return to insurable employment at any time during the period that they are between 60-65 years. A person who is 65 years old and meets the legal contribution requirement is entitled to a retirement pension. The retirement pension is a cash benefit payable every four weeks to a retired person between ages 60 to 65, if retirement is voluntarily from insurable employment, or at age 65, whether retired or not.

As of July 1, 2003, the rate of contributions for the Social Security Pension Fund was increased from 7% to 8% of insurable earnings, and the ceiling of insurable earnings was increased from U.S.\$65 to U.S.\$160 per week. As of the date of this Memorandum, there have been no subsequent reforms to the Social Security Pension Fund.

The Social Security Act established the Social Security Investment Committee, which is responsible for making recommendations for Social Security Pension Fund investments to the SSB. The primary criteria used by the Investment Committee in recommending investments to the SSB include the diversification of the aggregate investment portfolio and minimization of financial exposure.

As a general policy, the SSB seeks to obtain at least an 8.5% return on loans to public, quasi-government and non-profit organizations. With respect to equity investments, the SSB seeks to maximize total rate of return within acceptable levels of risks. As a general policy, the SSB requires a minimum return on equity investments equal to an independently established actuarial requirement, which is currently 7%.

At December 31, 2011, the value of the SSB's total investment portfolio totaled U.S.\$179.2 million, with investments in both the private and public sectors. Its largest investments were made to companies in the following sectors:

- agriculture (approximately U.S.\$11.3 million);
- housing (approximately U.S.\$16.8 million); and
- utilities (approximately U.S.\$85.0 million).

As of December 31, 2011, rates of return on the SSB's investments ranged from 4.5% to 12.0%.

EXTERNAL ECONOMY

Balance of Payments

Balance of payments data reflect the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of two accounts:

- the current account, which is comprised of net exports of goods and services (the difference in value of exports minus imports), net income payments and net current transfers; and
- the capital and financial account, which is the difference between capital and financial inflows and capital and financial outflows.

Belize's balance of payments is dependent on international economic developments as well as domestic economic policies and programs. In 2011, the balance of payments recorded a surplus of U.S.\$18.1 million, a 320.9% increase as compared to a surplus of U.S.\$4.3 million in 2010. The 2011 balance of payments surplus was due to a significant reduction in profit repatriation and a large increase in grant inflows which boosted capital inflows. In 2011, the current account deficit contracted by 50.3% to U.S.\$19.9 million, as compared to a current account deficit of U.S.\$40.0 million recorded during 2010. Belize has run a current account deficit for each of the past five years, largely due to merchandise trade deficits. In 2011, the capital and financial account increased by 33.8% to U.S.\$44.7 million, as compared to U.S.\$33.4 million in 2010.

For the nine-month period ended September 30, 2012, the balance of payments recorded a surplus of U.S.\$35.6 million, as compared to a deficit of U.S.\$11.7 million recorded during the same period of 2011. For the nine-month period ended September 30, 2012, the current account recorded a deficit of U.S.\$31.0 million. This was mostly due to a 13.2% growth in net outflows to foreign owners of capital and a 7.1% fall in transfers from abroad.

The IMF's December 2011 Article IV Report may be found at:

<http://www.imf.org/external/pubs/cat/longres.aspx?sk=25396.0>

The following table shows Belize's balance of payments and international reserves for the five years ended December 31, 2011 and for the nine-month periods ended September 30, 2011 and September 30, 2012:

Balance of Payments

	Year ended December 31,					Nine-month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
	<i>(in millions of U.S.\$)</i>						
Current Account							
Goods Balance							
Exports ⁽¹⁾⁽²⁾	U.S.\$ 425.6	U.S.\$ 480.1	U.S.\$ 383.6	U.S.\$ 478.3	U.S.\$ 603.6	U.S.\$ 452.4	U.S.\$ 488.2
Imports ⁽³⁾	642.0	788.2	620.1	647.2	778.2	581.6	619.3
Total Goods Balance	U.S.\$ (216.4)	U.S.\$ (308.2)	U.S.\$ (236.5)	U.S.\$ (168.9)	U.S.\$ (174.6)	U.S.\$ (129.2)	U.S.\$ (131.1)
Services Balance							
Transport	(27.0)	(44.4)	(38.1)	(38.5)	(48.2)	(34.9)	(38.9)
Travel	245.9	237.7	215.5	212.0	213.8	161.9	171.7
Other Services	11.0	23.6	5.3	2.0	3.5	(0.3)	(7.2)
Total Services Balance	U.S.\$ 229.9	U.S.\$ 216.9	U.S.\$ 182.7	U.S.\$ 175.5	U.S.\$ 169.1	U.S.\$ 126.7	U.S.\$ 125.6
Goods and Services							
Balance	13.5	(91.2)	(53.8)	6.6	(5.5)	(2.5)	(5.5)
Income							
Compensation of							
Employees	(2.9)	(3.9)	(3.5)	(3.3)	(2.9)	(2.6)	(3.7)
Investment Income	(156.1)	(161.3)	(101.4)	(135.2)	(95.3)	(74.1)	(83.1)
Total Income	U.S.\$ (159.0)	U.S.\$ (165.2)	U.S.\$ (104.9)	U.S.\$ (138.5)	U.S.\$ (98.2)	U.S.\$ (76.7)	U.S.\$ (86.8)
Transfers							
Official Transfers	15.8	22.6	(1.6)	(3.3)	(2.9)	(2.5)	(2.7)
Private Transfers	77.6	89.0	81.0	95.1	86.6	68.5	64.0
Total Transfers	U.S.\$ 93.4	U.S.\$ 111.5	U.S.\$ 79.4	U.S.\$ 91.8	U.S.\$ 83.7	U.S.\$ 66.0	U.S.\$ 61.3
Total Current Account	U.S.\$ (52.1)	U.S.\$ (144.9)	U.S.\$ (79.3)	U.S.\$ (40.0)	U.S.\$ (19.9)	U.S.\$ (13.2)	U.S.\$ (31.0)
Capital Account	4.1	9.0	18.5	5.6	25.8	16.2	21.9
Financial Account							
Foreign Direct Investment	142.2	166.9	108.4	96.1	94.7	65.8	128.3
Portfolio Investment	78.7	0.2	(9.7)	(7.8)	(13.2)	(11.6)	(3.5)
Financial Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	(101.3)	38.4	22.2	(60.5)	(62.6)	(53.5)	(92.1)
Total Financial Account	U.S.\$ 119.6	U.S.\$ 205.5	U.S.\$ 120.9	U.S.\$ 27.8	U.S.\$ 18.9	U.S.\$ 0.7	U.S.\$ 32.7
Total Capital and Financial Account	U.S.\$ 123.7	U.S.\$ 214.5	U.S.\$ 139.4	U.S.\$ 33.4	U.S.\$ 44.7	U.S.\$ 16.8	U.S.\$ 54.6
Errors and Omissions	(48.7)	(11.8)	(12.8)	10.8	6.9	7.9	12.4
Overall Balance of Payments	U.S.\$ 22.9	U.S.\$ 57.9	U.S.\$ 47.3	U.S.\$ 4.3	U.S.\$ 18.1	U.S.\$ 11.7	U.S.\$ 35.6
Increase (Decrease) in Reserves ⁽⁴⁾	22.9	57.9	47.3	4.3	18.1	11.7	35.6
Gross International Reserves ⁽⁴⁾	108.5	166.4	213.7	218.0	236.1	229.6	271.7

(1) Exported goods include free-zone exports and goods procured in ports.

(2) Based on recommendations contained in the IMF's Balance of Payments Manual, exported goods are not recorded as sold in the balance of payments until a change of ownership occurs. In contrast, the SIB trade data, which is based on information collected from the Customs Department, reflect the value of the exported goods at the time the goods are shipped and not when the goods are sold.

(3) Based on recommendations contained in the IMF's Balance of Payments Manual, imported goods are recorded at their market value at the customs frontier of the economy from which they are exported and include free-zone imports and goods procured in ports.

(4) Official International Reserves (which include the foreign currency holdings of the Government) held by or for the account of the Central Bank.

Source: Central Bank of Belize

Overview of Current Account

The chief components of the current account within the balance of payments consist of the goods balance, the services balance, the income account and current transfers. For the purposes of the discussion below, (1) exports include gross sales from the Commercial Free Zone and goods procured in ports, and (2) imports are recorded at their market value at the customs frontier of the economy from which they are exported and include Commercial Free Zone imports (*i.e.*, goods that enter Belize that are forwarded to the Commercial Free Zone). See “—Foreign Trade—Commercial Free Zone”.

Belize historically has had a deficit in its goods balance, which has been offset in part by surpluses in its services balance. In 2011, the deficit in the goods balance increased by 3.4% to U.S.\$174.6 million, as compared to a deficit of U.S.\$168.9 million in 2010, primarily as a result of imports outpacing exports. The value of exports rose by 26.2% to U.S.\$603.6 million in 2011, as compared to U.S.\$478.3 million in 2010, while the value of imports rose by 20.2% to U.S.\$778.2 million in 2011, as compared to U.S.\$647.2 million in 2010. The rise in export values in 2011 as compared to 2010 was largely the result of higher prices for petroleum and sugar volume and value increases. The relatively high level of import values in 2011 in comparison to 2010 reflected higher imports of electricity, steep hikes in international fuel prices and imports for the Commercial Free Zone.

For the nine-month period ended September 30, 2012, the deficit in the goods balance increased by 1.5% to U.S.\$131.1 million, as compared to a deficit of U.S.\$129.2 million during the same period in 2011. For the nine-month period ended September 30, 2012, the value of exports increased by 7.9%, from U.S.\$452.4 million to U.S.\$488.2 million, while the value of imports increased by 6.5%, from U.S.\$581.6 to U.S.\$619.3 million. The rise in export value for the nine-month period ending September 30, 2012 as compared to the same period of 2011 resulted mostly from higher Commercial Free Zone sales and re-exports, as domestic export earnings dipped by 0.7%. The rise in gross imports was largely attributed to the rise in domestic imports. See “Belize—Infrastructure”, “Domestic Economy—General” and “Domestic Economy—Principal Sectors of the Economy”.

In 2011, the surplus in the services balance declined by 3.6% to U.S.\$169.1 million, as compared to U.S.\$175.5 million in 2010. This decrease can be attributed mostly to higher transportation costs materializing from the larger volume of international trade and hikes in freight charges due to rising fuel prices. On the other hand, marginally lower earnings from tourism and a modest fall-off in international travel by residents netted a 0.8% increase in travel inflows in 2011. Stay-over visitor expenditure rose slightly in 2011 to U.S.\$199.6 million, as compared to U.S.\$198.2 million in 2010, principally as a result of a 3.0% growth in the number of arrivals to 233,401, as compared to 226,632 in 2010. In contrast, cruise passenger expenditure contracted by 5.0% in 2011 to U.S.\$43.6 million, as compared to U.S.\$45.9 million in 2010, principally as a result of a 4.8% decrease in the number of visitors who came onshore to 654,790, as compared to 688,165 in 2010.

Net inflows from other services increased by 75.0% in 2011 to U.S.\$3.5 million, as compared to U.S.\$2.0 million in 2010, reflecting greater inflows to military units and international organizations. Revenues from business and tourist travel, net of amounts spent by Belizeans travelling abroad, increased by 0.8% to U.S.\$213.8 million in 2011, from U.S.\$212.0 million in 2010. For the nine-month period ended September 30, 2012, the surplus in the services balance edged down by 0.9% to U.S.\$125.6 million, as compared to U.S.\$126.7 million during the same period of 2011. This decline was due to an increase in net transportation and other services outflows. For the nine-month period ended September 30, 2012, net outflows on transportation increased by 11.5% to U.S.\$38.9 million, from U.S.\$34.9 million in same period of 2011, due to higher international trading volumes. In addition, for the nine-month period ended September 30, 2012, the net outflows from other services increased to U.S.\$7.2 million,

from a net outflow of U.S.\$0.3 million for the same period of 2011, due to higher outflows for insurance services.

The income account measures income flows into and out of Belize, including the payment of interest on external debt and profit remittances. In a reversal from the previous year, the net outflow on the income account declined by 29.1% to U.S.\$98.2 million in 2011, as compared to U.S.\$138.5 million in 2010, primarily because of a reduction in payments for foreign workers and lower outflows for investment income. Net outflows for investment income declined by 29.5% in 2011 to U.S.\$95.3 million, as compared to U.S.\$135.2 million in 2010, as lower profit remittances from the tourist and petroleum industries along with a sharp decline in commercial banks' retained earnings trumped growth in public sector interest expenses. Outflows for compensation of employees decreased by 12.1% to U.S.\$2.9 million in 2011, as compared to U.S.\$3.3 million in 2010, due to a decline in payments to seasonal, agricultural workers. For the nine-month period ended September 30, 2012, net outflows on the income account increased by 13.2% to U.S.\$86.8 million, as compared to U.S.\$76.7 million in the same period in 2011. This increase in net outflows reflected a 12.1% rise in outflows for investment income to U.S.\$83.1 million, as compared to U.S.\$74.1 million during the same period of 2011, that was mostly due to a higher level of profit repatriation and reinvested earnings of the commercial banks. For the nine-month period ended September 30, 2012, interest payments by the public sector also fell by 13.4% to U.S.\$36.3 million, as compared to U.S.\$41.9 million for the same period of 2011.

Transfers are real resources or financial items provided at no cost, and they include money sent to people in Belize by Belizeans working abroad (which are commonly known as remittances) and, to a lesser degree, grants made to the Government. Grants are made both in cash and in kind. There was a net inflow of transfers in 2011 of U.S.\$83.7 million that represented a decrease of 8.8% as compared to a net inflow of transfers of U.S.\$91.8 million in 2010. This decrease in net transfer inflows was due to a decline in private transfers of 8.9%, as Government recorded a net outflow of U.S.\$2.9 million. Private transfers include both transfers by Belizeans living abroad and payments made by foreign insurers to residents of Belize. The fall in net inflow of private transfers was primarily due to declines in family remittances and lower inflows to credit unions, insurance companies, and non-profit organizations. For the nine-month period ended September 30, 2012, net inward transfers declined by 7.1% to U.S.\$61.3 million, down from U.S.\$66.0 million in the same period of 2011.

Overview of Capital and Financial Account

The chief components of the capital and financial account within the balance of payments consist of capital transfers (which primarily reflects debt relief and assets transferred to or from the country by persons migrating to or from Belize), foreign direct investment, portfolio investment (primarily capital markets issuances), financial derivatives and other investment (primarily commercial bank loans and holdings of foreign currency). Belize attracted inflows from financial transactions and direct foreign investment from 2007 through 2011 and registered annual capital and financial account surpluses during this period.

The greatest single change in Belize's 2011 balance of payments compared to 2010 was a more than fivefold increase in the surplus on the capital account to U.S.\$25.8 million, as compared to U.S.\$5.6 million in 2010, due to: (1) the final tranche of the UK's debt relief program and (2) grant inflows for agricultural-based programs, capacity building and construction projects.

Foreign direct investment fell by 1.5% to U.S.\$94.7 million in 2011, as compared to U.S.\$96.1 million in 2010, influenced in part by the slow growth in the world economy and a contraction in re-invested earnings that reflected loan write-offs by the commercial banks. Portfolio investment net outflows increased by 68.8% in 2011 to U.S.\$13.2 million, as compared to net outflows of

U.S.\$7.8 million in 2010, as the Central Bank purchased U.S.\$7.0 million of an International Bank for Reconstruction and Development (IBRD) bond.

In 2011, external disbursements to the Government amounted to U.S.\$37.3 million, while public sector amortization payments amounted to U.S.\$37.1 million. Over the past five years, no transactions involving financial derivatives have been carried out. Other investment transactions recorded an increase in net outflows of 3.5% in 2011 to U.S.\$62.6 million, as compared to U.S.\$60.5 million in 2010, as commercial banks increased their foreign balances abroad and reduced their short-term liabilities. Similarly, private sector entities made loan repayments that exceeded their loan drawings.

In 2011, the Government and private sector entities made debt repayments amounting to U.S.\$37.1 million and U.S.\$54.1 million, respectively. Government repayments included U.S.\$6.1 million to service mortgage securitization. The increase in the surplus on the capital and financial account outweighed the current account deficit, causing gross international reserves to increase by 8.3% to U.S.\$236.1 million at December 31, 2011, from U.S.\$218.0 million at December 31, 2010.

Over the nine-month period ended September 30, 2012, the surplus in the capital account increased by 35.2% to U.S.\$21.9 million, as compared to U.S.\$16.2 million in the comparable period of 2011, due to a U.S.\$5.7 million increase in grant receipts. On the other hand, over the nine-month period ended September 30, 2012, the financial account surplus increased by 4,571.4% to U.S.\$32.7 million, as compared to U.S.\$0.7 million in the comparable period of 2011. This increase in the financial account surplus was due to a 95.0% rise in foreign direct investment to U.S.\$128.3 million, as compared to U.S.\$65.8 million in the comparable period of 2011, and a smaller outflow in portfolio investment that outpaced a 72.1% increase in net loan repayments. Portfolio investment decreased by 69.8% and recorded net outflows of U.S.\$3.5 million, as compared to net outflows of U.S.\$11.6 million in the comparable period of 2011. The public sector received U.S.\$26.6 million in loan disbursements, while its amortization payments amounted to U.S.\$30.2 million, of which U.S.\$3.3 million consisted of mortgage securitization repayments.

For information on international reserves, both net and gross, see “External Economy—International Reserves”.

Foreign Trade

Belize has an open economy, with total merchandise trade representing 95.1% of GDP in 2011, of which imports constituted 53.5% of GDP.

Total merchandise trade (exports plus imports) between Belize and its foreign trade partners in 2011 increased by 22.8% to U.S.\$1,381.8 million, as compared to U.S.\$1,125.5 million in 2010. The merchandise trade deficit expanded by 3.4% in 2011 to U.S.\$174.6 million, as compared to U.S.\$168.9 million in 2010, due largely to a U.S.\$131.0 million increase in the value of imports that outpaced a U.S.\$125.3 million increase in exports. The rise in imports was attributable to a U.S.\$65.9 million and a U.S.\$65.1 million increase in imports for domestic consumption and the Commercial Free Zone, respectively.

The following table shows the performance of merchandise trade for the five years ended December 31, 2011 and for the nine-month periods ended September 30, 2011 and September 30, 2012:

Merchandise Trade⁽¹⁾⁽²⁾

Period	Imports	% Change	Exports	% Change	Trade Surplus (Deficit)	% Change
	<i>(in millions of U.S.\$, except percentages)</i>					
Year ended December 31,						
2007	U.S.\$642.0	4.9%	U.S.\$425.6	(0.2)%	U.S.\$(216.4)	17.2%
2008	788.2	22.8	480.1	12.8	(308.2)	(42.4)
2009	620.1	(21.3)	383.6	(20.1)	(236.5)	23.3
2010	647.2	4.4	478.3	24.7	(168.9)	28.6
2011	778.2	20.2	603.6	26.3	(174.6)	(3.4)
January 1 – September 30, 2011	581.6	(27.3)	452.4	(29.0)	(129.2)	26.0
January 1 – September 30, 2012	619.3	6.5	488.2	7.9	(131.1)	(1.5)

(1) Exported goods include gross sales in the Commercial Free Zone and goods procured in ports.

(2) All trade numbers are free on board (fob) values.

Sources: Central Bank of Belize; Statistical Institute of Belize

Trading Partners

The United States and the UK are Belize's main trading partners. The United States has been the largest consumer of Belizean exports over the past five years and in 2011 purchased 60.2% of all Belizean exports. Accordingly, any downturn in the U.S. economy could have a negative impact on Belize's exports. The United States has also been the primary source of imports for each of the past five years and was the source of 31% of Belizean imports in 2011. As a result, any change in the U.S. export price index could affect prices in Belize. In addition, the UK accounted for 19.1% of Belizean exports and 1.4% of imports in 2011.

The following table shows the destination of Belizean exports for the five years ended December 31, 2011 and for the nine-month periods ended September 30, 2011 and September 30, 2012:

Exports (fob) by Destination⁽¹⁾

	Year ended December 31,										Nine-month period ended September 30,			
	2007		2008		2009		2010		2011		2011		2012	
	<i>(in millions of U.S.\$, except percentages)</i>													
United States	U.S.\$67.4	27.6%	U.S.\$124.1	42.4%	U.S.\$81.3	32.4%	U.S.\$129.6	46.3%	U.S.\$209.4	60.2%	U.S.\$158.0	57.0%	U.S.\$127.5	42.3%
United Kingdom.....	45.8	18.0	57.9	19.8	79.5	31.7	71.9	25.7	66.3	19.1	59.8	21.6	70.1	23.2
Mexico	4.9	1.9	4.9	1.7	5.5	2.2	7.9	2.8	5.8	1.7	5.0	1.8	3.8	1.3
CARICOM.....	17.9	7.1	15.3	5.2	13.4	5.4	17.3	6.2	25.3	7.3	19.6	7.1	26.4	8.8
Other Countries.....	117.9	46.4	90.3	30.9	70.9	28.3	53.1	19.0	41.1	11.8	34.8	12.6	74.0	24.5
Total.....	U.S.\$253.9	100.0%	U.S.\$292.6	100.0%	U.S.\$250.6	100.0%	U.S.\$279.8	100.0%	U.S.\$347.9	100.0%	U.S.\$277.2	100.0%	U.S.\$301.8	100.0%

(1) Excludes Commercial Free Zone sales and includes citrus shipments, not actual sales.

Source: Statistical Institute of Belize

The following table shows the origin of Belize's imports for the five years ended December 31, 2011 and for the nine-month periods ending September 30, 2011 and September 30, 2012:

Imports by Origin (c.i.f.)

	Year ended December 31,										Nine-month period ended September 30,			
	2007		2008		2009		2010		2011		2011		2012	
	<i>(in millions of U.S.\$, except percentages)</i>													
U.S.	U.S. \$231.4	33.8%	U.S. \$297.9	35.6%	U.S. \$232.1	34.7%	U.S. \$239.6	34.4%	U.S. \$261.2	31.4%	U.S.\$187.8	30.5%	U.S. \$194.0	29.4%
Mexico	65.8	9.6	78.1	9.3	68.5	10.3	71.1	10.2	76.3	9.2	55.8	9.1	66.2	10.0
United Kingdom	10.3	1.5	12.7	1.5	9.4	1.4	13.6	2.0	11.6	1.4	7.2	1.2	8.1	1.2
CARICOM	14.1	2.1	13.3	1.6	13.1	2.0	14.2	2.0	18.2	2.2	14.2	2.3	18.1	2.7
Other countries	362.8	53.0	435.3	52.0	345.1	51.7	358.7	51.4	465.3	55.9	351.5	57.0	373.6	56.6
Total	U.S. \$684.4	100.0%	U.S.\$837.2	100%	U.S. \$668.2	100.0%	U.S. \$697.3	100.0%	U.S. \$832.6	100%	U.S.\$616.5	100%	U.S.\$660.0	100%
of which imports to Commercial Free Zone	131.6	19.2%	155.9	18.6%	78.2	11.7%	130.1	18.7%	198.6	23.9%	146.5	23.8%	125.7	19.1%

Source: Statistical Institute of Belize

Exports

Exports of agricultural and agro-based manufacturing products and petroleum represented the most significant Belizean exports between 2007 and 2011. During 2011, total exports increased by 26.2% to U.S.\$603.6 million, as compared to U.S.\$478.3 million in 2010, primarily due to a 25.0% increase in Commercial Free Zone gross sales (to U.S.\$219.3 million from U.S.\$175.4 million in 2010) and a 23.7% increase in domestic exports (to U.S.\$352.2 million from U.S.\$284.8 million in 2010). For the nine-month period ended September 30, 2012, total exports increased by 7.9% to U.S.\$488.2 million, as compared to U.S.\$452.4 million for the comparable period in 2011. For the nine-month period ended September 30, 2012, exports of agricultural and agro-based manufacturing products rose by 19.3% to U.S.\$200.9 million, from U.S.\$168.4 million for the comparable period in 2011. This increase was largely due to higher earnings from sugar and other non-traditional exports. Petroleum exports declined by 34.0% during the nine-month period ended September 30, 2012 to U.S.\$71.6 million, as compared to U.S.\$108.4 million in the same period of 2011, due to a steep fall in production as a result of Belize's largest oilfield entering its declining phase of output.

The following table shows the performance of merchandise trade for the five years ended December 31, 2011 and for the nine-month periods ended September 30, 2011 and September 30, 2012:

Value of Exports (fob)⁽¹⁾

	Year ended December 31,					Nine-month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
	<i>(in millions of U.S.\$)</i>						
Agriculture/Agro Manufacturing							
Sugar	U.S.\$ 44.1	U.S.\$ 35.7	U.S.\$ 44.5	U.S.\$ 29.4	U.S.\$ 45.1	U.S.\$ 41.4	U.S.\$ 53.8
Citrus Juices	53.1	44.8	37.0	46.9	47.6	40.0	48.6
Molasses	2.9	1.8	1.9	2.1	1.7	1.5	2.0
Banana	19.9	33.5	33.5	35.8	34.0	27.6	36.1
Marine	32.1	34.8	32.0	30.9	32.5	21.9	22.1
Papaya	13.0	11.2	10.9	12.9	11.5	10.2	5.9
Non-Traditional Exports	11.9	15.8	24.8	21.4	30.2	25.8	32.4
Total	U.S.\$ 177.0	U.S.\$ 177.6	U.S.\$ 184.7	U.S.\$ 179.3	U.S.\$ 202.4	U.S.\$ 168.4	U.S.\$ 200.9
Manufacturing							
Garments	9.4	0.2	0.0	0.0	0.0	0.0	0.2
Petroleum	61.1	115.5	60.3	103.1	145.9	108.4	71.6
Timber	0.9	1.1	1.4	2.4	3.9	2.4	4.6
Total	U.S.\$ 71.4	U.S.\$ 116.8	U.S.\$ 61.7	U.S.\$ 105.5	U.S.\$ 149.8	U.S.\$ 110.8	U.S.\$ 76.4
Total Domestic Exports	U.S.\$ 248.4	U.S.\$ 294.4	U.S.\$ 246.4	U.S.\$ 284.8	U.S.\$ 352.2	U.S.\$ 279.2	U.S.\$ 277.3
Commercial Free Zone Sales ⁽²⁾	155.3	165.2	127.8	175.4	219.3	152.8	180.1
Re-Exports ⁽³⁾	22.1	20.6	12.0	27.1	52.1	20.4	30.9
Other Adjustments ⁽⁴⁾	(0.2)	(0.1)	(2.6)	(9.0)	(20.0)	(0.0)	(0.1)
Total Exports	U.S.\$ 425.6	U.S.\$ 480.1	U.S.\$ 383.6	U.S.\$ 478.3	U.S.\$ 603.6	U.S.\$ 452.4	U.S.\$ 488.2

- (1) Based on recommendations contained in the IMF's Balance of Payments Manual, exported goods are not recorded as sold in the balance of payments until a change of ownership occurs. In contrast, the SIB trade data, which is based on information collected from the Customs department, reflect the value of the exported goods at the time the goods are shipped and not when the goods are sold.
- (2) Reflects goods that are imported into the Commercial Free Zone and sold to non-residents.
- (3) Reflects goods that are imported into Belize and then re-exported to other countries.
- (4) Reflects post office exports and valuation adjustments.

Sources: Statistical Institute of Belize; Central Bank of Belize

The Belizean sugar and banana industries and, less significantly, citrus product suppliers enjoyed preferential trade arrangements with respect to exports to the EU pursuant to the Cotonou Agreement. This agreement was subsequently replaced by an EPA that became effective on January 1, 2008.

The special arrangements for the importation of bananas provided by the Cotonou Agreement and its predecessor, the Lomé IV Convention, were challenged by the United States and four Latin American banana producers. The WTO ruled that these preferential access arrangements for bananas from the African, Caribbean and Pacific (ACP) group of states unfairly restricted banana-producing Central and Latin American countries' access to the European market. In April 2001, the United States and the EU announced an agreement by which the special banana arrangements would be gradually phased out by 2006. In January 2006, the EU banana import regime shifted to a hybrid of the tariff only and quota regime, which remained in effect for 2006 and 2007. The effective tariff rate was set at €176 per tonne of bananas for "Most Favored Nation" countries. The ACP group, of which Belize is a member, continued to benefit from a duty-free quota totaling 775,000 tonnes per annum that was lower than known ACP production capacity. Imports of banana into the EU from ACP countries that fell outside the specified quota amount for two-month periods were subjected to a tariff of €176 per tonne. In a challenge mounted by Ecuador, with subsequent accession by Colombia and the United States, the WTO dispute settlement body ruled on December 10, 2007 that the EU's import regime was not WTO compliant. Ecuador and Colombia claimed that the EU's tariff of €176 per tonne failed to maintain total market access for most favoured nation suppliers, while the United States questioned the legitimacy of the zero duty tariff-rate

quota allocated exclusively to ACP banana producing countries. Prior to the dispute settlement process, the EU had offered an out-of-court settlement solution to reduce the tariff from €176 to €129. On December 16, 2007, the EU and CARIFORUM (CARICOM and the Dominican Republic) initialed a comprehensive EPA that replaced the Cotonou Trade arrangement. The EPA established a free trade area between the EU and ACP countries that conformed to WTO rules. Under the EPA, banana imports from ACP countries had duty-free, quota-free market access into the EU as of January 1, 2008.

In 2009, the Geneva Agreement on Trade in Bananas (GATB) ended what had been a long commercial conflict between the banana producing countries of Latin America, the United States and the EU. This agreement stated that the tariff would decrease every year until it attains a minimum of €114 per tonne in 2017 for non-ACP countries—essentially, the Latin American banana exporting countries. The GATB also included a programme to help the main ACP banana exporting countries to adapt to the new trade arrangements. The Banana Accompanying Measures (BAM) programme provides for €190 million to assist ten banana producing ACP countries: seven in the Caribbean (Belize, Jamaica, Dominican Republic, Suriname, St Vincent and the Grenadines, St Lucia and Dominica) and three in Africa (Cameroon, Côte d’Ivoire and Ghana). In order to cope with the erosion of its trade benefits, the Belizean banana industry has received some benefits under this programme and has taken steps to improve field productivity and decrease production costs to enhance its competitiveness.

As a member of the ACP group of states, Belize has traditionally benefitted from preferential access to the EU sugar market. However, these benefits have progressively declined as the preferential sugar regime has been subjected to intense pressure from the WTO through challenges initiated by Brazil, Thailand and Australia. In response to these pressures and also to ensure a sustainable EU market balance consistent with its international commitments, the EU implemented a 36.0% price cut that was gradually phased in between July 1, 2006 and October 2009. From the implementation of the new regime until the end of 2012, the industry revenue loss amounted to approximately U.S.\$24.9 million.

Securing additional EU market access to cushion the impact of the steep price cuts was a key requirement for the industry’s survival. This was achieved by way of the EU/CARIFORUM EPA that was implemented on January 1, 2008 and that became effective for sugar at the end of September 2009 with the expiration of the EU/ACP Sugar Protocol. Under this new trade arrangement, Belize sugar exports have quota-free, duty-free access into the EU market. Domestically, several strategic initiatives were undertaken such as the amendment of the Sugar Industry Act, the overhaul of the sugarcane licensing system and the implementation of a 24-hour factory delivery system. The achievement of Fair Trade certification, a significant development in 2008, provided the Belize Sugarcane Farmers Association with additional funding of U.S.\$60 per metric ton of sugar sold to the EU. More recently, beginning with the 2010/11 sugarcane crop, delivery schedules by appointment and test groups were implemented to improve the quality of deliveries to the factory and facilitate payment by quality.

Imports

In 2011, major imports into Belize consisted primarily of:

- goods for the Commercial Free Zone
- mineral, fuel and lubricants;
- machinery and transport equipment; and
- manufactured goods.

During 2011, total gross imports (including cost, insurance and freight or “c.i.f.”) increased by 19.9% to U.S.\$858.5 million, as compared to U.S.\$715.8 million in 2010, primarily as a result of the expansion of other goods not elsewhere classified (N.E.C.), consumer and intermediate goods. Imports of other goods N.E.C., which include, among other things, fuel and goods for the Commercial Free Zone, increased by 43.2% in 2011 to U.S.\$306.4 million, as compared to U.S.\$213.9 million in 2010. This increase in imports of other goods N.E.C. was primarily the result of a 36.0% growth in fuel imports as well as a 52.7% rise in goods imported into the Commercial Free Zone, which was due to increased border trade with Mexico. Imports of consumer goods increased by 14.5% in 2011 to U.S.\$157.6 million, as compared to U.S.\$137.7 million in 2010, primarily as a result of growth in imports of non-durable items such as fungicides, herbicides and cigarettes. Imports of intermediate goods increased by 7.9% in 2011 to U.S.\$319.4 million, as compared to U.S.\$295.9 million in 2010, as a result of an 17.3% rise in imports of fuel and lubricants and a 4.6% increase in imports of industrial supplies. Fuel and lubricants rose primarily because of an increase in the average acquisition cost of fuel and a 40.6% increase in the value of electricity imports. Imports of capital goods increased by 10.0% in 2011 to U.S.\$75.0 million, as compared to U.S.\$68.2 million in 2010, primarily as a result of an increase in transport equipment imports that reflected the increased purchases of motor vehicles, outboard motors and recreational vessels.

For the nine-month period ended September 30, 2012, total gross imports (c.i.f.) increased by 6.4% to U.S.\$684.9 million, as compared to U.S.\$643.6 million during the comparable period of 2011. The increase was mostly in intermediate imports, with the most notable growth occurring in purchases of parts and accessories.

The following table shows the value of Belize's gross imports by end-use for the five years ended December 31, 2011 and for the nine-month periods ended September 30, 2011 and September 30, 2012:

Value of Gross Imports ⁽¹⁾

	Year ended December 31,					Nine-month month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
	<i>(in millions of U.S.\$)</i>						
Consumer Goods							
Food & Beverages	U.S.\$ 49.8	U.S.\$ 58.6	U.S.\$ 59.9	U.S.\$ 62.6	U.S.\$ 66.0	U.S.\$ 49.1	U.S.\$ 55.4
Transport Equipment ⁽²⁾	6.3	6.3	5.1	6.1	6.7	4.1	5.1
Durables	18.6	18.1	14.7	19.2	21.7	15.0	14.0
Semi-Durables	18.5	18.4	15.7	15.2	19.9	12.4	14.0
Non-Durables	32.7	32.6	34.6	34.7	43.4	29.9	40.6
Total	U.S.\$ 125.9	U.S.\$ 133.9	U.S.\$ 130.0	U.S.\$ 137.7	U.S.\$ 157.6	U.S.\$ 110.5	U.S.\$ 129.1
Intermediate Goods							
Food & Beverages	U.S.\$ 11.1	U.S.\$ 16.6	U.S.\$ 13.8	U.S.\$ 11.2	U.S.\$ 15.7	U.S.\$ 11.7	U.S.\$ 15.3
Industrial Supplies	135.0	175.1	155.4	155.3	162.5	121.1	124.3
Fuels & Lubricants ⁽³⁾	100.4	127.4	85.7	95.9	112.5	96.1	93.6
of which Electricity	23.2	33.2	20.1	18.5	25.9	24.1	27.8
Parts & Accessories	32.3	46.4	35.5	33.4	28.8	20.5	36.8
Total	U.S.\$ 278.7	U.S.\$ 365.4	U.S.\$ 291.4	U.S.\$ 295.9	U.S.\$ 319.4	U.S.\$ 249.4	U.S.\$ 270.0
Capital Goods							
Transport Equipment ⁽²⁾	U.S.\$ 25.3	U.S.\$ 31.2	U.S.\$ 21.7	U.S.\$ 14.2	U.S.\$ 21.4	U.S.\$ 11.4	U.S.\$ 14.4
Non-Transport Capital Goods	49.5	79.3	63.5	54.1	53.6	39.3	57.3
Total	U.S.\$ 74.8	U.S.\$ 110.5	U.S.\$ 85.2	U.S.\$ 68.2	U.S.\$ 75.0	U.S.\$ 50.7	U.S.\$ 71.8
Other Goods N.E.C.⁽⁴⁾							
Fuel ⁽³⁾	U.S.\$ 32.7	U.S.\$ 41.3	U.S.\$ 39.4	U.S.\$ 40.8	U.S.\$ 55.5	U.S.\$ 48.5	U.S.\$ 47.0
Passenger Motor Cars	12.5	14.5	10.0	9.0	11.4	5.7	11.2
Goods to EPZ ⁽⁵⁾	49.3	45.9	52.4	31.4	32.5	26.6	25.0
Goods to CFZ ⁽⁶⁾	131.6	155.9	78.2	130.1	198.6	146.5	125.8
Household Goods	1.7	1.6	1.7	1.3	3.9	3.1	2.1
Goods N.E.S. ⁽⁷⁾	0.3	1.4	0.9	1.3	4.5	2.6	2.7
Total	U.S.\$ 228.1	U.S.\$ 260.6	U.S.\$ 182.7	U.S.\$ 213.9	U.S.\$ 306.4	U.S.\$ 233.0	U.S.\$ 214.0
Total Gross Imports	U.S.\$ 707.6	U.S.\$ 870.4	U.S.\$ 688.3	U.S.\$ 715.8	U.S.\$ 858.5	U.S.\$ 643.6	U.S.\$ 684.9
of which Commercial Free Zone direct imports	131.6	155.9	78.2	130.1	198.6	146.5	125.8

(1) Imports are c.i.f., which differ in presentation from the import values presented in the balance of payments.

(2) Consumer goods transport equipment includes items such as bicycles and pleasure boats whereas capital goods transport equipment includes items such as trucks.

(3) Intermediate goods fuels include items such as diesel fuel or kerosene whereas other goods N.E.C. fuel largely includes gasoline.

(4) "N.E.C." means "not elsewhere classified".

(5) "EPZ" means "Export Processing Zone". This is an established geographic area in Belize free from import and export licenses, duties and taxes under certain conditions.

(6) "CFZ" means "Commercial Free Zone". It is approximately 295 acres of land at the northern border of Belize and the southeastern border of Mexico, and is geared towards light manufacturing and wholesale/retail merchandising to non-residents of Belize.

(7) "N.E.S." means "not elsewhere specified".

Sources: Statistical Institute of Belize and Central Bank of Belize

Commercial Free Zone

The Corozal Commercial Free Zone of Belize comprises approximately 295 acres of land at the northern border of Belize and the southeastern border of Mexico. The Corozal Commercial Free Zone was initially geared toward light manufacturing, however, the popularity of the Corozal Commercial Free Zone increased with the retail sale of fuel to Mexican customers living in the adjoining border city of Chetumal, Quintana Roo, which has about 151,243 inhabitants. As of December 31, 2012, there were 300 registered companies in the Corozal Commercial Free Zone, of which 197 are active and operating. Liquor, perfume, cosmetics,

cigarettes, apparel, footwear, hardware, tins, electronics, toys and grocery items account for the majority of sales in the Corozal Commercial Free Zone as fuel sales represented only 0.5% of all sales in 2011.

Belize classifies goods that are imported into the Corozal Commercial Free Zone and sold to non-residents as Corozal Commercial Free Zone sales. Belize classifies goods that are imported into Belize and then sold to other countries as re-exports. The value of Commercial Free Zone sales increased by 25.0% in 2011 to U.S.\$219.3 million, as compared to U.S.\$175.4 million in 2010, and the value of re-exports increased by 92.3% in 2011 to U.S.\$52.1 million, as compared to U.S.\$27.1 million in 2010. Belize also estimates that approximately four to six thousand Mexicans enter the Corozal Commercial Free Zone daily to shop in retail establishments.

The greatest benefit Belize derives from the Corozal Commercial Free Zone is in the form of employment. As of December 31, 2011, approximately 2,570 Belizeans were employed in the Corozal Commercial Free Zone, with an additional amount of indirect employment created for persons providing ancillary services. Because Belize purchases the goods sold in the Corozal Commercial Free Zone abroad, Corozal Commercial Free Zone sales do not represent a significant source of net foreign exchange earnings for Belize. In 2005, the Commercial Free Zone Act of 1994 was repealed and replaced by the Free Zones Act. The latter provided for the establishment of a National Free Zone Authority (NFZA) to oversee all free zones operating in the country and to promote the creation of more free zones. In addition, a 2010 amendment to the International Banking Act (formerly known as the Offshore Bank Act) requires Commercial Free Zone companies that conduct banking business directly with international banks to report all such business to the Central Bank of Belize.

Export Processing Zones

Export processing zones are a creation of the Export Processing Zone Act of 1990, which established geographic areas in Belize free from import and export licenses, duties and taxes under certain conditions. Export processing zones were created to benefit Belizean exporters of products that are manufactured from imported raw materials. The export processing zones were established to boost exports, increase the value added in Belize on manufactured goods and create employment. An amendment to the International Banking Act in 2010 requires Belizean export processing zone companies that conduct banking business directly with international banks to report all such business to the Central Bank of Belize. Also in 2010, an amendment to the Export Processing Zone Act was passed to remove the requirement for export processing zone businesses to conduct all transactions in U.S. currency and to impose a social fee of 1.5% on imports and 10.0% on fuel imported into an export processing zone.

No import licenses are required for imports by an export processing zone business into an export processing zone. All imports into an export processing zone, including capital equipment, service and utility vehicles, intermediate goods and supplies and raw materials are exempt from customs, tariffs, and taxes. Quotas or prohibitions on imports of an export processing zone business into an export processing zone do not apply, except that firearms, military equipment and illegal drugs may not be imported into an export processing zone. Import licenses are required for imports from an export processing zone into the customs territory of Belize and all standard customs duties and taxes apply. Similarly, no export licenses are necessary for exports of an export processing zone business out of an export processing zone that leave Belize. Exports out of an export processing zone are exempt from all customs duties and taxes. In addition, export processing zone businesses are exempt from all income, withholding, capital gains and

any new corporate taxes. Any dividends paid by an export processing zone business are also exempt from taxes.

International Reserves

The policy of the Government, consistent with the general practice of the countries comprising the CARICOM is to aim to maintain gross official international reserves equivalent to the value of at least 3 months of imports.

At December 31, 2011, net official international reserves stood at U.S.\$235.2 million, a 8.7% increased as compared to reserves of U.S.\$216.4 million at December 31, 2010. At December 31, 2011, Belize's gross official international reserves stood at U.S.\$236.1 million, which is equivalent to 4.3 months of imports, and consisted of U.S.\$227.7 million in Central Bank's holdings and U.S.\$8.4 million in Government's holdings. The increase in net official international reserves in 2011 reflected the larger surplus on the capital account and foreign direct investment inflows. At September 30, 2012, gross international reserves stood at U.S.\$271.7 million, which was equivalent to 4.5 months of imports, and consisted of U.S.\$263.3 million in Central Bank's holdings and U.S.\$8.4 million in Government's holdings. This increase in gross international reserves was primarily due to increased foreign direct investments and lower portfolio investment outflows that offset higher net loan repayments. See "The Monetary System—Foreign Exchange and International Reserves".

Belize includes deposits of the Government at as part of Net and Gross Official Reserves. Please see table explanation of reserve aggregates under "The Monetary System—Foreign Exchange and International Reserves".

PUBLIC FINANCE

Public Sector Budget

The Government of Belize includes all ministries, departments and agencies whose activities form part of the budgetary operation of the central administration. The operations of state-owned enterprises, including the DFC, are therefore excluded from the Government budget.

Overview

Belize's fiscal year runs from April 1 of each year to March 31 of the following year. Pursuant to the Constitution of Belize, the Minister of Finance is responsible for preparing estimates of revenue and expenditure before the close of the previous fiscal year and submitting those estimates to the National Assembly prior to the commencement of the fiscal year to which they relate. The Ministry of Finance, in conjunction with other ministries and departments, prepares a draft budget, which must be approved by the cabinet prior to its submission to the National Assembly. Final approval by the National Assembly is usually granted by March of each fiscal year.

Budget Policy

Revenue and Grants

The budget distinguishes between current revenue, capital revenue and grants. The largest component of current revenue is tax revenue. The Government derives revenues from a mix of direct and indirect taxes, including levies and taxes on incomes and profits, property, goods and services and imports. Total tax revenue in fiscal year 2011/12 equaled U.S.\$334.9 million. Non-tax revenues amounted to U.S.\$62.4 million in fiscal year 2011/12 and are a less significant source of current revenue. Non-tax revenues are sourced from licenses, rents and royalties and fees. Capital revenue totaled U.S.\$3.9 million in fiscal year 2011/12 and comprises revenues from sales of specific fixed assets.

Starting in fiscal year 2006/07, the Government began collecting revenue from a nascent petroleum industry, and by fiscal year 2011/12, the Government's revenue in the form of taxes, royalties and working interest/production sharing from the petroleum industry had become a very significant contributor to the fiscal budget. In fiscal year 2011/12, the Government collected total revenues of U.S.\$401.3 million, out of which U.S.\$45.1 million or 11.2% was derived from the petroleum sector.

Belize receives grants (in cash and in kind) from various governments and multilateral organizations. Belize uses these grants to reduce its overall budget deficit and, in particular, to finance capital improvement projects. Belize received U.S.\$16.6 million in grants in fiscal year 2011/12, as compared with U.S.\$3.4 million in fiscal year 2010/11.

In fiscal year 2011/12, the largest providers of grants were:

- the EU (U.S.\$6.8 million);
- the United States of America (U.S.\$4.1 million); and
- the CDB (U.S.\$2.9 million).

Expenditure

The budget also distinguishes between current expenditure and capital expenditure. Current expenditures include wages and salaries, pensions, goods and services, debt service costs (domestic and external) and transfers. Capital expenditures include acquisitions of property, capital formation and capital transfers. Capital expenditure is further broken down into Capital II and Capital III expenditures, which are expenditures that are funded by local and foreign sources, respectively.

The major criteria used in determining allocation levels for current expenditure are expenditure ceilings based on Belize's economic policy, Belize's priorities for the fiscal year, and commitments arising from the continuation of programs, projects and policies previously authorized by the cabinet. Such commitments include interest and amortization on public debt, a statutory obligation that is paid first, as well as salaries and pensions, and expenditures on goods and services, which includes public utilities. The major criteria used in deciding allocation levels for capital expenditure are current year projections for public investment, multilateral/bilateral programs and the implementation status of projects.

Surpluses and Deficits

The Government posted primary surpluses for each of the fiscal years 2006/07 through 2011/12, during which period the primary surplus averaged 3.1% of GDP.

The Government incurred an overall budget deficit for five of the six fiscal years 2006/07 through 2011/12. During this said period, the overall budget deficit (including grants) averaged 1.4% of GDP. The Government's overall budget deficit (including grants) decreased from U.S.\$47.7 million in fiscal year 2006/07 to U.S.\$15.9 million in fiscal year 2011/12. This deficit decrease since fiscal year 2006/07 has been mainly the result of moderate increases in expenditure combined with rising revenue collections from the domestic petroleum sector. For fiscal year 2011/12, the overall budget deficit (including grants) amounted to 1.1% of GDP, as compared to a deficit amounting to 3.9% of GDP for fiscal year 2006/07.

Consolidated Fund

Belize's Constitution recognizes the existence of a Consolidated Revenue Fund into which substantially all revenues are to be paid to meet the Government's expenditures and obligations. The Constitution further provides that debt obligations of the Government, including the interest and amortization payments in respect of that debt, and the costs, charges and expenses incidental to the management of that debt (including any sinking funds established for the repayment of any debt) must be charged to the Consolidated Revenue Fund. Payments of principal and interest on the 2038 Bonds will be paid from the Consolidated Revenue Fund.

Audit and Review

Under the Constitution, Belize's public finances must be audited annually by the Auditor General (who heads the independent audit department of the Government). The Auditor General's report must be submitted to the Public Accounts Committee of the National Assembly. The chairman of the Public Accounts Committee is required to be a member of the opposition party. The Public Accounts Committee is permitted to hold public hearings on the Government's accounts. In addition, the IMF and the CDB also review the Government's public finances.

The following table shows Belize's fiscal results for fiscal year 2006/07 through fiscal year 2011/12 and the fiscal year 2012/13 budget:

Government Revenue and Expenditure

	Fiscal Year ended March 31,						
	2007	2008	2009	2010	2011	2012	2013*
	<i>(in millions of U.S.\$, except percentages)</i>						
Current Revenue:							
Tax Revenue							
Income and Profits	U.S.\$ 69.1	U.S.\$ 90.0	U.S.\$ 98.3	U.S.\$ 106.7	U.S.\$120.0	U.S.\$ 118.5	U.S.\$ 113.1
Property	2.1	3.3	3.2	2.6	3.3	3.3	3.5
Goods and Services	108.5	115.0	118.4	110.3	125.6	115.1	131.9
International Trade	85.5	87.6	77.1	82.7	80.8	98.0	93.2
Total Tax Revenue	U.S.\$ 265.2	U.S.\$ 295.9	U.S.\$ 297.0	U.S.\$ 302.3	U.S.\$329.7	U.S.\$ 334.9	U.S.\$ 341.7
Non-Tax Revenue ⁽¹⁾	28.0	42.1	46.2	46.3	53.4	62.4	68.0
Total Current Revenue	U.S.\$ 293.2	U.S.\$ 338.0	U.S.\$ 343.2	U.S.\$348.6	U.S.\$383.1	U.S.\$ 397.3	U.S.\$ 409.7
Current Expenditure:							
Wages and Salaries	U.S.\$ 109.7	U.S.\$ 117.0	U.S.\$ 125.0	U.S.\$ 136.8	U.S.\$139.5	U.S.\$ 148.2	U.S.\$ 147.4
Pensions	20.0	21.1	23.8	24.1	22.7	25.8	25.4
Goods and Services	54.9	66.3	73.5	78.4	81.8	85.9	86.3
Interest Payments on Debt	97.5	58.3	52.0	48.6	48.4	50.0	68.1
Subsidies and Current Transfers	26.2	38.0	42.6	46.5	48.6	52.3	61.7
Total Current Expenditure	U.S.\$ 308.3	U.S.\$ 300.7	U.S.\$ 316.9	U.S.\$ 334.4	U.S.\$341.0	U.S.\$ 362.2	U.S.\$ 388.9
Current Balance	U.S.\$ (15.1)	U.S.\$ 37.3	U.S.\$ 26.3	U.S.\$ 14.2	U.S.\$42.1	U.S.\$ 35.1	U.S.\$ 20.8
<i>As percent of GDP</i>	(1.2)%	2.9%	1.9%	1.0%	3.0%	2.4%	1.4%
Capital Revenue	U.S.\$ 5.7	U.S.\$ 15.1	U.S.\$ 2.2	U.S.\$ 2.4	U.S.\$ 2.3	U.S.\$ 3.9	U.S.\$ 4.0
Capital Expenditure:							
Capital II Expenditure	U.S.\$ 40.2	U.S.\$ 36.2	U.S.\$ 39.4	U.S.\$ 26.9	U.S.\$36.6	U.S.\$ 36.4	U.S.\$ 39.7
Capital III Expenditure	15.2	31.0	25.8	20.3	26.6	32.7	38.8
Capital Transfers ⁽²⁾	1.2	6.6	1.6	2.6	8.3	2.4	1.6
Total Capital Expenditure	U.S.\$ 56.6	U.S.\$ 73.8	U.S.\$ 66.8	U.S.\$ 49.8	U.S.\$71.5	U.S.\$ 71.5	U.S.\$ 80.1
Overall Balance (before Grants)	U.S.\$ (66.1)	U.S.\$ (21.5)	U.S.\$ (38.4)	U.S.\$ (33.2)	U.S.\$(27.1)	U.S.\$ (32.4)	U.S.\$ (55.2)
Grants	18.4	12.6	43.5	16.8	3.4	16.6	17.6
Primary Balance	U.S.\$ 49.9	U.S.\$ 49.4	U.S.\$ 57.2	U.S.\$ 32.2	U.S.\$24.8	U.S.\$ 34.1	U.S.\$ 30.4
<i>As percent of GDP</i>	4.1%	3.8%	4.2%	2.4%	1.8%	2.3%	2.0%
Overall Balance (after Grants)	U.S.\$ (47.7)	U.S.\$ (8.9)	U.S.\$ 5.2	U.S.\$ (16.4)	U.S.\$(23.7)	U.S.\$ (15.9)	U.S.\$ (37.6)
<i>As percent of GDP</i>	(3.9)%	(0.7)%	0.4%	(1.2)%	(1.7)%	(1.1)%	(2.5)%
Financing:							
Privatization Proceeds	n.a.	n.a.	n.a.	n.a.	U.S.\$27.3	U.S.\$ 10.4	n.a.
Domestic Financing:							
Central Bank	U.S.\$ 50.6	U.S.\$ (14.6)	U.S.\$ (37.9)	U.S.\$ 0.0	U.S.\$(36.2)	U.S.\$ (4.4)	U.S.\$ (7.5)
Commercial Banks	(12.0)	6.8	26.2	(2.2)	20.9	(4.4)	(5.0)
Non-Bank	(0.5)	(4.0)	4.1	3.6	6.6	3.7	(3.1)
Total Domestic Financing	U.S.\$ 38.1	U.S.\$ (11.8)	U.S.\$ (7.6)	U.S.\$ 1.4	U.S.\$(8.7)	U.S.\$ (5.1)	U.S.\$ (15.6)
External Financing:							
Disbursements	58.2	81.9	44.4	51.1	29.1	33.9	54.3
Amortization	(48.2)	(60.5)	(40.7)	(35.0)	(27.1)	(24.1)	(32.3)
Sinking Fund and JCF							
Total External Financing	U.S.\$ 10.0	U.S.\$ 21.4	U.S.\$ 3.8	U.S.\$ 16.2	U.S.\$ 2.0	U.S.\$ 9.8	U.S.\$ 22.0
Other	0.5	(0.7)	1.3	1.2	3.1	0.8	0.0
Total Financing	U.S.\$ 47.7	U.S.\$ 8.9	U.S.\$ (5.2)	U.S.\$ 16.4	U.S.\$23.7	U.S.\$15.9	U.S.\$ 37.6

n.a. Information not available for reference period.

* Budgeted. The fiscal year 2012/13 budget does not take into account any reduction in debt servicing costs that may result from this Offer.

(1) Includes revenues from licenses, rents and royalties and fees.

(2) Transfers to state-owned enterprises.

(3) The overall balance after grants is targeted to be 3.0% of GDP depending on the rate of implementation of externally funded projects.

Source: Ministry of Finance

Fiscal Year 2011/12 Revenue and Expenditure

Overview

Belize posted a fiscal deficit of U.S.\$15.9 million in fiscal year 2011/12, or 1.1% of GDP, as compared to a fiscal deficit of U.S.\$23.7 million in fiscal year 2010/11, or 1.7% of GDP.

The overall deficit of U.S.\$15.9 million in fiscal year 2011/12 was financed primarily by foreign sources, as disbursements of U.S.\$33.9 million exceeded amortization payments of U.S.\$24.1 million to yield an inflow of U.S.\$9.8 million.

Revenue

Revenue and grants for fiscal year 2011/12 increased by 7.5% to U.S.\$417.8 million, or 28.6% of GDP, as compared to U.S.\$388.8 million, or 27.6% of GDP, collected in fiscal year 2010/11.

Current revenue for fiscal year 2011/12 increased by 3.7% to U.S.\$397.3 million, or 27.2% of GDP, as compared to U.S.\$383.1 million, or 27.1% of GDP, collected in fiscal year 2010/11. The increase in revenue was primarily due to the impact of the robust collections from the local petroleum sector and dividends from the nationalized telecommunications company.

Capital revenue for fiscal year 2011/12 increased by 67.2% to U.S.\$3.9 million, as compared to U.S.\$2.3 million collected in fiscal year 2010/11. This increase in capital revenue was primarily driven by higher sales of crown lands.

Expenditures

Total expenditure for fiscal year 2011/12 increased by 5.1% to U.S.\$433.7 million, or 29.7% of GDP, as compared to U.S.\$412.5 million, or 29.2% of GDP, in fiscal year 2010/11. Current expenditure accounted for U.S.\$362.2 million, or 83.5% of total expenditure in fiscal year 2011/12, while capital expenditure accounted for U.S.\$71.5 million, or 16.5% of total expenditure in fiscal year 2011/12.

Current expenditure for fiscal year 2011/12 increased by 6.2% to U.S.\$362.2 million, as compared to U.S.\$341.0 million in fiscal year 2010/11, primarily as all other major categories of current expenditures increased moderately during fiscal year 2011/12 when compared to the previous fiscal year. The largest component of current expenditure continues to be wages and salaries, which amounted to U.S.\$148.2 million and represented 34.2% of Belize's total expenditure in fiscal year 2011/12, compared to U.S.\$139.5 million, or 33.8%, in fiscal year 2010/11.

During the review period, wages and salaries consumed 36% of total revenue and grants. Belize's expenditure on wages and salaries was equivalent to 10% of GDP and is reflective of the need to maintain full sovereign government operations, and to deliver government services, in a small country with a low population density.

Interest expenditure for fiscal year 2011/12 increased by 3.3% to U.S.\$50.0 million, or 11.5% of total expenditure, as compared to U.S.\$48.4 million, or 11.7% of total expenditures, in fiscal year 2010/11. Interest expenditure consumed 12.0% of total revenue and grants in fiscal year 2011/12 as compared to 12.5% in fiscal year 2010/11.

Capital expenditures remained steady at U.S.\$71.5 million, or 17.0% of GDP, in both fiscal years 2011/12 and 2010/11, along with Capital II expenditures which were constant at approximately

U.S.\$36.5 million. Capital III expenditures for fiscal year 2011/12 increased by 22.5% to U.S.\$32.7 million, as compared to U.S.\$26.6 million in fiscal year 2010/11, as a consequence of improved capacity in the execution of foreign-funded projects. Capital transfers and net lending for fiscal year 2011/2012 declined by 71.1% to U.S.\$2.4 million, as compared to U.S.\$8.3 million in fiscal year 2010/11.

Fiscal Year 2012/13

The fiscal year 2012/13 budget is consistent with Belize's fiscal consolidation and overall macroeconomic program, which has as its primary goals the promotion of sustained economic growth and poverty reduction and does not take into account any reduction in debt servicing costs that may result from this Offer. The overall deficit for fiscal year 2012/13 is budgeted to increase by 136.5% to U.S.\$37.6 million, as compared to U.S.\$15.9 million deficit posted in fiscal year 2010/11. Budgeted current revenue for fiscal year 2011/12 totals U.S.\$409.7 million. Belize's revenue take from the domestic petroleum industry is projected to decline by 19.5% to U.S.\$36.3 million in fiscal year 2012/13, after it peaked at U.S.\$45.1 million in fiscal year 2011/12.

Breakdown of Government's Revenue from the Local Petroleum Industry Fiscal Year ended March 31,

	2007	2008	2009	2010	2011	2012	2013
	<i>(in millions of U.S.\$, except percentages)</i>						
Taxation	0.0	5.6	10.0	10.0	27.8	26.5	21.3
Royalties	2.0	5.6	8.5	6.2	8.2	10.5	8.5
Working interest ⁽¹⁾	0.0	0.0	0.0	0.0	6.1	8.1	6.6
Total	2.0	11.2	18.5	16.1	42.1	45.1	36.3
<i>As Percent of GDP</i>	0.2%	0.9%	1.4%	1.2%	3.0%	3.1%	2.4%

(1) Includes Working Interest, Production Sharing and other small fees.

Source Ministry of Finance

Budgeted expenditure for fiscal year 2012/13 is projected to increase by 8.1% to U.S.\$468.9 million, as compared to expenditures of U.S.\$433.7 million from fiscal year 2011/12, due largely to increases in current expenditure on interest payments and subsidies and current transfers as well as an increase in capital expenditure. The fiscal year 2012/13 expenditure budget is made up of U.S.\$388.9 million for current expenditure and U.S.\$80.1 million for capital expenditure. Of the current expenditure budget, U.S.\$147.4 million is allocated to wages and salaries and U.S.\$68.0 million is allocated to interest expenditure.

The budgeted deficit for fiscal year 2012/13 of U.S.\$37.6 million is expected to be financed primarily by foreign sources, including loans from multilateral development institutions and bilateral partners. Foreign source financings are expected to be U.S.\$22.0 million in fiscal year 2012/13, with budgeted disbursements of U.S.\$54.8 million exceeding budgeted amortization payments of U.S.\$32.3 million.

Tax Reform

While the Government has introduced a number of amendments to the various Tax Acts during the last six years, the Government has recently commenced an initiative to undertake a comprehensive tax reform to follow up on the work of the 2005 Tax Reform Committee. The reform will include the consolidation of the two domestic tax departments, the Department of Income Tax and the Department of

General Sales Tax. The major tax categories and the main amendments made to them in recent years are featured below.

Individual Income Tax

Between 1999 and 2010, all employed persons in Belize earning less than Bz.\$20,000 per annum (equivalent to U.S.\$10,000) were exempt from paying income tax, and all employed persons in Belize earning in excess of Bz.\$20,000 per annum were taxed at a flat rate of 25% on such excess earnings. The amendments introduced in 2010 provided declining tax relief, established by income bands, to employed persons earning no more than Bz.\$29,000 per year (equivalent to U.S.\$14,500.00) as follows:

- Employed persons who earn less than Bz\$26,000 annually are allowed to deduct a basic tax relief of \$25,600 from their annual income, and a 25% tax rate is then applied to the remainder or chargeable income.
- Employed persons who earn above Bz\$26,000 but less than Bz\$27,000 annually are allowed to deduct a basic tax relief of \$24,600 from their annual income, and the 25% tax rate is then applied to the remainder or chargeable income.
- Employed persons who earn above Bz\$27,000 but less than Bz\$29,000 annually are allowed to deduct a basic tax relief of \$22,600 from their annual income, and the 25% tax rate is then applied to the remainder or chargeable income.

All other employed persons who earn BZ.\$29,000 or more annually are allowed to deduct a basic tax relief of \$19,600 from their annual income before a 25% tax rate is applied to the remainder or chargeable income.

Business Tax

In 2012, the Income and Business Tax Act was amended to reduce the business tax payable by providers of electricity supply services to 1.75% from 6.5%. In 2010, the rate of business tax payable by entities licensed to provide telecommunication services that offer real time voice services was reduced to 19% from 24.5%. The tax rate on all other entities and services remains between 1.75% and 6%.

General Sales Tax

The general sales tax was first introduced in 2006 with a uniform tax rate of 10% on taxable items and a zero-rate on a limited number of goods. In 2010, the general sales tax rate was increased to 12.5% from 10%. In addition, the Government introduced amendments to remove the general sales tax on a number of basic food and consumer items and on the supply of electricity to consumers who use up to Bz.\$200 of electricity per month (equivalent to U.S.\$100.00), in place of the previous standard of Bz.\$150 per month (equivalent to U.S.\$75.00).

In 2011, the general sales tax on imported fuel was zero-rated, and this coincided with an increase in the import duty on gasoline and diesel. In 2012, the general sales tax on imported fuel was restored and the imported duty on fuel was reduced to the 2011 level.

Taxes on International Trade

Import Duties

All goods imported into Belize are subject to import duties that are calculated on the basis of the cost, insurance and freight, or c.i.f., value of the import. The import duty on gasoline and diesel was increased by Bz.\$1.00 in 2009.

Revenue Replacement Duties

The revenue replacement duty is applied to certain categories of goods to compensate for the revenue loss associated with the removal or reduction of import duties that were established by the creation of CARICOM. In 2008, the revenue replacement duty on imported fuels was removed in favour of a lower fixed rate of import duty.

Environmental Tax

Proceeds of the tax are designated for solid waste disposal projects and are shared between the Government and municipalities.

Social Tax

The social tax also falls under the category of taxes on international trade. In 2005, Belize issued a revised social fee order which imposed a tax of 10.0% on fuel, 6.0% on whiskey, brandy, beverage, rum, gin, cigarettes, beer and stout, and 1.5% on all other goods imported into a Commercial Free Zone. The social tax on the 'all other goods' category of imports into the Commercial Free Zone increased to 5% in 2010 from the 1.5% rate set in 2005. Proceeds of this tax are designated for spending on social programs.

PUBLIC DEBT

General

The Constitution requires that any public sector debt payable from any amount deposited into Belize's consolidated fund be approved by the National Assembly. Belize's consolidated fund comprises all Government revenues. Generally, any public sector debt proposed to be paid from Belize's consolidated fund is submitted for approval by the National Assembly in conjunction with the National Assembly's approval of Belize's annual budget. Belize may also seek the approval of other public sector debt that is not initially included in Belize's annual budget by submitting a supplemental approval request to the National Assembly. There is no constitutional prohibition on Government default with respect to any public sector debt.

Belize's public sector debt consists of domestic public sector debt and external public sector debt. In addition, Belize has guaranteed debt obligations issued by certain privatized entities, as described under "—External Public Sector Debt—Government Contingent External Liabilities". The amounts of Belize's guarantees (*i.e.*, contingent external liabilities), other than unsecured Government-guaranteed DFC debt, are separately presented under "—External Public Sector Debt—Government Contingent External Liabilities". The guarantees represent obligations in respect of which the Government could, in the future, be required to make substantial payments in addition to its domestic and external public sector debt service obligations.

In 2007, to prevent a full-blown balance of payment crisis, the Government restructured its external commercial liabilities by exchanging various commercial debt instruments for a single instrument with a step-up coupon structure and extended repayment period, the so-called U.S. dollar 'super bond'. The eligible amount totaled U.S.\$546.8 million, of which 99.5% has been successfully exchanged leaving only U.S.\$3.0 million untendered.

In August 2009, the Government acquired majority ownership of BTL and in June 2011, it also acquired the majority of shares in BEL. The external and domestic debt tables in this section do not include any liability to the Government arising from these acquisitions, as the compensation values for these shares have not yet been agreed upon. The debt tables also exclude "Other Liabilities" of the Government arising from land acquisition and a court settlement in relation to the international airport. These liabilities are dealt with in the last section of this chapter, "Additional Liabilities".

The figures, ratios and percentages presented in this section do not include the principal amount of any guarantees granted by Belize to any public or private sector entity.

Domestic Public Sector Debt

General

The Government's domestic public sector debt consists of overdrafts, treasury bills, treasury notes, defense bonds, debentures and loans as well as obligations to the SSB. The remainder consists of debt incurred by the non-financial public sector, such as the Belize Marketing Board and BTL. The Central Bank has no domestic debt. The Central Bank Act was amended on March 31, 2010 to reduce the total amount of direct advances the Central Bank may make to the Government at any one time from 20.0% to 8.5% of current revenue collected in the previous fiscal year. The Treasury Bill Act was also amended on March 31, 2010, to raise the principal sum represented by treasury bills and treasury notes outstanding at any one time from U.S.\$50.0 million to U.S.\$100.0 million and U.S.\$37.0 million to

U.S.\$112.5 million, respectively. Outstanding balances of treasury bills and treasury notes are generally rolled over upon maturity.

As of September 30, 2012, Belize's domestic public sector debt amounted to U.S.\$236.5 million. The following table shows the domestic public sector debt for the five years ended December 31, 2011 and for the nine-month period ended September 30, 2012:

	Domestic Public Sector Debt					Nine-month period ended September 30,
	Year ended December 31,					
	2007	2008	2009	2010	2011	
	<i>(in millions of U.S.\$)</i>					
Government ⁽¹⁾	U.S.\$ 161.0	U.S.\$ 166.4	U.S.\$ 160.2	U.S.\$ 183.9	U.S.\$ 190.6	U.S.\$ 198.4
Overdraft (of which is):	56.2	65.5	62.4	17.0	24.1	31.3
Central Bank	54.4	65.5	62.4	17.0	24.1	31.3
Commercial Banks	1.8	0.0	0.0	0.0	0.0	0.0
Treasury Bills	50.0	50.0	50.0	87.5	87.5	87.5
Treasury Notes	27.9	32.9	35.4	68.4	68.4	68.4
Defense Bonds	7.5	7.5	5.0	5.0	5.0	5.0
Debentures	0.0	0.0	0.0	0.0	0.0	0.0
Fort Street Tourism Village	0.1	0.0	0.0	0.0	0.0	0.0
SSB Housing Loan	0.3	0.3	0.3	0.3	0.3	0.3
Debt Restructuring (DFC)	3.1	2.8	2.4	1.9	1.5	1.1
Debt for Nature Swap	3.8	3.2	2.6	1.9	1.5	1.5
Cohune Walk Housing Loan	0.9	0.6	0.0	0.0	0.0	0.0
Belize Bank Limited Marine						
Parade	9.2	3.1	0.0	0.0	0.0	0.0
Guardian Life	0.5	0.5	0.5	0.5	0.5	0.5
Atlantic Bank Limited						
Caye Caulker Airstrip Loan	1.5	0.0	0.0	0.0	0.0	0.0
San Pedro Town Council	0.0	0.0	0.0	0.0	0.7	0.6
Heritage Bank						
Belize City Council	0.0	0.0	1.6	1.4	1.1	2.0
Non-Financial Public Sector ⁽²⁾	7.5	6.3	4.0	3.6	37.8	38.1
Financial Public Sector DFC	0.0	0.0	0.0	0.0	0.0	0.0
Total Domestic Public Sector Debt	U.S.\$ 168.5	U.S.\$ 172.7	U.S.\$ 164.2	U.S.\$ 187.5	U.S.\$ 228.4	U.S.\$ 236.5

(1) As of September 30, 2012, (1) treasury bills represented 37.0% of total Government domestic debt, (2) overdrafts represented 13.2% of total Government domestic debt and (3) treasury notes represented 28.9% of total Government domestic debt.

(2) As of 2011, includes BEL debentures of U.S.\$34.6 million, a BTL loan with Heritage Bank for U.S.\$3.5 million and other statutory bodies.

Source: Central Bank of Belize and Ministry of Finance

During 2011, the amount of overdraft advances to the Government from the Central Bank increased by 41.8% to U.S.\$ 24.1 million, or 6.3% of current revenue of the previous fiscal year, as compared to U.S.\$17.0 million, or 4.9% of the current revenue of the previous fiscal year, in 2010/11. As of September 30, 2012, the total outstanding amount of Central Bank overdraft financing was

U.S.\$31.3 million, or 7.8% of current revenue of fiscal year 2011/12. In addition, the Government borrowed U.S.\$1.1 million from a local commercial bank to on-lend to the Belize City Council. The Belize City Council will reimburse Government for the associated debt servicing.

Domestic Public Sector Debt Amortization

During 2011, the aggregate amount of Government principal repayments on its domestic debt totaled U.S.\$1.1 million, including payments:

- to a local commercial bank, with respect to a Belize City Council loan;
- under the Belize/U.S. Debt for Nature swap;
- to the SSB for housing loans and a loan that was used to pay-off balances owed to the DFC; and
- to a local commercial bank for funds advanced to the San Pedro Town Council.

The following table shows the forecasted amortization schedule for domestic public sector debt beginning the end of December 31, 2012 through to the end December 31, 2016:

Domestic Public Sector Debt Amortization Schedule

	Year ended December 31,				
	2012	2013	2014	2015	2016
	<i>(in millions of U.S.\$)</i>				
Government ⁽¹⁾	U.S.\$ 1.1	U.S.\$ 1.5	U.S.\$ 0.9	U.S.\$ 0.7	U.S.\$ 0.5
Non-Financial Public Sector ⁽²⁾	0.6	1.0	1.1	1.2	1.3
Financial Public Sector DFC	0.0	0.0	0.0	0.0	0.0
Total Domestic Public Sector	U.S.\$ 1.7	U.S.\$ 2.5	U.S.\$ 2.0	U.S.\$ 1.9	U.S.\$ 1.8

(1) Assumes rollover of treasury notes, treasury bills and overdrafts.

(2) Assumes rollover of BEL debentures.

Source: Central Bank of Belize

Following the withdrawal of British defense forces in 1994, Belize issued defense bonds in the aggregate principal amount of Bz.\$15.0 million (equivalent to U.S.\$7.5 million) to finance the military. U.S.\$5.0 million of these bonds were rolled over in 2005 (maturing in 2015), and the remaining U.S.\$2.5 million matured in 2009. These bonds are supported by sinking funds equal to the outstanding principal amount due at maturity. The remaining domestic public sector debt, other than overdrafts, treasury bills and treasury notes, will mature within ten years. Outstanding balances of overdrafts, treasury bills and treasury notes are rolled over. Treasury bills mature within 90 days and treasury notes range from one to ten years in maturity.

Domestic Public Sector Debt Interest

Belize's domestic public sector debt carries fixed interest rates ranging from over 2% to 11%. None of Belize's domestic debt is subject to variable interest rates. As of May 2009, the treasury bill discount rate that had been fixed at 3.25% since November 2002 was allowed to be set by competitive bidding at the time of rollover. In an environment of weak credit demand and high liquidity, the rate on the treasury bills has declined each year and at the last rollover in 2011 stood at 2.21%.

The following table shows the interest schedule for domestic public sector debt that is outstanding as of December 31, 2012 and for the five years ending December 31, 2016:

Domestic Public Sector Debt Interest Payment Schedule

	Year ended December 31,				
	2012	2013	2014	2015	2016
	<i>(in millions of U.S.\$)</i>				
Government ⁽¹⁾⁽²⁾	U.S.\$ 6.0	U.S.\$ 6.7	U.S.\$ 6.6	U.S.\$ 6.6	U.S.\$ 6.5
Non-Financial Public Sector	5.4	4.0	4.0	3.9	3.8
Financial Public Sector DFC	0.0	0.0	0.0	0.0	0.0
Total Domestic Public Sector	U.S.\$ 11.4	U.S.\$ 10.7	U.S.\$ 10.6	U.S.\$ 10.5	U.S.\$ 10.3

- (1) Does not include interest payments on overdrafts, as it may not be possible to anticipate the amount of overdrafts that the Government will incur in future years. The interest rate on overdrafts is calculated on a monthly basis and is currently 11.0%.
- (2) Assumes an average discount rate of 2.2% on treasury bills over the five years.

Source: Central Bank of Belize

During 2011, the Government made aggregate interest payments of U.S.\$9.2 million on its domestic public sector debt, including:

- approximately U.S.\$2.2 million associated with overdraft balances;
- U.S.\$2.3 million on treasury bills and U.S.\$3.8 million on treasury notes;
- U.S.\$0.4 million on defense bonds; and
- an aggregate of approximately U.S.\$0.4 million on several small loans.

Contingent Domestic Liabilities

As of December 31, 2011 the aggregated principal amount of domestic contingent liabilities was U.S.\$58.3 million, of which:

- U.S.\$21.9 million, plus accrued interest, that the Belize Bank is claiming as damages for alleged over payment of taxes;
- U.S.\$16.8 million, plus accrued interest, related to a Belize Bank claim stemming from a 2004 guarantee issued by the Government to support the borrowing of a private sector hospital; and
- U.S.\$19.6 million, plus accrued interest, related to claims by the former shareholders of BTL for damages arising from the Government's non-observance of the 2005 "Accommodation Agreement" between September 2005 and February 2009.

External Public Sector Debt General

As of December 31, 2011, the recorded external public sector debt, including publicly guaranteed external debt, amounted to U.S.\$1,023.4 million, or an estimated 70.7% of GDP, a 0.5% increase as compared to U.S.\$1,018.0 million, or 72.8% of GDP, as of December 31, 2010.

Of the total recorded public sector external debt of U.S.\$1,022.7 million, 93.4% was attributable to the Government, and the remainder was attributable to the financial public sector (4.3%) and the non-financial public sector (2.3%). Of the total public sector guaranteed debt of U.S.\$1.2 million at December 31, 2011, approximately 58.3% was attributable to privatized public entities, while 41.7% was attributable to private entities.

The total recorded public sector external debt of U.S.\$1,022.7 million was comprised of 53.8% in international bonds, 28.7% in multilateral debt, 17.0% in bilateral debt and 0.5% in debt due to commercial banks.

Interest rates on the multilateral and bilateral credits ranged from 1.0% to 5.9% while interest rates on commercial credits and bonds ranged from 1.0% to 8.5%. At the end of 2011, the average remaining life on the multilateral credits was approximately 12.5 years and bilateral credits was approximately 12.9 years, while the average remaining life on commercial credits is 1.6 years. The remaining life on the restructured commercial debt was approximately 17 years.

Principal repayments on the recorded public sector external debt for each year from 2012 until 2016 are estimated to be U.S.\$39.9 million in 2012, U.S.\$40.3 million in 2013, U.S.\$40.8 million in 2014, U.S.\$39.1 in 2015 and U.S.\$40.4 million in 2016. Interest payments over the same period of time are estimated at U.S.\$39.0 million in 2012, U.S.\$57.5 million in 2013, U.S.\$57.7 million in 2014, U.S.\$57.4 in 2015 and U.S.\$56.9 million in 2016.

In order to respond to the threat of rolling blackouts, the Government passed the Electricity (Amendment) Act No.4 of 2011, to provide for assumption of control over the supply of electricity in the public interest on June 20, 2011. The nationalization of BEL added U.S.\$11.3 million to the external public sector debt in 2011, consisting of BEL's liabilities to several banks. The total increase in the external public sector debt was U.S.\$11.6 million during the year. During 2011, the CDB disbursed U.S.\$8.5 million to finance projects in support of health sector reform, the Kendal Bridge and the Social Investment Fund. The IADB also provided U.S.\$10.7 million for land management, solid waste management, tourism development projects and budget support.

From January 1, 2012 to September 30, 2012, external public sector debt disbursements totaled approximately U.S.\$26.6 million, while principal payments totaled U.S.\$30.2 million. The Government accounted for 99.8% of the new debt, which included U.S.\$10.8 million from bilateral sources for budgetary support and U.S.\$15.8 million from multilateral agencies such as the IADB, OPEC Fund for International Development and the CDB for various projects.

As of September 30, 2012, external public sector debt decreased by 0.4% to U.S.\$1,018.9 million, as compared to U.S.\$1,022.7 million as of December 31, 2011, principally due to:

- a 17.5% decrease in the non-financial public sector external debt as of September 30, 2012, from U.S.\$23.6 million at the end of 2011 to U.S.\$19.5 million for the first three quarters of 2012; and
- a 12.6% decrease in the financial public sector external debt as of September 30, 2012 from U.S.\$43.7 million at the end of 2011 to U.S.\$38.2 million for the first three quarters of 2012.

There were small changes in the composition of the recorded external public sector debt: the portion financed by bilateral sources decreased by 0.4% as of September 30, 2012, as compared to a decrease of 0.3% during the comparable period in 2011; and the amount financed by multilateral agencies increased by 0.8% as of September 30, 2012, as compared to an increase

of 3.8% in the same period of 2011. The portion of public sector debt financed by commercial banks and bond issues decreased by 0.6% in the first three quarters of 2012 as compared to the same period in 2011.

The following table shows Belize's recorded external debt by creditor category for the five years ended December 31, 2011 and the nine-month period ended September 30, 2012:

External Public Sector Debt by Creditor

	As of December 31,					As of
	2007	2008	2009	2010	2011	September 30, 2012
	<i>(in millions of U.S.\$)</i>					
PRIVATE SECTOR CREDITORS	U.S.\$577.6	U.S.\$ 570.6	U.S.\$ 562.8	U.S.\$ 556.6	U.S.\$ 555.5	U.S.\$ 550.1
<i>Bonds</i>	U.S.\$571.5	U.S.\$ 566.9	U.S.\$ 561.8	U.S.\$ 556.2	U.S.\$ 550.2	U.S.\$ 546.8
<i>Commercial Bank Facilities</i>	U.S.\$ 6.1	U.S.\$ 3.7	U.S.\$ 1.0	U.S.\$ 0.4	U.S.\$ 5.3	U.S.\$ 3.3
OFFICIAL SECTOR CREDITORS	U.S.\$394.3	U.S.\$ 387.3	U.S.\$ 453.2	U.S.\$ 454.5	U.S.\$ 467.2	U.S.\$ 469.0
<i>Multilateral Facilities</i>	U.S.\$229.2	U.S.\$ 219.7	U.S.\$ 275.8	U.S.\$ 280.5	U.S.\$ 293.6	U.S.\$ 296.1
<i>Bilateral Facilities</i>	U.S.\$165.1	U.S.\$ 167.6	U.S.\$ 177.4	U.S.\$ 174.0	U.S.\$ 173.6	U.S.\$ 172.9
Total External Public Sector Debt	U.S.\$971.9	U.S.\$ 957.9	U.S.\$ 1,016.0	U.S.\$ 1,011.1	U.S.\$ 1,022.7	U.S.\$1,018.9

Source: Central Bank of Belize

During 2011, external public sector debt disbursements totaled approximately U.S.\$37.3 million, while external public sector debt amortization totaled U.S.\$37.1 million. All disbursements in 2011 went to the Government, including:

- U.S.\$24.6 million from multilateral agencies, including:
 - U.S.\$8.5 million from the CDB for projects such as the Kendal Bridge, health sector reform and Social Investment Fund;
 - U.S.\$10.7 million from the IADB for Sustainable Tourism, solid waste and land management programs;
 - U.S.\$2.5 million from the OPEC Fund for International Development for the Southside Poverty Alleviation project; and
 - U.S.\$1.4 million from the International Bank for Reconstruction and Development for the municipal development project.
- U.S.\$12.7 million from bilateral agencies, including:
 - U.S.\$10.0 million from the Republic of China (Taiwan), which was used for budget support; and
 - U.S.\$2.7 million from the Kuwait Fund for Arab Economic Development for the Belize/Guatemala road.

External Public Sector Debt Amortization

Principal and interest payments on the external public sector debt in 2011 totaled U.S.\$81.4 million. The ratio of principal and interest payments to GDP was 5.6% in 2011 as compared to 5.5% in 2010, principally due to amortization payments of U.S.\$37.1 million in 2011 that included U.S.\$10.0 million to the Republic of China (Taiwan), U.S.\$6.1 million to the Belize Mortgage Company for the North American Securitization and U.S.\$16.3 million to multilateral creditors. On April 22, 2002, the DFC completed a mortgage-backed financing (called the North American Securitization), pursuant to which the Belize Mortgage Company 2002-1, a special purpose company, issued U.S.\$40.0 million 8.5% Class A Bonds due 2012, and U.S.\$4.5 million 12.0% Class B Bonds due 2012.

The following table shows the maturity structure for external public sector debt outstanding as of September 30, 2012:

Total External Public Sector Debt Maturity Structure

	Less than 1 year		1-5 years		5-10 years		10 years & over		Total	
	<i>(in millions of U.S.\$)</i>									
Multilateral	U.S.\$	0.1	U.S.\$	16.4	U.S.\$	65.5	U.S.\$	214.14	U.S.\$	296.1
Bilateral		0.6		9.2		28.9		134.2		172.9
Commercial Banks		0.1		3.2		0.0		0.0		3.3
Bonds		0.0		0.0		0.0		546.8		546.8
Total	U.S.\$	0.8	U.S.\$	28.8	U.S.\$	94.4	U.S.\$	885.1	U.S.\$	1,018.9

Source: Central Bank of Belize

External public sector debt interest payments increased by 8.0% to U.S.\$44.3 million in 2011, as compared to U.S.\$41.0 million in 2010. Payments by the Government accounted for approximately 96.2% of the external public sector debt interest payments in 2011. During 2011, a substantial portion of the Government's interest payments went to payments of the U.S. Dollar Bonds Due 2029 (U.S.\$33.1 million), which carried an interest rate of 6.0%. Government payments to multilateral and bilateral agencies in 2011 totaled U.S.\$5.2 million and U.S.\$4.3 million, respectively. Interest payments by the financial public sector in 2011 amounted to U.S.\$1.0 million, approximately U.S.\$0.6 million of which was in respect of the Belize Mortgage Company.

The following table shows the interest schedule for external public sector debt outstanding as of December 31, 2012 and for the five years ending December 31, 2016:

External Public Sector Debt Interest Schedule⁽¹⁾

	Year ending December 31,									
	2012		2013		2014		2015		2016	
	<i>(in millions of U.S.\$)</i>									
Multilateral	U.S.\$	6.1	U.S.\$	7.0	U.S.\$	7.6	U.S.\$	7.8	U.S.\$	7.7
Bilateral		4.5		4.0		3.6		3.1		2.7
Commercial Banks		0.2		0.0		0.0		0.0		0.0
Bonds		39.9		46.5		46.5		46.5		46.5
Total	U.S.\$	50.7	U.S.\$	57.5	U.S.\$	57.7	U.S.\$	57.4	U.S.\$	56.9

(1) No debt restructuring assumed.

Source: Central Bank of Belize

Currency of External Public Sector Debt

The following table shows the Government's recorded external public sector debt by currency of denomination for the period since December 31, 2007 and ending December 31, 2012, as budgeted:

Currency Composition of External Public Sector Debt

	Year ended December 31,					
	2007	2008	2009	2010	2011	2012 ⁽¹⁾
	<i>(as percent of total external public sector debt)</i>					
U.S. Dollars	97.0%	97.5%	91.0%	97.2%	97.1%	97.6%
Euro	1.7	1.2	1.1	0.9	0.8	0.8
Kuwaiti Dinars	1.2	1.3	1.1	1.1	1.2	1.1
Others	0.1	0.0	0.8	0.8	0.9	0.5

(1) Budgeted.

Source: Central Bank of Belize

The appreciation of the Kuwait dinar against the U.S. dollar led to positive valuation adjustments on the loans from the Government of Kuwait during 2011, while the depreciation of the Euro and SDR against the U.S. dollar led to negative valuation adjustments on loans denominated in these currencies. The upward adjustment of the Kuwait dinar-denominated loans totaled U.S.\$0.2 million, while the downward adjustment of the Euro and SDR-denominated loans totaled U.S.\$0.3 million. At December 31, 2011, 97.1% of external public sector debt was denominated in U.S. dollars, 0.8% was denominated in Euro and 1.2% was denominated in Kuwait dinars.

Government Contingent External Liabilities

As of September 30, 2012, the aggregate principal amount of external public sector debt guaranteed by the Government was U.S.\$0.6 million, which was related to the Government's privatization of the Port of Belize in 2002. On October 3, 2005, Government repurchased BWSL and on June 20, 2011, Government assumed control of BEL. The external liabilities of these entities were also assumed by Government and are now classified as part of total public sector debt.

The following table shows the Government's guarantees for the four years ended December 31, 2011 and for the nine-month period ending September 30, 2012:

Government External Guaranteed Debt (Contingent Liabilities)

	Year ended December 31,				Nine-month period ended, September 30, 2012
	2008	2009	2010	2011	
	<i>(in millions of U.S.\$)</i>				
Debt for privatized entities	U.S.\$ 10.9	U.S.\$ 9.2	U.S.\$ 6.9	U.S.\$ 0.7	U.S.\$ 0.6
Belize Water Services	0.0	0.0	0.0	0.0	0.0
Belize Electricity Ltd.	9.8	8.2	6.1	0.0	0.0
Port Belize Ltd.	1.1	1.0	0.8	0.7	0.6
Total	U.S.\$ 10.9	U.S.\$ 9.2	U.S.\$ 6.9	U.S.\$ 0.7	U.S.\$ 0.6

Source: Central Bank of Belize

Debt Service Indicators and Disbursed Debt

Recorded external public sector debt as a percent of GDP fell to 70.7% at December 31, 2011, from 72.3% at December 31, 2010, reflecting reduced borrowing in relation to external public sector debt amortizations. Public sector interest payments on the external debt as a percent of exports of goods and services decreased to 4.7% at December 31, 2011, from 5.0% at December 31, 2010.

The following table shows recorded public sector debt indicators for the five years ended December 31, 2011:

Debt Indicators

	Year ended December 31,				
	2007	2008	2009	2010	2011
	<i>(in millions of U.S.\$, except percentages)</i>				
External Public Sector Debt Service					
Principal ⁽¹⁾	U.S.\$ 84.4	U.S.\$ 52.7	U.S.\$ 41.4	U.S.\$ 35.6	U.S.\$ 37.1
Interest	58.0	44.0	43.1	41.0	44.3
Total	U.S.\$142.4	U.S.\$ 96.7	U.S.\$ 84.5	U.S.\$ 76.6	U.S.\$ 81.4
Exports of Goods and Services ⁽²⁾	U.S.\$823.7	U.S.\$866.6	U.S.\$ 728.0	U.S.\$ 816.3	U.S.\$ 945.1
Interest on External Debt/Revenue	15.2%	11.0%	12.3%	10.7%	10.9%
Interest on External Public Sector Debt/Exports of Goods and Services (%)	7.0	5.1	5.9	5.0	4.7
External Public Sector Debt/ GDP (%)	84.9	80.6	75.3%	72.3%	70.7%
Domestic Public Sector Debt/ GDP (%)	14.7	14.5	12.1%	13.4%	13.4%
Total Public Sector Debt/ GDP (%)	106.6%	100.2%	99.2%	90.7%	88.8%

(1) Excludes restructuring amounts of U.S.\$541.0 million in 2007, U.S.\$0.8 million in 2008 and U.S.\$1.0 million in 2009.

(2) Equal to exports free on board plus the services credit component of the services balance.

Source: Central Bank of Belize

The following table sets forth the amounts of debt service payments for public sector debt from 2012 through 2016:

Debt Service Payments

	Year ending December 31,				
	2012	2013	2014	2015	2016
	<i>(in millions of U.S.\$)</i>				
Domestic Public Sector Debt					
Outstanding	U.S.\$ 208.6	U.S.\$ 206.1	U.S.\$ 204.1	U.S.\$ 202.2	U.S.\$ 200.4
Principal Repayments	1.7	2.5	2.0	1.9	1.8
Interest Payments	11.4	10.7	10.6	10.5	10.3
Subtotal Domestic Debt Service	<u>U.S.\$ 13.1</u>	<u>U.S.\$ 13.2</u>	<u>U.S.\$ 12.6</u>	<u>U.S.\$ 12.4</u>	<u>U.S.\$ 12.1</u>
External Public Sector Debt⁽¹⁾					
Outstanding	U.S.\$ 1,020.3	U.S.\$ 1,029.2	U.S.\$ 1,019.3	U.S.\$ 1,003.1	U.S.\$ 976.0
Principal Repayments	39.9	40.3	40.8	39.1	40.4
Interest Payments	50.7	57.5	57.7	57.4	56.9
Subtotal External Debt Service	<u>U.S.\$ 90.6</u>	<u>U.S.\$ 97.8</u>	<u>U.S.\$ 98.5</u>	<u>U.S.\$ 96.5</u>	<u>U.S.\$ 97.3</u>
Total					
Outstanding	U.S.\$ 1,228.9	U.S.\$ 1,235.3	U.S.\$ 1,223.4	U.S.\$ 1,435.4	U.S.\$ 1,176.4
Principal Repayments	41.6	42.8	42.8	41.1	42.2
Interest Payments	62.1	68.2	68.3	67.9	67.2
Total Debt Service	<u>U.S.\$ 103.7</u>	<u>U.S.\$ 111.0</u>	<u>U.S.\$ 111.1</u>	<u>U.S.\$ 108.9</u>	<u>U.S.\$ 109.4</u>

(1) No debt restructuring assumed.

Sources: Ministry of Finance; Central Bank of Belize

Additional Liabilities

The recorded public debt does not factor in additional liabilities, which include the compensation payable to the previous owners of BTL and BEL as a result of the nationalizations. In seeking to expedite a settlement, the Government has sought and obtained expert advice from NERA Economic Consulting, which puts the total value of the companies at the time of acquisition at US\$89.3 million. The Government has made a settlement offer based on the NERA valuation, but the previous owners have not accepted and have instead submitted claims totaling US\$450.0 million.

The additional liabilities also include the estimated amount of U.S.\$43.0 million that is due to former landowners on account of the land acquisitions that the Government has been making for public purposes since 1980. The Government has generally been able to keep up with the interest payments due on this debt, but now acknowledges a need to address the amount owed for the land acquisitions in order to fulfil its objectives of consolidated debt management for long term sustainability. A small arbitration award of U.S.\$4.0 million due on account of a terminated airport concession is also included in the additional liabilities; the GOB has filed a counter claim against these claimants for taxes due in the sum of BZ\$5,477,805.00 (U.S.\$2,738,902.50).

**Additional Liabilities as of September
30, 2012**

	<i>(in millions of U.S.\$)</i>
Belize Telemedia Ltd	U.S.\$ 46.0 ⁽¹⁾
Belize Electricity Ltd	58.0 ⁽¹⁾
Land Claims	43.0
NEWCO Arbitration Award	4.0
Total	U.S.\$ 151.0

(1) Estimates based on the NERA evaluation plus accrued interest from the respective dates of nationalizations to September 30, 2012.

The total public debt of Belize is higher than the recorded public debt on account of the additional liabilities.

Estimated Total Public Debt as of September 30, 2012

	<i>(in millions of U.S.\$)</i>
Bilateral	U.S.\$ 172.9
Multilateral	296.1
External Commercial	553.1
T-Bills and Other Domestic	373.5
Total	U.S.\$ 1,395.6

THE MONETARY SYSTEM

The Central Bank

The Central Bank was established pursuant to the Central Bank Act of 1982. The Central Bank has a statutory obligation under the Central Bank Act to foster monetary stability and promote credit and exchange conditions conducive to economic growth in fulfillment of the Government's economic policy. The Central Bank Act provides the Central Bank with the statutory authority for regulating the activities of the Belizean banking system. The Central Bank is the sole issuer of Belizean currency and is charged with supervising and regulating the financial system, enacting monetary policy, managing the country's international reserves and supervising foreign exchange transactions.

The operations of the Central Bank are overseen by its board of directors, which establishes the monetary, exchange and credit policies that are implemented by the Central Bank. Currently, the board consists of seven members, appointed by the Minister of Finance. There are three ex officio Board members consisting of the Governor of the Central Bank, the Financial Secretary of the Ministry of Finance and a Deputy Governor of the Central Bank. In addition, the Minister of Finance appoints the chairman of the Board. Normally, at least one of the Board's members will have a legal background.

The Central Bank's primary goals with respect to domestic policy are to:

maintain the stability of the monetary system, prices and the value of Belizean currency;

- promote economic stability, economic development and the liquidity and solvency of the banking system; and
- oversee the operation of banks, credit unions and financial institutions.

The Central Bank's primary goals with respect to external policy are to:

- maintain the value and convertibility of the Belizean dollar;
- manage and maintain international reserves; and
- act as the financial agent of the Government.

From the Central Bank's inception in 1982, Belize has used Central Bank financing as a short-term mechanism to finance Government deficits.

The Central Bank has worked with the CDB, IADB, the IMF and the World Bank to effect improvements in the banking system. The Central Bank has also consulted with central banks of other nations to assist in the establishment of a framework of sanctions for violations of the Banks and Financial Institutions Act of 1995, as amended, and regulations thereunder. Its recent work with the multilateral agencies has generally focused on the following objectives:

- strengthening the monitoring and regulatory oversight of the financial system;
- improving the monetary policy framework;
- improving the financial system infrastructure;

- providing technical assistance and general training of Central Bank staff; and
- providing educational assistance with respect to economic outlook strategies.

Since 2007, the Central Bank has given particular attention to safeguarding the exchange rate while fostering monetary and financial conditions conducive to economic growth. As the banking supervisory authority, the Central Bank has proactively sought to strengthen the legal, regulatory and oversight framework to ensure the soundness and development of the financial system pursuant to the Banks and Financial Institutions Act. The Bank has also begun the initial groundwork for the implementation of a Credit Bureau and National Payments System. This includes the drafting of legislation and the creation of an implementation plan for the National Payments System as well as a vision plan document that forms the basis for advancing the Credit Bureau project.

Monetary Policy

In accordance with the Central Bank Act, the Central Bank's monetary policy should foster a stable macroeconomic environment and counteract actual or anticipated adverse changes in the economy. Although the Central Bank does not have direct control over the pace of economic growth or over other economic factors, such as price levels, it is permitted to use various policies to accomplish its goals. The Central Bank Act empowers the Central Bank to implement certain monetary policy tools that include

- setting the rates that commercial banks pay to depositors or charge to borrowers;
- adjusting the reserve requirements of the commercial banks; and
- directing the investment of commercial banks through lending policy controls.

Other than setting a minimum rate on savings deposits to safeguard the interests of small depositors, the Central Bank has allowed the market to determine the deposit rate. The Central Bank has also chosen not to implement lending policy controls over commercial banks due to the risk of adversely affecting market conditions and the high monitoring costs associated with enforcing those policies.

The management of commercial bank reserve requirements is the main tool that the Central Bank uses to effectuate monetary policy. The Central Bank has used this monetary tool to balance the competing goals of managing domestic credit creation, ensuring sufficient liquidity to foster economic growth and safeguarding net international reserves. Belize has found that any increase in aggregate demand in the Belizean economy tends to trigger an immediate increase in demand for imports. Because the Central Bank has no authority to alter the fixed exchange rate, it must occasionally adjust the reserve requirements in order to manage credit and liquidity conditions so as to keep demand for foreign exchange at a manageable level. In the absence of a deposit insurance scheme, reserve requirements also serve a dual function by providing assurance to depositors that the commercial banks have a portion of their deposits secured with the Central Bank. Traditionally, Central Bank alterations in reserve requirements have been found to have a short-term effect and to also have an uneven impact on the domestic system due to variations in institutional sizes and liquidity positions.

Monetary and financial conditions have altered considerably since 2007 with sluggish credit demand, low growth, high levels of excess liquidity and increasing levels of non-performing loans providing the backdrop for the Central Bank to recalibrate its monetary policy design so as to reduce commercial banks' costs and influence lending rates downwards. The legally mandated level of cash reserves (funds held with the Central Bank at zero interest rate) was reduced in May 2010 from 10.0% to 8.5% of average deposit liabilities. Furthermore, the interest rate floor on saving deposits was

progressively lowered from 4.5% to 2.5%. In addition, a new issuance of government securities provided an investment alternative for banks' surplus funds. Faced with diminishing profitability and the necessity for longer-term adjustments to reduce the level of non-performing loans in the system, banks have been re-pricing the asset side of their balance sheets at differing speeds; hence, since the end of 2007 lending rates have fallen by a weighted average of 158 basis points compared to a 278 basis points fall in the weighted average deposit rates.

Monetary Policy Reforms

Given its principal objectives of defending the fixed exchange rate and fostering monetary and financial stability conditions conducive to economic growth, the Central Bank embarked on a Monetary Policy Reform Project in 2009. The Project was first initiated late in 2006 when the Central Bank invited a team from the IMF Monetary and Capital Markets (MCM) division to examine its monetary policy framework and come up with suggestions for improvement. A follow-up IMF mission in 2007 helped develop the outlines of a more comprehensive and country-specific liquidity monitoring and forecasting framework.

The first phase of the project sought to enhance the Central Bank's capacity to manage liquidity in the banking system with the process slated to involve a gradual shift from heavy reliance on commercial bank reserve requirements to a more proactive, market-based approach. In addition to notable improvements in the monitoring and forecasting of liquidity, two key measures were implemented. In June 2009, the short term yield on Treasury bills that had been fixed at 3.25% since 2002 was liberalized with market participants being invited to submit competitive tenders. The weighted average Treasury bill yield has trended downward since then to 2.02507% at the end of September 2012, with the commercial banks bidding competitively to increase their Treasury bills holdings given sluggish credit demand and high excess liquidity.

Second, rather than continuing its practice of specifically fixing the interbank lending rate, the Central Bank instituted an upper ceiling of 11.0% on the interbank lending rate. Commercial banks were subsequently allowed to offer and place funds at market determined rates, but below this upper threshold. The second phase of the Monetary Policy Reform Project began in 2010 and built on the progress made in the previous year. Reform initiatives focused on two areas—the development of the domestic government debt market and the lowering of intermediation costs in order to influence lending rates downwards.

The development of the government domestic debt market is a prerequisite for the implementation of market-based monetary policy. Efforts undertaken to increase the depth and the level of participation in the security market required amendments to the Treasury Bill, Central Bank and the Banks and Financial Institutions Acts and adjustments to the commercial banks' reserve requirement structure. The volume of government securities, which was limiting market activity, was expanded in 2010 through the raising of the ceiling placed on total securities issuance from \$175.0 million to \$425.0 million. The headroom for Central Bank's market interventions was also expanded by allowing the Central Bank to hold up to ten times (up from seven times) its paid up capital and General Reserve Fund in government securities. Subsequently, an additional \$130.0 million in government paper was issued at varying maturities extending up to ten years.

In order to secure market participation and improve the efficacy of the reserve requirement system, the Central Bank implemented a securities' requirement in May 2010, mandating that banks hold a minimum of 6.5% of their average deposit liabilities in Treasury bills. The securities' requirement added a third tier to the reserve requirements, with tiers one and two being the cash reserve requirement and approved liquid asset requirement, respectively. With the commercial banks demonstrating an

increasing appetite for government paper in the context of sluggish credit demand, the securities requirement was then progressively reduced until it became 0.0% in October 2011.

A commitment to fiscal discipline is also required for government debt markets to develop, function effectively and foster investor confidence. The Government made notable strides toward this end, agreeing to significantly reduce direct financing from the Central Bank through its overdraft facility. The overdraft limit was lowered in April 2010 from 20.0% to 8.5% of the previous year's current revenues. The issuance of the additional securities enabled government to restructure its domestic debt and remain well within the newly agreed overdraft limit for the remainder of the year.

An important milestone achieved under the aegis of the Monetary Policy Reform Project has been the establishment of incentives for liquidity management that are more equitable and fair for commercial banks and that are also conducive to a more sustainable path for credit growth. The shift to increased reliance on price signals for portfolio management should therefore be of benefit to the individual banks, which increases the likelihood that the process of transition will be generally smooth. The efficiency gains afforded to the banks at the various stages of the project should ultimately provide further incentive for interest rate reductions on loans provided to their customers, though other factors could have an impact on the anticipated outcome.

Supervision of the Financial System

The Central Bank is empowered to oversee banks, financial institutions and credit unions. The Central Bank's broad oversight powers are specified in the Banks and Financial Institutions Act, the International Banking Act and the Credit Unions Act. Regulations under the Banks and Financial Institutions Act and the International Banking Act are issued by the Central Bank and approved by the Minister of Finance. These regulations are subject to negative resolution by the National Assembly. In addition, the Central Bank may issue circulars describing requirements and standards.

The Central Bank is charged with monitoring compliance with its regulations and receives monthly balance sheets and income statements from international banks, credit unions and financial institutions, while domestic commercial banks submit weekly balance sheet data. Annual audited financial statements must also be submitted to the Central Bank within four months after the end of the fiscal year-end for banks and financial institutions. In the case of credit unions, audited financial statements must be submitted within sixty-one days after their fiscal year-end. In addition, domestic banks must publish their annual audited financial statements in a Belizean newspaper. International banks must have annual audited financial statements readily available on-site. Banks and credit unions are required to submit loan delinquency information to the Central Bank on a monthly and quarterly basis.

The Central Bank conducts on-site inspections of commercial and international banks as well as credit unions at annual intervals. Financial institutions are monitored continuously on:

- capital adequacy;
- liquidity;
- earnings;
- management; and
- non-performing loans.

Some of the Central Bank's staff receives training from the U.S. Federal Reserve that is usually completed over a four-year period. In addition, the Central Bank has received assistance from multilateral agencies such as the IADB and the IMF in developing its supervisory controls. These efforts have been supplemented by other initiatives intended to improve the functioning and oversight of the financial system, including the implementation of IMF recommendations regarding revisions to the International Banking Act and the Banks and Financial Institutions Act in order to increase adherence to Basel Core Principles.

If a bank or other financial institution were to become insolvent or fail, neither the Government nor the Central Bank would have a statutory responsibility or legal obligation to repay depositors or holders of other obligations of the insolvent institution, in respect of the funds that such creditors were owed by the insolvent or failed institution. The Government or the Central Bank could, in its sole discretion, deem it necessary or advisable to provide financial support in the event of the insolvency or failure of a major institution in order to stabilize the financial system. If the Government or the Central Bank were to take such action, the extent to which Belize's financial position would be impacted would depend on the level of financial support provided. As a result of the liquid asset reserve requirement imposed by the Central Bank, up to 23% of the funds necessary to repay depositors or holders of other obligations of the insolvent or failed institution should be available to cover any such insolvency.

Capital Adequacy Regulations

The Central Bank created regulations in 1996 that enhanced capital requirements for banks and financial institutions under the Banks and Financial Institutions Act (BFIA) and established minimum risk-based capital standards for licensees. These regulations introduced the concept of Tier I and Tier II Capital that have been implemented by regulators internationally. Banks are required to hold Tier I Capital, and the sum of Tier I and Tier II Capital, of not less than 4.5% and 9.0% of total risk-weighted assets, respectively. These capital requirements provide a framework for assigning risk weights to on and off-balance sheet items.

Loan Loss Provisions

The Central Bank created guidelines for loan classification to facilitate proper monitoring of non-performing loans and adequate levels of loan loss reserves. These guidelines were recently revised under the BFIA Circular No.2 of 2011 that came into effect on December 1, 2011.

Loans and other assets are classified as substandard when any one or more of the following conditions exist:

- they are three to six months in arrears;
- interest charges on overdraft facilities have not been covered by deposits for three to less than six months;
- the approved limit on overdraft facilities has been exceeded for six months to less than twelve months;
- loans and other assets fully secured by government guarantees are three and up to six months in arrears and the said government guarantees are ruled invalid by a court; or

- contractual agreements on other assets are not being met.

Loans and other assets are classified as doubtful when any one or more of the following conditions exist:

- loans are over six and up to twelve months in arrears;
- interest charges on overdraft facilities have not been covered by deposits for six to less than twelve months;
- the approved limit on overdraft facilities has been exceeded for twelve months to less than eighteen months;
- loans and other assets fully secured by government guarantees are six and up to twelve months in arrears and the said government guarantees are ruled invalid by a court; or
- collection of other assets under contractual arrangements is highly unlikely.

Loans and other assets are classified as loss when any one or more of the following conditions exist:

- loans are over twelve months in arrears;
- interest charges on overdraft facilities have not been covered by deposits for twelve months or more;
- the approved limit on overdraft facilities has been exceeded for eighteen months or more;
- loans and other assets fully secured by government guarantees are more than twelve months in arrears and the said government guarantees are ruled invalid by a court; or
- other assets under contractual arrangements are considered uncollectible.

All banks and financial institutions are required by the Central Bank to maintain general loan loss reserves amounting to 1% of all loans that are not adversely classified as substandard, doubtful or loss. Loans categorized as substandard require specific loan loss reserves (SLLRs) equal to 20% of such loans. Doubtful loans require SLLRs equal to 50% of such loans. For those loans that are categorized as loss and are fully unsecured, banks and financial institutions must set aside SLLRs equal to 100% of such loans. In the case of loans that are classified as loss and are fully collateralized by marketable security, then SLLRs amounting to 70% of the outstanding balance must be maintained.

The following table sets forth the amounts of past-due commercial bank loans for the five years ended December 31, 2011, and the nine-month periods ended September 30, 2011 and September 30, 2012:

	Past-Due Commercial Bank Loans					Nine-month period ended September 30,	
	Year ended December 31,						
	2007	2008	2009	2010	2011	2011	2012
	<i>(as a percent of total loans)</i>						
Loans in Arrears							
Substandard	5.92%	11.09%	11.08%	17.22%	2.46%	18.13%	1.39%
Doubtful	0.00	0.59	0.14	0.15	3.03	0.68	2.04
Loss	0.01	1.01	1.01	0.99	13.53	1.73	14.61
Total	<u>5.93</u>	<u>12.69</u>	<u>12.24</u>	<u>18.36</u>	<u>19.02</u>	<u>20.54</u>	<u>18.04</u>
Loan Loss Reserves							
(as a percent of past-due loans)	18.23%	15.92%	11.82%	12.32%	23.70%	26.10%	30.94%
(as a percent of total loans)	0.01	2.02	1.45	2.26	4.51	5.4	5.6

Source: Central Bank of Belize

Money Laundering (Prevention) Act of 1996

The National Assembly passed the Money Laundering (Prevention) Act of 1996 in order to combat the problem of drug trafficking in Belize. This legislation makes money laundering a criminal offense and is intended to shift costs of monitoring suspicious activity to financial institutions and their employees instead of the Central Bank. Financial institutions are required to implement controls referred to as “know your customer” procedures that detect suspicious transactions and to report any such transactions. These internal controls and procedures are designed to enhance a financial institution’s ability to detect unlawful activity.

The Money Laundering (Prevention) Act of 1996 was amended in 2002 by the Money Laundering (Prevention) Act of 2002 (as amended in 2002, the Money Laundering Act), which created improved provisions to combat terrorism, to provide for the freezing of funds and other financial assets of terrorists, and to facilitate international cooperation in the investigation and prosecution of money laundering offenses. In addition, Belize created the Financial Intelligence Unit, which is specifically charged with the enforcement of the Money Laundering Act and the responsibility of investigating and prosecuting money laundering offenses and other financial crimes. The director of the Financial Intelligence Unit has the power to obtain information and documents relevant to a criminal investigation in addition to the power to obtain temporary attachment or freezing orders from the courts in appropriate cases.

In 2008, the Money Laundering and Terrorism (Prevention) Act (MLTPA) was revised and came into effect on January 1, 2009. The revisions brought the Act in line with the Financial Action Task Force’s “40 Recommendations and Special Recommendations on Terrorist Financing”. Important changes to the MLTPA included new and improved provisions for the investigation and prosecution of money laundering, terrorism and related crimes; procedures for the forfeiture of criminal proceeds and terrorist property; requirements for relevant entities to take preventative measures to help combat money

laundering and terrorist financing; broadened scope of crimes designated as serious offences; and stiffer penalties for violations of the Act. Under the new MLTPA, the Central Bank of Belize was designated the Supervisory Authority for commercial banks, international banks, financial institutions and credit unions and was given the power to issue sanctions for non-compliance with certain provisions of the Act.

Banking and Financial Institutions

As of December 31, 2011, the Belizean financial system was comprised of 39 financial institutions, including:

- five domestic commercial banks;
- seven international banks;
- one Government-owned development bank (the DFC);
- 13 credit unions;
- 12 insurance companies;
- one Government-owned savings bank; and
- one finance company.

The following table shows the total assets of the financial system held by various categories of financial institutions as of December 31, 2011, unless otherwise indicated:

Number of Financial Institutions⁽¹⁾ in Operation and Percent of Total Assets of the Financial System

	Number of Institutions	Total Assets <i>(in Bz.\$)</i>
Commercial Banks	5	2,565,387
Credit Unions ⁽¹⁾	13	559,310
Insurance Companies	12	210,843
Other Financial Institutions ⁽²⁾	2	145,498
Government Savings Bank	1	15,549

(1) Represents data for the largest 5 credit unions

(2) Includes DFC

Sources: Central Bank of Belize; Ministry of Finance; Development Finance Corporation

The following table identifies the loans and deposits for the indicated financial institutions as of December 31, 2011, unless otherwise indicated:

Loans and Deposits for Financial Institutions⁽¹⁾

	Loans	Deposits
	<i>(in Bz.\$)</i>	
Commercial Banks	1,756,472	2,064,838
Credit Unions	366,851	451,912
Government Saving Bank	n/a	15,549

(1) Excludes international banks, insurance companies and pension funds.

Sources: *Central Bank of Belize; Ministry of Finance; Development Finance Corporation*

Commercial Banks

The major functions of commercial banks are to accept deposits from and make loans to their customers. Apart from customer deposits, commercial banks source funds from shareholder capital and from their head offices or affiliates abroad. Besides the personal loans category, funds are traditionally loaned primarily to the Distribution, Agriculture and Construction sub-sectors.

The Bank of British Honduras was the first bank to start operations in Belize in 1904. It was acquired by the Royal Bank of Canada in 1912. The Belize Bank Limited, a locally incorporated wholly-owned subsidiary of BB Holdings Limited, later acquired the branch operations of the Royal Bank of Canada in 1987. Barclays Bank and The Bank of Nova Scotia opened local branches in 1949 and 1968, respectively. In 2005, Barclays Bank sold its operations to First Caribbean International Bank Limited, a bank incorporated in Barbados, while the Bank of Nova Scotia established a Belize subsidiary by the name of Scotiabank (Belize) Ltd. Atlantic Bank Limited began operations in 1971 and is locally incorporated. Atlantic Bank Limited's holding company is Sociedad Nacional de Inversiones, S.A. (SONISA), a Honduran company, and is 63.0% owned by foreign investors. Heritage Bank Ltd. (formerly Alliance Bank of Belize Limited, which started operations in 2001), is locally incorporated in Belize and began operating under its new name in January 2009. The majority of its shares are owned by a foreign investor.

The following table sets forth the total gross assets of commercial banks for the periods indicated for the five years ended December 31, 2011 and the nine-month periods ended September 30, 2011 and September 30, 2012:

Total Gross Assets of Belizean Commercial Banks

	Year ended December 31,					Nine-month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
	<i>(in millions of U.S.\$)</i>						
Local currency cash	U.S.\$ 16.2	U.S.\$ 19.7	U.S.\$ 18.7	U.S.\$ 16.9	U.S.\$ 19.7	U.S.\$ 15.6	U.S.\$ 17.3
Balances due from Central Bank	75.2	94.8	118.3	112.6	132.8	141.7	161.0
Balances due from other financial institutions	7.0	13.6	3.2	2.5	2.4	2.4	2.5
Foreign assets ⁽¹⁾	101.7	117.7	102.0	113.2	137.2	134.6	132.3
Loans and advances	799.8	871.2	902.7	881.0	878.2	888.8	894.7
Holdings of Government:	20.0	44.4	54.2	81.3	80.5	80.8	91.7
Treasury bills	14.9	44.3	49.2	76.3	75.5	75.8	86.7
Treasury notes	5.0	-	5.0	5.0	5.0	5.0	5.0
Other assets	58.4	73.8	78.4	70.8	71.3	111.9	76.2
Total gross assets	<u>U.S.\$1,078.2</u>	<u>U.S.\$1,235.1</u>	<u>U.S.\$1,277.6</u>	<u>U.S.\$1,278.4</u>	<u>U.S.\$1,322.2</u>	<u>U.S.\$1,334.1</u>	<u>U.S.\$ 1,375.8</u>
Total gross assets growth (percentage change).....	12.7%	14.6%	3.4%	0.1%	3.4%	1.0%	3.1%

(1) Foreign currency assets of commercial banks are excluded from official international reserves.

Source: Central Bank of Belize

The following table sets forth information regarding the allocation of commercial bank loans to each sector of the economy for the five years ended December 31, 2011 and the nine-month periods ended September 30, 2011 and September 30, 2012:

Commercial Bank Loans by Sector

	Year ended December 31,					Nine-month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
	<i>(in millions of Bz.\$)</i>						
Sugar	13.4	17.6	17.8	13.0	13.4	13.3	12.8
Citrus	18.6	18.7	16.9	18.9	17.2	18.7	17.2
Bananas	73.9	79.0	77.0	78.4	78.2	79.6	70.4
Other Agriculture	14.9	20.5	22.4	22.1	25.3	22.5	25.6
Marine Products	27.4	28.1	33.7	37.5	35.3	36.1	35.7
Forestry	1.8	2.3	2.4	1.6	1.6	1.8	1.5
Mining & Exploration	32.0	31.7	23.0	23.0	20.3	21.4	20.1
Manufacturing	32.0	41.3	49.6	47.2	35.1	39.4	32.6
Building & Construction	365.2	411.6	477.4	447.9	443.8	443.4	474.1
Utilities	25.5	15.8	23.3	26.1	29.9	30.1	35.4
Transport	55.8	75.9	75.9	57.9	51.7	54.9	52.8
Tourism	133.2	132.8	129.8	137.8	108.1	128.1	99.9
Distribution	193.9	227.8	222.6	217.7	213.0	218.4	209.8
Personal Loans	375.3	380.7	374.4	384.9	405.5	390.6	411.4
Other	236.7	258.6	259.2	248.0	278.1	279.3	290.1
Total	1,599.6	1,742.4	1,805.4	1,762.0	1,756.5	1,777.6	1,789.4

Source: Central Bank of Belize

During 2011, commercial banks' loans and advances to the private sector declined by U.S.\$2.8 million, largely influenced by U.S.\$22.5 million in loan write offs, particularly for entities operating in the tourism, manufacturing, construction and agriculture sectors. The reduction in outstanding credit to these sectors wiped out increases in lending for home improvement and personal purposes, as well as for land acquisition and professional services. As of September 30, 2012, credit to the private sector had increased by U.S.\$16.5 million, as declines in credit to the agriculture and manufacturing sectors, as well as for entertainment and personal purposes offset increased lending for infrastructure development and residential building and construction.

Interest Rates

In 2011, the Central Bank implemented efforts to bring interest rates more in line with current market and economic conditions, by reducing commercial banks' costs and increasing their flexibility in liquidity management. On February 1, 2011, the interest rate on loans granted to domestic commercial banks in its capacity as lender of last resort was lowered from 18.0% to 11.0% per annum. The mandatory securities requirement was progressively reduced to 0.0% by October 1, 2011 from 5.0% of average deposit liabilities at the start of the year. Also on October 1, 2011, the minimum interest rate on savings deposits was further lowered from 3.5% to 2.5%. These policy changes provided the avenue for lending rates to trend downward as commercial banks' cost of funds was effectively lowered. The weighted average deposit rate fell by 196 basis points to 3.65% by the end of 2011. The weighted average rate on time deposits declined by 205 basis points to 5.37%. Lagging somewhat, the weighted average lending rate declined by 76 basis points to 13.02% with rates on residential mortgages and personal loans experiencing the largest reductions.

By the end of September 2012, the weighted average deposit rate had fallen further by 86 basis points to 2.79 %. A 128 basis-point drop in rates on time deposits was augmented by an 8 basis-point decline in rates on savings deposits. Lending rates, which have been less responsive to market stimulus, fell by 79 basis points to 12.23% over the first three quarters of the year. The most significant declines were noted for mortgage and personal loans which fell by 115 and 92 basis points, respectively..

The following table sets forth information regarding interest rates on commercial bank loans for the five years ended December 31, 2011 and the nine-month periods ended September 30, 2011 and September 30, 2012:

Interest Rates on Commercial Bank Loans⁽¹⁾

	Year ended December 31,					Nine-month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
Weighted Lending Rates							
Personal Loans	16.17%	15.94%	15.28%	15.49%	14.24%	14.72%	13.32%
Commercial Loans	13.80	13.55	13.52	13.39	12.91	12.92	12.35
Mortgage Loans	13.14	12.78	13.26	13.18	11.88	12.08	10.73
Other	13.52	13.45	11.29	12.32	11.84	12.06	10.53
Weighted Average Lending Rates	14.30%	14.10%	13.98%	13.78%	13.02%	13.16%	12.23%

(1) Includes banks authorized to offer multiple banking services.

Source: Central Bank of Belize

The following table sets forth information on interest rates applicable to deposits for the five years ended December 31 and the nine-month periods ended September 30, 2011 and September 30, 2012:

Interest Rates Paid on Deposits by Commercial Banks⁽¹⁾

	Year ended December 31,					Nine-month period ended September 30,	
	2007	2008	2009	2010	2011	2011	2012
Weighted Deposit Rates							
Demand	1.13%	1.10%	0.72%	0.48%	0.48%	0.61 %	0.50%
Savings	5.23	5.28	5.24	4.97	2.98	4.64	2.90
Time	8.38	8.51	8.17	7.42	5.37	6.09	4.09
Weighted Average Deposit Rates	5.97%	6.35%	6.12%	5.61%	3.65%	4.52%	2.79%

(1) Includes banks authorized to offer multiple banking services.

Source: Central Bank of Belize

In 2011, commercial banks' liquidity continued its upward climb as robust growth in net foreign assets which was associated with a further improvement in the current account of the balance of payments coincided with sluggish credit demand. By year-end, the excess statutory liquid asset holdings of the banks had increased by 38.1% and stood some 46.8% in excess of the legal requirement. At U.S.\$55.4 million, excess cash balances were also 54.8% above the required level and significantly above the long term trend.

Growth in excess liquidity persisted into 2012 as liquid asset and cash balances held by commercial banks at the Central Bank stayed well above required levels. At the end of September,

primary liquidity was 70.6% above the required level, with one commercial bank accounting for almost 66.0% of the total excess. At the same time, secondary reserves stood 49.7% higher than the required level.

International Banks

The Central Bank supervises international banks pursuant to the International Banking Act. There are currently seven international banks with collective assets of approximately U.S.\$589.0 million, licensed to do business in Belize. International banks are not subject to taxation in Belize and are permitted to conduct financial services in foreign currencies only with non-residents and local businesses that operate in the Commercial Free Zone or are designated as export processing zones. Similar to commercial banks, international banks activities involve accepting deposits from and making loans to their customers. They also provide other services that include credit card issuance and trust services.

The International Banking Act permits restricted and unrestricted licensees to do banking business in Belize. As of 2002, class A licensees are required to maintain authorized capital in the amount of U.S.\$3.0 million if the licensee is a local company and U.S.\$25.0 million if the licensee is a foreign bank. Class A licensees pay an annual license fee that ranges from U.S.\$20,000 to U.S.\$40,000, depending on their asset size. Class A institutions are permitted to conduct unrestricted banking business. Class B licensees are limited to transacting only such international banking business as is specified in their licenses. Class B licensees pay an annual license fee of U.S.\$20,000 and are required to maintain authorized capital in the amount of either U.S.\$1.0 million if the licensee is a local company or U.S.\$15.0 million if the licensee is a foreign bank. International banks are also subject to the MLTPA.

The Development Finance Corporation

The DFC was established in the 1960s as a private development bank and became a government owned statutory body in 1973. Because the mismanagement of the institution between 1998 and 2004 brought it to the point of financial collapse, the DFC act was amended in January 2004 to specify that it must be subject to the supervision of the Central Bank of Belize. Further measures were taken with the passage of the New DFC Act No. 1 of 2009, which the DFC presently operates under. The New DFC Act No. 1 of 2009 was intended to increase DFC's operational transparency whilst building in safeguards against ministerial directives that could undermine its financial viability. The DFC's board of directors is appointed by the Minister of Finance and is comprised of six representatives from the private sector and three from the public sector representing the Ministry of Finance, the Ministry of Agriculture and the Ministry of Economic Development. The private sector representatives are nominated by the Chamber of Commerce, the Belize Bar Association, the Belize Institute of Chartered Accountants, the Association of Tertiary Level Institutions of Belize and the Belize Credit Union League.

The DFC has a statutory obligation to engage in certain activities that will expand and strengthen the economy of Belize. These activities include:

- providing financing to all sectors of the economy, particularly agriculture, forestry, fishing, industry, agro-industry, education, tourism and housing;
- providing funding to microfinance entities that is on lent to target clientele;
- providing funding to other financial intermediaries that serves their target group;
- promoting and facilitating capital investment; and

- facilitating financial studies to guide investment.

The DFC's board may also sanction other activities conducive to executing the DFC's statutory obligations.

The following table sets forth the value of non-performing DFC loans for the five years ended December 31:

	Year ended December 31,				
	2007	2008	2009	2010	2011
	<i>(in millions of U.S.\$, except percentages)</i>				
Value of non-performing loans	U.S.\$10.87	U.S.\$5.91	U.S.\$6.37	U.S.\$ 7.26	U.S.\$ 6.44
Percentage of total loan portfolio	16.05%	11.11%	14.50%	19.29%	15.96%

Source: Development Finance Corporation

The following tables set forth the recovery experience for residential loans and commercial loans which have been foreclosed by the DFC over the six years ended December 31:

Residential Loan Foreclosure Recovery Experience

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011
	<i>(in Bz.\$)</i>					
Aggregate value of foreclosed loans	Bz.\$4,995,044	Bz.\$9,686,274	Bz.\$4,273,563	Bz.\$2,003,905	Bz.\$896,390	Bz.\$2,010,824
Net Recovery value:	1,296,206	3,951,670	1,328,463	790,605	214,890	510,824
Aggregate liquidation costs	36,989	286,730	147,255	60,665	34,075	75,000
Gross Recovery Value	3,698,838	5,734,604	2,945,100	1,213,300	681,500	1,500,000
Total Net Recovery Value	1,259,217	3,664,940	1,181,208	729,940	180,815	435,824
Net Recovery percentage	77.17%	78.54%	70.43%	70.07%	87.00%	86.46%

Source: Development Finance Corporation

Commercial Loan Foreclosure Recovery Experience

	Year ended December 31,					
	2006	2007	2008	2009	2010	2011
	<i>(in Bz.\$)</i>					
Aggregate value of foreclosed loans	Bz.\$6,652,139	Bz.\$2,801,925	Bz.\$3,125,646	Bz.\$144,841	Bz.\$ 39,241	Bz.\$140,609
Net Recovery value:	1,296,339	2,040,095	1,739,346	88,841	21,241	40,609
Aggregate liquidation costs	332,607	38,902	69,315	2,800	900	5,000
Gross Recovery Value	5,355,800	761,830	1,386,300	56,000	18,000	100,000
Total Net Recovery Value	Bz.\$963,732	Bz.\$2,002,003	Bz.\$1,670,031	Bz.\$86,041	Bz.\$20,341	Bz.\$35,609
Net Recovery percentage	62.71%	36.17%	86.62%	51.21%	80.00%	123.00%

Source: Development Finance Corporation

Financing

In the past, the DFC obtained financing primarily from:

- funds from mortgage-backed financings;
- loans from the Government and the SSB; and
- loans from multilateral lenders, such as the CDB and the European Investment Bank.

Moreover, the Government historically has provided the DFC with equity and debt financing. Any debt financing provided by the Government to the DFC is included in the Government's public sector debt.

The following table sets forth the liabilities of the DFC, as of December 31, 2011:

Liabilities of the DFC

	<i>(in millions of U.S.\$)</i>
External debt ⁽¹⁾	U.S.\$ 33,467
Domestic debt.....	<u>21,124</u>
Total debt.....	<u>54,591</u>

(1) Includes debt incurred in connection with the Belize Mortgage Company 2002-1 mortgage securitizations.

Source: *Development Finance Corporation*

Although the Government is the sole shareholder of the DFC, it is only liable for those DFC obligations that it expressly assumes or guarantees. As a wholly-owned Government entity, however, any deterioration in the credit status of the DFC could adversely affect the Government as a whole. Consequently, the Government has never allowed the DFC to default on any of its obligations.

DFC Balance Sheets

The DFC's summary consolidated audited balance sheets as of December 31, 2010 and 2011, are set forth below.⁽¹⁾

DFC Summary Consolidated Balance Sheets⁽¹⁾

	As of December 31,		
	2010		2011
	<i>(in thousands of U.S.\$)</i>		
Assets			
Current assets	U.S.\$	24,667.5	U.S.\$ 19,460.0
Long-term assets:			
Loans		31,141.5	28,861.5
Assets held for resale.....		341.0	322.5
Other long-term assets.....		1,104.5	2,243.0
Total long-term assets	U.S.\$	32,587.0	U.S.\$ 31,427.0
Total assets	U.S.\$	57,254.5	U.S.\$ 50,887.0
Liabilities and Capital			
Current liabilities:			
Short-term debt (including current portion of long-term debt and bonds payable)		6,870.5	4,305.5
Current portion bonds payable		6,121.5	3,269.0
Other current liabilities.....		770.0	720.5
Total current liabilities		13,762.0	8,295.0
Long-term liabilities:			
Long-term loans		24,039.5	23,076.0
Bonds payable		3,269.0	-
Other long-term liabilities		2,287.0	2,354.0
Total long-term liabilities	U.S.\$	29,595.5	U.S.\$ 25,430.0
Total liabilities.....	U.S.\$	43,357.5	U.S.\$ 33,725.0
Total capital.....	U.S.\$	13,897.0	U.S.\$ 17,162.0
Total	U.S.\$	57,254.5	U.S.\$ 50,887.0

(1) Includes the Belize Mortgage Company 2002-1 and the DFC Investment Company Ltd.

Source: Development Finance Corporation

The following table sets forth the DFC summary consolidated income statement for the three years ended December 31, 2011:

DFC Summary Consolidated Income Statement

	As of December 31,		
	2009	2010	2011
	<i>(in thousands of U.S.\$)</i>		
Net interest income (expenses).....	U.S.\$ 1,746.5	U.S.\$ 1,408.0	U.S.\$ 2,498.0
Net lending operations income (expenses):	(1,312.5)	(930.0)	(637.5)
Total net income (expenses) from lending operations	434.0	478.0	1,860.5
Other income	1,095.5	1,315.0	1,337.0
Overhead expenses:			
Operating gain before unrealized foreign exchange gain (expense).....	(2,389.5)	2,708.5	(3,168.5)
Unrealized foreign exchange gains (expenses).....	(860.0)	(915.5)	29.0
Income (loss) for the year	6.5	5.0	(5.5)
	(853.5)	(910.5)	23.5

Source: Development Finance Corporation

Credit Unions

Credit unions in Belize operate under the Credit Unions Act and are regulated by the Registrar of Credit Unions who, since December 1, 2005, is also the Governor of the Central Bank of Belize. There are ten active credit unions in Belize and the Belize Credit Union League acts as an umbrella organization for eleven of the active credit unions. The main functions of credit unions are to:

- promote thrift through member shares and savings; and
- make loans available to members for personal uses such as home improvement and education.

Credit unions invest in Government securities and maintain accounts with the commercial banks. Pursuant to the Credit Unions Revised Act of 2003, credit unions charge an annual interest rate determined by the board of directors of each credit union. Since the passage of the Credit Unions Amendments Act, this rate is not set by law; however, the majority of credit unions still charge a rate of 12% (1.0% per month on the declining balance), which is the rate required under the previous legislation. Dividends are earned on shares held by members and a rebate is paid by some credit unions consisting of a percentage of the interest paid on loans by members. Traditionally, members of credit unions are drawn from within groups with similar characteristics such as civil servants or church members; however, today many credit unions have relaxed these requirements so that anyone can become a member. Credit unions will normally raise funds from members' shares and deposits. Financing may also be obtained from non-members and international agencies for special purposes such as home construction and agricultural diversification.

Insurance Companies

Insurance companies in Belize operate under the Insurance Act of 2004, which became effective on April 19, 2004 and replaced the Insurance Act of 1976. Insurance companies are regulated by the Supervisor of Insurance, in the Ministry of Finance. These insurance companies provide insurance coverage to individuals and businesses in return for a premium, which is the major source of funding for insurance companies. Currently, 12 domestic insurance companies do business in Belize.

International Insurance Companies

In 1999, Belize enacted the International Insurance Act as a part of its offshore industry infrastructure. Presently, there are twenty-two companies licensed to provide international insurance services from within Belize. These companies serve non-residents and are regulated by the Supervisor of International Insurance who works under the Belize International Financial Services Commission.

Government Savings Bank

The Government Savings Bank established pursuant to the Savings Bank Act of 1939, is operated by the Accountant General's Department of the Ministry of Finance. The Government Savings Bank accepts deposits mostly from small savers. These funds are invested in local and foreign securities which the Government guarantees against the consolidated revenue fund. The interest rate paid by the Government Savings Bank to depositors has been set at 6% by the Minister of Finance pursuant to the Savings Bank Act.

Unit Trust Corporation (Belize) Ltd.

The Unit Trust Corporation (Belize) Ltd. commenced operations in 2003. The Unit Trust managed Belize's sole mutual fund, the Belize Money Market Fund, up until June 2011 when the company chose to voluntarily wind-up its operations.

Money Supply

The broad measure of money supply (M2) includes M1 plus "quasi-money". M1 is the narrowest measure of the money supply, representing all money that can be spent readily or converted to cash for immediate spending. M1 comprises currency in circulation less vault cash held at commercial banks (or currency issue in the hands of the public), plus demand deposit liabilities of commercial banks.

During 2011, the broad measure of money rose by 5.6%, reversing the 0.1% dip recorded in the previous year. Since credit demand remained sluggish, the expansion was largely driven by a 19.9% increase in net foreign assets. In the face of declining profitability and continued build up in liquidity, commercial banks began to decline the issuance and renewal of time deposits in an attempt to lower their cost of funds. Consequently, while quasi-money declined by 4.4%, with the latter change encompassing a notable shift of U.S.\$27.2 million by individuals from time to savings or demand deposits, narrow money expanded by 18.6% with the bulk of the increase being in demand deposits, where interest rates were lower.

Over the first three quarters of 2012, M2 rose by 4.2% to U.S.\$1,147.1 million, as compared to U.S.\$1,066.7 million during the comparable period of 2011, spurred primarily by an 8.3% increase in net foreign assets and to a lesser extent a 2.2% increase in net domestic credit. At the same time, M1 saw a 13.0% increase to U.S.\$474.0 million, as compared to U.S.\$375.1 million during the comparable period of 2011, reflecting growth of U.S.\$58.5 million in demand deposits as higher cost time deposits matured and continued to be switched to lower cost demand deposits.

With the persistent build up of liquidity in the commercial banking system, the weighted average lending rate stood at an all time low of 12.23% at the end of September 2012. The rate reflected rate cuts of 115 basis points for residential construction. At the same time, significant declines in time deposit rates prompted an 86 basis-point reduction in the weighted average deposit rate, which fell to 2.79%.

The following table shows liquidity and credit aggregates as of the five years ended December 31, 2011 and the nine-month periods ended September 30, 2011 and September 30, 2012:

Monetary aggregates – Liquidity and Credit⁽¹⁾

	As of December 31,					As of September 30,	
	2007	2008	2009	2010	2011	2011	2012
	<i>(in millions of U.S.\$)</i>						
Currency in circulation.....	U.S.\$ 76.7	U.S.\$ 76.9	U.S.\$ 77.3	U.S.\$78.9	U.S.\$ 85.6	U.S.\$ 75.2	U.S.\$ 85.6
M1	352.2	353.1	356.6	354.0	419.6	375.1	474.0
M2	868.1	983.3	1,046.6	1,042.5	1,100.6	1,066.7	1,147.1
Credit by sector							
Public sector	U.S.\$ 20.4	U.S.\$ 9.6	U.S.\$ 5.1	U.S.\$4.4	U.S.\$ 4.5	U.S.\$ 4.9	U.S.\$ 8.6
Private sector	779.4	861.6	897.6	876.6	873.7	886.2	888.6
Total credits	<u>U.S.\$ 799.8</u>	<u>U.S.\$871.2</u>	<u>U.S.\$902.7</u>	<u>U.S.\$881.0</u>	<u>U.S.\$ 878.2</u>	<u>U.S.\$ 891.1</u>	<u>U.S.\$ 897.2</u>
Deposits							
Local currency	U.S.\$ 758.7	U.S.\$878.2	U.S.\$944.7	U.S.\$948.8	U.S.\$ 989.4	U.S.\$ 988.5	U.S.\$ 1,032.9
Foreign currency.....	41.7	31.9	33.1	32.3	43.0	40.6	48.2
Total deposits.....	<u>U.S.\$ 800.4</u>	<u>U.S.\$910.1</u>	<u>U.S.\$977.8</u>	<u>U.S.\$981.1</u>	<u>U.S.\$ 1,032.4</u>	<u>U.S.\$ 1,029.1</u>	<u>U.S.\$ 1,081.1</u>

(1) Includes only commercial banks.

Source: Central Bank of Belize

Foreign Exchange and International Reserves

At the heart of Belize's monetary policy is its fixed exchange rate of Bz.\$2.00/U.S.\$1.00, which has been maintained since 1976. Prior to 1976, the Belize dollar was pegged to the pound sterling. As a small, open economy, sharp increases in domestic credit inevitably spill over into the external sector through an increased demand for imports and the hard currency (U.S. dollar) needed to purchase such imports. Since commercial banks dominate lending in the financial system, monetary policy targets commercial banks' liquidity through the Central Bank's management of the monetary base (reserve balances). Adjustments in the monetary base affect credit growth, interest rates and the level of money supply, particularly through the manipulation of reserve requirements (a major instrument of monetary policy). At September 30, 2012, the cash reserve requirement stood at 8.5% and the liquid asset requirement was 23.0%. The Belize dollar is the sole legal tender for domestic transactions. Only dealers that are authorized may carry on the business of trading in foreign currency or foreign currency instruments. An authorized dealer (including commercial banks) must be party to any transaction involving the buying or selling of foreign currency or foreign currency instruments in return for Belizean dollars.

Net official international reserves increased by 8.7% to U.S.\$235.2 million at December 31, 2011 from U.S.\$216.4 million at December 31, 2010. Gross official international reserves at December 31, 2011 were U.S.\$236.1 million, or approximately 4.3 months of merchandise imports and consisted of U.S.\$227.7 million in Central Bank's holdings and U.S.\$8.4 million in Government's holdings. The increase in net international reserves in 2011 was largely due to a larger surplus on the capital account and foreign direct investment inflows. In addition, gross official international reserves grew by 18.3% to U.S.\$271.7 million at September 30, 2012, from U.S.\$229.6 million at September 30, 2011, equivalent to approximately 4.5 months of merchandise imports, and consisted of U.S.\$263.3 million in Central Bank's holdings and U.S.\$8.4 million in Government's holdings. The rise was primarily due to higher grant receipts and increased foreign direct investments, which more than offset a spike in net loan repayments.

See “Recent Developments—The Economic Crisis”, “Public Debt—External Public Sector Debt” and “Public Finance—Public Sector Budget”.

The following table shows the official international reserves for the five years ended December 31, 2011 and for the nine-month periods ended September 30, 2011 and September 30, 2012:

	International Reserves⁽¹⁾						
	Year ended December 31,					As of September 30,	
	2007	2008	2009	2010	2011	2011	2012
	<i>(in millions of U.S.\$)</i>						
Central Bank							
Foreign Exchange							
Assets	U.S.\$88.7	U.S.\$145.6	U.S.\$167.5	U.S.\$172.1	U.S.\$190.4	U.S.\$183.3	U.S.\$225.9
IMF Reserve							
Tranche.....	6.7	6.5	6.6	6.5	6.5	6.6	6.5
SDRs ⁽²⁾	3.4	3.6	31.6	31.0	30.8	31.4	30.9
Total	<u>U.S.\$98.8</u>	<u>U.S.\$155.7</u>	<u>U.S.\$205.7</u>	<u>U.S.\$209.6</u>	<u>U.S.\$227.7</u>	<u>U.S.\$221.3</u>	<u>U.S.\$263.3</u>
Government	U.S.\$9.7	U.S.\$10.8	U.S.\$8.0	U.S.\$8.4	U.S.\$8.4	U.S.\$8.4	U.S.\$8.4
Gross International							
Reserves.....	108.5	166.4	213.7	218.0	236.1	229.6	271.7
Foreign Liabilities	1.2	1.6	0.5	1.5	0.9	1.0	0.7
CARICOM.....	0.0	0.5	0.1	0.5	0.2	0.1	0.0
Other	1.2	1.1	0.4	1.0	0.6	0.9	0.7
Net International							
Reserves.....	<u>U.S.\$107.3</u>	<u>U.S.\$164.8</u>	<u>U.S.\$213.1</u>	<u>U.S.\$216.4</u>	<u>U.S.\$235.2</u>	<u>U.S.\$228.6</u>	<u>U.S.\$271.0</u>
(in months of imports).....	2.3	2.8	4.2	4.5	4.3	4.2	4.5

(1) These consist of the foreign asset holdings of the Central Bank and the Government. The IMF Belize: 2006 Article IV Consultation – Staff Report released in October 2006 only lists the foreign asset holdings of the Central Bank and excludes the foreign currency holdings of Government.

(2) Special Drawing Rights (SDRs) are an international reserve asset created by the IMF and allocated to its members as a supplement to existing reserve assets.

Source: Central Bank of Belize

The Central Bank is responsible for administering exchange controls, which apply to the currencies of all countries. In effect, the exchange controls are principally controls on the outflow of foreign currency from Belize, as there are no restrictions on the inflow of foreign currency (from legitimate sources) into the country. If a bank suspects that any customer may be engaging in illegal activities, it must notify the Central Bank of this circumstance. In the interest of protecting the fixed exchange rate regime, controls remain on capital flows and all capital account transactions must be authorized by the Central Bank.

The current account has been largely liberalized, especially since the advent of credit cards. Authority to administer controls covering a wide range of current account operations is delegated to the commercial banks in their capacity as authorized dealers. Only in specified cases or in requests for amounts of foreign exchange above a specified limit is an application referred to the Central Bank. However, applications for foreign exchange processed by authorized dealers are regularly forwarded to the Central Bank for auditing and recordkeeping.

The Belize dollar comes under pressure whenever there is a disproportionate rise in the demand for imports, in periods following natural disasters and when export receipts are low. This is primarily due to the import dependence of the economy and reliance on receipts from traditional exports and tourism, which continue to be the primary source of foreign reserve levels. Belize's comparatively small economy limits the investment options of commercial banks (apart from loans) to core holdings such as government treasury bills, which also help to satisfy (as of September 1, 2006) the 23.0% liquid asset requirement imposed by the Central Bank. Of this amount, 8.5% is comprised of cash reserves that the commercial banks must hold with the Central Bank. Other approved liquid assets as defined under the Banks and Financial Institutions Act include vault cash and short-term foreign assets.

Even though the requirement for banks to hold Government securities as a portion of their liquid assets was reduced to 0.0% in October 2011, the tepid lending environment has prompted banks to compete more aggressively for Government paper. At the end of September 2012, commercial banks were holding U.S.\$86.7 million in Treasury bills or 99.1% of the total outstanding. Consequently, the weighted average yield on Treasury bills has seen a downward trend, declining from 2.21263% at the last auction in 2011 to 2.02507% at the last auction in the third quarter of 2012.

Capital Markets

The Central Bank facilitates an over-the-counter market for the trading of securities. The Central Bank began facilitating the trading of securities in 1988 when BTL was created through the privatization of Belizean telecommunications. The objective of the over-the-counter market was to facilitate the trading of BTL shares and to involve the public in individual investing.

Most of the securities that are sold in the over-the-counter market are Treasury bills and Treasury notes. There is no listing of prices in this over-the-counter market as a notice is published in national newspapers describing the securities and requesting offers. As of May 2009, the yield on Treasury bills that had been fixed at 3.25% since 2002 was liberalized to a system of competitive bidding. The Central Bank notifies investors if their offers have been accepted and reports to the Accountant General. At the August 2012 auction, the average yield for Treasury bills was calculated at 2.02507%. Treasury notes carry 6.0% for one year notes and 8.25% for 10 year notes.

Securities created in connection with privatizations and defense bonds are also sold in initial public offerings through the over-the-counter facility. There is no guaranteed secondary market for these securities. In the case of privatization and defense bonds, the prices and interest rates are set and fixed, respectively. In each case, the Central Bank notifies prospective buyers as to whether their tenders have been accepted in the same manner as in the case of treasury notes and bills. Efforts are underway to modernize relevant legislation to dematerialize securities to enhance the timeliness and efficiency of the operation of government securities trading.

TERMS AND CONDITIONS OF THE 2038 BONDS

This section of this listing memorandum sets forth the text of the Terms and Conditions of the 2038 Bonds. Belize urges you to read the indenture for a complete description of Belize's obligations and your rights as a holder of the 2038 Bonds.

1. General. (a) This Security is one of a duly authorized series of debt securities of Belize, designated as its "U.S. Dollar Bonds Due 2038" (each Security of this series, a "Security" and, collectively, the "Securities"), and issued or to be issued in one or more series pursuant to a Trust Indenture among Belize and The Bank of New York Mellon as Trustee (the "Trustee"), as amended from time to time (the "Indenture"). The Holders of the Securities shall be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Indenture. A copy of the Indenture is on file and may be inspected at the Corporate Trust Office of the Trustee in New York City. All capitalized terms used in this Security but not defined herein shall have the meanings assigned to them in the Indenture.

(b) The Securities have been authorized by the National Assembly of Belize in accordance with the Finance and Audit (Reform) Act 2005, No. 12 2005.

(c) The Securities are general, direct, unconditional, unsubordinated and unsecured obligations of Belize for the payment and performance of which the full faith and credit of Belize has been pledged and Belize shall ensure that its obligations hereunder shall rank pari passu among themselves and with all of its other present and future unsecured and unsubordinated Public Debt (as defined below).

(d) The Securities are in fully registered form, without coupons. Securities will be originally issued and represented by one or more registered global securities (each, a "Global Security") held by or on behalf of the Depository. Securities in certificated form (the "Certificated Securities") shall be available only in the limited circumstances set forth in the Indenture. The Securities, and transfers thereof, shall be registered as provided in Section 2.6 of the Indenture. Any person in whose name a Security shall be registered may (to the fullest extent permitted by applicable law and subject to the provisions of the Indenture) be treated at all times, by all persons and for all purposes as the absolute owner of such Security regardless of any notice of ownership, theft, loss or any writing thereon.

(e) The Securities shall be issued in denominations of U.S.\$100.00 and integral multiples of U.S.\$100.00 in excess thereof.

2. Amortization. The outstanding principal amount of the Securities shall be repaid pro rata in 38 equal, semi-annual installments commencing August 20, 2019 and ending on the Maturity Date.¹ 2038 Bonds shall not be redeemable prior to the Maturity Date, provided that installments will increase in amount following a Principal Reinstatement Date.

3. Payments. (a) Principal of the Securities shall be payable against surrender of such Securities at the Corporate Trust Office of the Trustee in New York City or, subject to applicable laws and regulations, at the office outside of the United States of a paying agent, by U.S. dollar check drawn on, or by transfer to a U.S. dollar account maintained by the Holder with, a bank located in New York

¹ [Note: Each payment will be approximately US\$13,945,495.]

City. Payment of interest² (including Additional Amounts (as defined below)) on Securities shall be made to the persons in whose name such Securities are registered at the end of the fifteenth day preceding the date on which interest is to be paid (each, a “Record Date”), whether or not such day is a Business Day (as defined below), notwithstanding the cancellation of such Securities upon any transfer or exchange thereof subsequent to the Record Date and prior to such interest payment date; provided, however, that if and to the extent Belize shall default in the payment of the interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose names such Securities are registered as of a subsequent record date established by Belize by notice, as provided in Paragraph 13 hereof, by or on behalf of Belize to the Holders of the Securities not less than 15 days preceding such subsequent record date, such record date to be not less than 10 days preceding the date of payment of such defaulted interest. Payment of interest on a Global Security shall be made (i) by a U.S. dollar check drawn on a bank in New York City delivered to the Depository at its registered address or (ii) by wire transfer in immediately available funds to a U.S. dollar account maintained by the Depository with a bank in New York City. Payment of interest on Certificated Securities shall be made (i) by a U.S. dollar check drawn on a bank in New York City mailed to the Holder at such Holder’s registered address or (ii) upon application by the Holder of at least U.S.\$1,000,000 in principal amount of Certificated Securities to the Trustee not later than the relevant Record Date, by wire transfer in immediately available funds to a U.S. dollar account maintained by the Holder with a bank in New York City. “Business Day” means any day except a Saturday, Sunday or any other day on which commercial banks in New York City or Belize City (or in the city where the relevant paying or transfer agent is located) are required or authorized by law to close.

(b) In any case where the date of payment of the principal of, or interest (including Additional Amounts), on the Securities shall not be a Business Day, then payment of principal or interest (including Additional Amounts) need not be made on such date at the relevant place of payment but may be made on the next succeeding Business Day. Any payment made on a date other than the date on which such payment is due as set forth herein shall have the same force and effect as if made on the date on which such payment is due, and no interest shall accrue for the period after such date.

(c) Interest in respect of any period of less than one year shall be calculated on the basis of a 360-day year of twelve 30-day months.

(d) Subject to relevant unclaimed property laws and regulations, all monies paid by or on behalf of Belize to the Trustee or to any paying agent for payment of the principal of, or interest (including Additional Amounts) on, any Security and not applied but remaining unclaimed for two years after the date upon which such amount shall have become due and payable shall be repaid upon Belize’s written request therefor to or for the account of Belize by the Trustee or such paying agent, the receipt of such repayment to be confirmed promptly in writing by or on behalf of Belize. Belize shall hold those unclaimed monies in trust for the relevant Holder or Holders of the Security or Securities until such time as the claims against Belize for payment of such amounts shall have been prescribed pursuant to Paragraph 15 hereof, and, to the extent permitted by law, the Holder or Holders of such Security or Securities shall thereafter look only to Belize for the payment that such Holder may be entitled to collect, and all liability of the Trustee or such paying agent with respect to such monies shall thereupon cease.

(e) If any amount of principal or interest falling due under the 2038 Bonds on or prior to the tenth anniversary of the date of issuance of the 2038 Bonds is not paid on the scheduled due date, and such default is not cured by the date falling 30 days after the expiration of the grace period for such

² [Note: The 2038 Bonds accrue interest, payable semiannually in arrears, at a rate of 5.000% from March 20, 2013 to August 20, 2013 and 6.767% from August 20, 2017 to February 20, 2038. Payment of interest may be made by issuance and delivery of additional 2038 Bonds and not by payment in cash.]

payment (such date being referred to herein as the “Principal Reinstatement Date”), Belize shall issue to each Holder of the 2038 Bonds (as of the Principal Reinstatement Date) within 5 Business Days after the Principal Reinstatement Date on a pro rata basis an amount of additional 2038 Bonds (for each such 2038 Bonds Holder, a “Principal Reinstatement”) equal to 11.11% of the outstanding principal amount of the 2038 Bonds as of the date of original issuance of the 2038 Bonds. The Principal Reinstatement Date shall be the record date for purposes of determining Holders who are entitled to receive such additional 2038 Bonds.

If a Principal Reinstatement occurs, Belize shall (i) file a supplement with the Luxembourg Stock Exchange indicating the principal amount of 2038 Bonds issued in connection therewith,³ and the total principal amount of 2038 Bonds outstanding following such Principal Reinstatement and (ii) provide notice of such Principal Reinstatement to the Holders pursuant to Paragraph 13 below. 2038 Bonds issued following a Principal Reinstatement Date will be fungible with other 2038 Bonds. The Indenture contains instructions for Belize to notify the Trustee of the Principal Reinstatement, and for the Trustee to instruct DTC to credit these additional 2038 Bonds to the account of each Agent Member holding 2038 Bonds Outstanding as of the Principal Reinstatement Date within 5 Business Days after the Principal Reinstatement Date. Nothing herein or in the Indenture shall require the Trustee to pro rate the additional 2038 Bonds among the beneficial owners thereof or the DTC participants therefor while the 2038 Bonds are represented by one or more Global Securities, such proration to be solely the responsibility of DTC. Only one Principal Reinstatement Date may occur under the 2038 Bonds.

4. Taxation. All payments by Belize in respect of the Securities shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatsoever nature imposed or levied by or on behalf of Belize or any political subdivision or taxing authority thereof or therein having power to tax, unless Belize is compelled by law to deduct or withhold such taxes, duties, assignments or governmental charges. In such event, Belize shall pay such additional amounts (“Additional Amounts”) as may be necessary to ensure that the amounts received by the Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Securities in the absence of such withholding or deduction; provided, however, that no such Additional Amounts shall be payable:

(a) in respect of any Security held by or on behalf of a Holder or a beneficial owner of a Security who is liable for such taxes, duties, assessments or governmental charges by reason of such Holder or beneficial owner having some present or former connection with Belize other than merely by the holding of such Security or by receipt of income, principal or any payments in respect thereof;

(b) in respect of any Security held by or on behalf of a Holder or a beneficial owner of such Security that is liable for such taxes, duties, assessments or governmental charges by reason of the failure of such Holder or beneficial owner to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Belize, or any political subdivision or taxing authority thereof or therein, of such Holder or beneficial owner or of the Holder or beneficial owner of any interest in such Security or any rights in respect thereof, if (A) compliance is required by Belize, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from all or any portion of such withholding or deduction, (B) at least 60 days prior to the first scheduled payment date for which compliance shall be required, Belize has notified the Trustee in writing that Holders of Securities must comply with such certification,

³ [Note: Belize will apply to list any additional 2038 Bonds on the Luxembourg Stock Exchange, providing any necessary documents, and trade them on the Euro MTF Market.]

identification, information or other reporting requirement in order to receive Additional Amounts and (C) such requirement is not materially more onerous to such Holder or beneficial owner (in form, in procedure or in the substance of information disclosed) than comparable information or other reporting requirements imposed under U.S. federal law, regulation and administration practice (such as U.S. Internal Revenue Service Forms W-8BEN and W-9);

(c) in respect of any Security presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder thereof would have been entitled to Additional Amounts on presenting the Security for payment on the last day of such period of 30 days; or

(d) in respect of any payment on the Securities to a Holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Securities.

As used in this Paragraph 4, “Relevant Date” in respect of any Security means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee on or prior to such due date) the date on which notice is duly given to the Holders in the manner described in Paragraph 13 below that such monies have been so received and are available for payment.

Belize shall pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies which arise in Belize or any political subdivision thereof or taxing authority thereof or therein in respect of the creation, issue, execution, delivery or registration of the Securities or any other document or instrument referred to therein.

Belize shall also indemnify the Trustee and the Holders and beneficial owners from and against any stamp, court or documentary taxes or any excise or property taxes, charges or similar levies resulting from, or required to be paid by any of them in any jurisdiction in connection with, the enforcement of the obligations of Belize under the Securities.

Any reference to “principal” and/or “interest” in this Security shall be deemed to include any Additional Amounts which may be payable hereunder.

5. Negative Pledge Covenant of Belize. So long as any Security shall remain Outstanding or any amount payable by Belize under the Indenture shall remain unpaid, Belize agrees that Belize shall not create, incur, assume or suffer to exist any Lien (as defined below), other than any Permitted Lien (as defined below), on the assets or revenues of Belize to secure Public Debt (as defined below) or any Additional Liability, unless Belize causes such Lien to secure equally and ratably the obligations of Belize with respect to the Securities.

“Debt” means, for any Person, obligations of, or guaranteed (whether by contract, statute or otherwise) by, Belize for borrowed money or evidenced by bonds, debentures, notes or other similar instruments.

“Lien” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any assets or revenues of any kind, whether in effect on the date the Indenture becomes effective or at any time thereafter.

“Permitted Liens” means: (i) any Lien on property to secure Public Debt arising in the ordinary course of business to finance export, import or other trade transactions, which Public Debt matures (after giving effect to all renewals and refinancings thereof) not more than one year after the date on which such Public Debt was originally incurred; (ii) any Lien on property to secure Public Debt incurred solely for the purpose of financing any acquisition by Belize (or, in the case of Public Debt guaranteed by Belize, the obligor in respect of such debt) of such property, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original financing without any increase in the amount thereof; (iii) any Lien on property arising by operation of law other than the law of Belize (or pursuant to any agreement establishing a Lien equivalent to one which would otherwise exist under relevant local law other than the law of Belize) in connection with Public Debt, including without limitation any right of set-off with respect to demand or time deposits with financial institutions and bankers’ liens with respect to property held by financial institutions (in each case deposited with or delivered to such financial institutions in the ordinary course of the depositor’s activities); (iv) any Lien existing on property at the time of acquisition, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the financing secured by such Lien at the time of such acquisition without increase in the amount thereof; (v) any Lien in existence as of the date of the issuance of the Securities; and (vi) any Lien securing Public Debt incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that (a) the holders of such Public Debt agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public Debt and (b) the property over which such Lien is granted consists solely of such assets and revenues.

“Public Debt” means any Debt of Belize that is in the form of, or represented by, bonds, debentures, notes or other similar securities that are or may be quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system or over-the-counter or other securities market (including, without limitation, debt securities issued under the Indenture).

6. Most Favored Creditor Undertaking. Belize shall not enter into any arrangement to pay or to settle in a currency other than Belize dollars an Additional Liability (unless such payment is made in compliance with and in accordance with the terms of a final, non-appealable court order or arbitral award) on terms more favorable to the holder thereof (in a net present value sense, where present value is calculated using a constant 12% discount rate) than the terms offered in the listing memorandum to the holders of tendered Eligible Claims, without simultaneously making those more favorable terms available to each Holder of a tendered 2038 Bond.

7. Events of Default. If one or more of the following events (“Events of Default”) shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Belize fails to pay any amount of principal of or interest on any of the Securities, or any Additional Amounts due in respect thereof, as and when the same shall become due and payable, whether at maturity, by declaration or otherwise, and such failure continues unremedied for a period of 30 days; or

(b) Belize fails duly to observe or perform any of the covenants or agreements provided herein or in the Indenture (in each case, other than those referred to in Paragraph 7(a) hereof), and such failure continues for a period of 60 days; or

(c) Public Debt of Belize issued, or amended as to payment terms, on or after the original issuance date of the Securities, having an aggregate principal amount of at least

U.S.\$25,000,000 (or its equivalent in other currencies) shall become due and payable due to acceleration upon an event of default and such acceleration shall not have been rescinded or annulled; or

(d) Belize or a court of proper jurisdiction shall declare a general suspension of payments or a moratorium on payment of Belize's Public Debt (other than any 2007 Eligible Claim) issued, or amended as to payment terms, on or after the original issuance date of the Securities; or

(e) the validity of the Securities or the Indenture shall be contested in a formal administrative, legislative or judicial proceeding by Belize or any legislative, executive or judicial body or official of Belize which is authorized in each case by law to do so and, acting alone or together with another such body or official, has the legal power and authority to declare the Securities or the Indenture invalid or unenforceable, or Belize shall deny any of its obligations hereunder or thereunder to any of the Holders, or any constitutional provision, treaty, convention, law, regulation, official communique, decree, ordinance or policy of Belize, or any final decision by any court in Belize having jurisdiction, shall purport to render any material provision of the Securities or the Indenture, invalid or unenforceable or shall purport to prevent or delay the performance or observance by Belize of any of its material obligations hereunder or thereunder to any of the Holders; or

(f) any constitutional provision, treaty, convention, law, regulation, ordinance, decree, consent, approval, license or other authority necessary to enable Belize to make or perform its material obligations under the Securities or the Indenture, or the validity or enforceability thereof, shall expire, be withheld, revoked, terminated or otherwise cease to remain in full force and effect, or shall be modified in a manner which adversely affects any rights or claims of any of the Holders; or

(g) the adoption of any applicable law, rule or regulation or any change therein which shall make it unlawful for Belize to comply with Paragraph 4 hereof; or

(h) any writ, execution, attachment or similar process shall be levied against all or any substantial part of the assets of Belize in connection with any judgment (other than in respect of a 2007 Eligible Claim) for the payment of money exceeding U.S.\$25,000,000 (or its equivalent in other currencies) and shall remain unsatisfied, undischarged and in effect for a period of 60 consecutive days without a stay of execution, unless such judgment is adequately bonded or is being contested in good faith by appropriate proceedings properly instituted and diligently conducted and, in either case, such process is not being executed against such assets; or

(i) Belize shall cease to be a member of, or eligible to use the general resources of, the International Monetary Fund, and such failure shall continue for a period of 60 days,

then in each and every such case, upon notice in writing by the Holders (the "Demanding Holders") (acting individually or together) of not less than 25% of the aggregate Outstanding principal amount of the Securities to Belize, with a copy to the Trustee, of any such Event of Default and its continuance, the Demanding Holders may declare the principal amount of all the Securities due and payable immediately, and the same shall become and shall be due and payable upon the date that such written notice is received by or on behalf of Belize, unless prior to such date all Events of Default in respect of all the Securities shall have been cured; provided that if, at any time after the principal of the Securities shall have been so declared due and payable, and before the sale of any property pursuant to any judgment or decree for the payment of monies due which shall have been obtained or entered in connection with the Securities, Belize shall pay or shall deposit (or cause to be paid or deposited) with the Trustee a sum sufficient to pay

all matured installments of interest and principal upon all the Securities which shall have become due otherwise than solely by acceleration (with interest on overdue installments of interest, to the extent permitted by law, and on such principal of each Security at the rate of interest specified herein, to the date of such payment of interest or principal) and such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and all other documented expenses and liabilities reasonably incurred, and all advances made for documented expenses and legal fees, reasonably incurred by the Trustee and each predecessor Trustee, and if any and all Events of Default hereunder, other than the nonpayment of the principal of the Securities which shall have become due solely by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then, and in every such case, the Holders of at least 66 $\frac{2}{3}$ % in aggregate principal amount of the Securities then Outstanding, by written notice to Belize and to the Trustee, may, on behalf of all of the Holders, waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Actions by Holders pursuant to this Paragraph 7 need not be taken at a meeting pursuant to Paragraph 8 hereof. The Trustee shall not be obligated to take any action with respect to an Event of Default under Paragraphs 7(e) and 7(f) hereof unless it shall have received written notification from Demanding Holders of 25% of the aggregate principal amount of Outstanding Securities that an Event of Default described in such Paragraphs has occurred.

Upon the occurrence of an Event of Default under this Paragraph 7, Belize shall give written notice promptly after becoming aware thereof to the Trustee.

“Eligible Claim” means a debt security or other debt instrument or obligation of Belize identified on Schedule A of the listing memorandum.

“2007 Eligible Claim” means a debt security or other debt instrument or obligation of Belize identified on Schedule A of the listing memorandum dated December 18, 2006 and which was exchangeable for U.S. Dollar Bonds Due 2029 as set forth in such Listing Memorandum.

8. Holders’ Meetings. (a) Belize or the Trustee at any time may, and upon a request in writing to the Trustee made by Holders holding not less than 10% in aggregate principal amount of the Securities the Trustee shall, convene a meeting of Holders of the Securities. The Trustee shall give notice of each meeting of Holders of the Securities, setting forth the time and place of the meeting and in general terms the topics to be discussed, or the action to be taken, at that meeting, not less than 30 nor more than 60 days prior to the date fixed for the meeting. To be entitled to vote at any meeting of Holders of Securities a Person shall be, as of the date reasonably set by the Trustee, (i) a Holder of one or more Securities or (ii) a Person appointed by an instrument in writing as proxy by the Holder of one or more Securities. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, the Trustee and its counsel, and any representatives of Belize and its counsel.

(b) Holders entitled to vote a Majority in aggregate principal amount of the Securities at the time Outstanding shall constitute a quorum at a meeting convened for the purpose referred to above. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than ten days. Notice of reconvening of any such meeting need be given only once but must be given not less than five days prior to the date on which the meeting is scheduled to be reconvened. Subject to the foregoing, at the reconvening of any meeting further adjourned for lack of a quorum, the Holders entitled to vote 25% in aggregate principal amount of the Securities at the time Outstanding shall constitute a quorum for the taking of any action set forth in the

notice of the original meeting and such quorum requirement shall be expressly stated in the notice of reconvening.

Further provisions for meetings of Holders are contained in Article 10 of the Indenture.

9. Replacement, Exchange and Transfer of Securities. (a) Upon the terms and subject to the conditions set forth in the Indenture, in case any Security shall become mutilated, defaced or be apparently destroyed, lost or stolen, Belize in its discretion may execute, and upon the request of Belize, the Trustee shall authenticate and deliver, a new Security bearing a number not contemporaneously Outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and in substitution for the apparently destroyed, lost or stolen Security. In every case, the applicant for a substitute Security shall furnish to Belize and to the Trustee such security or indemnity as may be required by each of them to indemnify, defend and to save each of them and any agent of Belize or the Trustee harmless and, in every case of destruction, loss, theft or evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof. Upon the issuance of any substitute Security, the Holder of such Security, if so requested by Belize, shall pay a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee and its agents and attorneys) connected with the preparation and issuance of the substitute Security.

In case any such mutilated, destroyed, lost or stolen Security has become due and payable, Belize in its discretion may, instead of issuing a new Security, pay such Security.

(b) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 9(e) hereof, a Certificated Security or Securities may be exchanged for an equal aggregate principal amount of Certificated Securities in different authorized denominations, and a beneficial interest in the Global Security may be exchanged for Certificated Securities in authorized denominations or for a beneficial interest in another Global Security by the Holder or Holders surrendering the Security or Securities for exchange at the Corporate Trust Office of the Trustee in The City of New York or at the office of a transfer agent, together with a written request for the exchange. Certificated Securities shall only be issued in exchange for interests in a Global Security pursuant to Section 2.5(e) of the Indenture. The exchange of the Securities shall be made by the Trustee in The City of New York.

(c) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 9(e) hereof, a Certificated Security may be transferred in whole or in a smaller authorized denomination by the Holder or Holders surrendering the Certificated Security for transfer at the Corporate Trust Office of the Trustee in the City of New York or at the office of a paying agent accompanied by an executed instrument of transfer provided for in the Indenture. The registration of transfer of the Securities shall be made by the Trustee in The City of New York.

(d) The costs and expenses of effecting any exchange, transfer or registration of transfer pursuant to this Paragraph 9 shall be borne by Belize, except for the expenses of delivery (if any) not made by regular mail and the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge or insurance charge that may be imposed in relation thereto, which shall be borne by the Holder of the Security.

(e) The Trustee may decline to accept any request for an exchange or registration of transfer of any Security during the period of 15 days preceding the due date for any payment of principal of or interest on the Securities.

10. Trustee. For a description of the duties and the immunities and rights of the Trustee under the Indenture, reference is made to the Indenture, and the obligations of the Trustee to the Holder hereof are subject to such immunities and rights.

11. Paying Agents; Transfer Agents; Registrar. Belize has initially appointed the paying agents, transfer agents and registrar listed at the foot of this Security. Belize may at any time appoint additional or other paying agents, transfer agents and registrars and terminate the appointment of those or any paying agents, transfer agents and registrar, provided that while the Securities are Outstanding Belize shall maintain in The City of New York (i) a paying agent, (ii) an office or agency where the Securities may be presented for exchange, transfer and registration of transfer as provided in the Indenture and (iii) a registrar. Notice of any such termination or appointment and of any change in the office through which any paying agent, transfer agent or registrar acts shall be promptly given in the manner described in Paragraph 13 hereof.

12. Enforcement. No Holder of any Securities shall have any right by virtue of or by availing itself of any provision of the Indenture or the Securities to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Indenture or the Securities, or for any other remedy hereunder or under the Securities, unless (a) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof with respect to the Securities, (b) the Holders of not less than 25% in aggregate principal amount Outstanding of the Securities shall have made specific written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have provided to the Trustee such security or reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and (c) the Trustee for 60 days after its receipt of such notice, request and provision of such security or indemnity shall have failed to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 4.7 of the Indenture, it being understood and intended, and being expressly covenanted by every Holder of Securities with every other Holder of Securities and the Trustee, that no one or more Holder shall have any right in any manner whatever by virtue or by availing itself of any provision of the Indenture or of the Securities to affect, disturb or prejudice the rights of any other Holder of Securities or to obtain priority over or preference to any other such Holder, or to enforce any right under the Indenture or under the Securities, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of the Securities. For the protection and enforcement of this Paragraph 12, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

13. Notices. All notices to the Holders shall be published in a leading newspaper having general circulation in either Belize or the Republic of Trinidad and Tobago other than notices by the Trustee to the Holders. In addition, for so long as the Securities are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, Belize will publish all notices related to the Securities in English in a leading newspaper having general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices shall be mailed to Holders of Securities at their registered addresses. Notice sent by registered or certified mail, postage prepaid, shall be deemed to have been given, made or served three Business Days after it has been sent. All notices to DTC shall be given in accordance with DTC's customary procedures.

14. Further Issues of Debt Securities. Belize may, without the consent of the Holders, create and issue further debt securities having the same terms and conditions as the Securities (or the same except for the amount of the first interest payments) so long as the additional debt securities are consolidated and form a single series with any outstanding series; provided that, except in accordance

with Section 2.9 of the Indenture, additional debt securities may be issued only without, or with less than de minimis, original issue discount for U.S. federal income tax purposes.

15. Prescription. All claims against Belize for payment of principal of or interest (including Additional Amounts) on or in respect of the Securities shall, to the extent permitted by applicable law, be prescribed unless made within five years from the date on which such payment first became due, or a shorter period if provided by law.

16. Repurchases. Except (i) during such time that an Event of Default has occurred and is continuing, (ii) after the occurrence of any event or circumstance which would, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfillment of any other requirement provided for in Paragraph 7, constitute an Event of Default or (iii) if Belize has made any public announcement to the effect that Belize is seeking or intends to seek a restructuring of the Securities (whether by amendment, exchange offer or otherwise), Belize may at any time acquire (for cancellation) the Securities in the secondary market by private purchase, exchange or by public tender.

17. Authentication. This Security shall not become valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee or its agent.

18. Governing Law. (a) This Security and the Indenture shall be governed by, and construed in accordance with, the law of the State of New York.

(b) Belize hereby irrevocably submits to the non-exclusive jurisdiction of any New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Securities or the Indenture, and Belize hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York state or federal court. Belize hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right of jurisdiction in such action or proceeding on account of the place of residence or domicile of Belize. Belize hereby irrevocably appoints its Deputy Permanent Representative in New York City, with an office currently at the Permanent Mission of Belize to the United Nations, 675 Third Avenue, Suite 1911, New York, New York 10017, United States of America, as its agent (the "Process Agent") to receive on behalf of itself and its property service of copies of the summons and complaint and any other process that may be served in any such action or proceeding, except actions arising out of U.S. federal or state securities laws, brought in such New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York. Such service may be made by mailing or delivering a copy of such process to Belize, in care of the Process Agent at the address specified above for the Process Agent, and Belize hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf. As an alternative method of service, Belize also irrevocably consents to the service of any and all process in any such action or proceeding in such New York state or U.S. federal court sitting in the Borough of Manhattan, The City of New York by the mailing of copies of such process to itself at its address specified in Section 9.4 of the Indenture. A final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Nothing in this Paragraph 18 shall affect the right of the Trustee or, in connection with legal action or proceedings by any Holder as permitted by the Indenture and this Security, any Holder to serve legal process in any other manner permitted by law or affect the right of the Trustee or any such Holder to bring any action or proceeding against Belize or its property in the courts of other jurisdictions.

(d) To the extent that Belize has or hereafter may acquire or have attributed to it any immunity under any law (other than the law of Belize) from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Belize hereby irrevocably waives such immunity in respect of its obligations under the Securities and the Indenture. To the extent that Belize has or hereafter may have any immunity under the law of Belize (i) from jurisdiction of any court, (ii) from any legal process in the courts of Belize (other than immunity from attachment prior to judgment and attachment in aid of execution), or (iii) from any legal process in any court other than a court of Belize, whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise, with respect to itself or its property, Belize hereby irrevocably waives such immunity to the fullest extent permitted by the law of Belize, in respect of its obligations under the Securities and the Indenture. Without limiting the generality of the foregoing, Belize agrees that the waivers set forth in this Paragraph 18(d) shall be to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act of 1976 and are intended to be irrevocable for purposes of such Act. Notwithstanding the foregoing, Belize reserves the right to plead sovereign immunity under such Act with respect to actions brought against it under the U.S. federal securities laws or any state securities laws, and Belize's appointment of the Process Agent does not extend to such actions.

19. Currency Indemnification. The obligation of Belize to any Holder (which term, for purposes of this Paragraph 19, shall include the Trustee acting on behalf of itself or the Holders, as the case may be) under the Securities that has obtained a court judgment affecting the Securities or the Indenture shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which the Security is denominated (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by such Holder of any amount in the Judgment Currency, such Holder may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency (or, if it is not practicable to make that purchase on that day, on the first Business Day on which it is practicable to do so). If the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such Holder in the Agreement Currency, Belize agrees, as a separate obligation and notwithstanding such judgment, to pay the difference, and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such Holder, such Holder agrees to pay to or for the account of Belize such excess; provided, however, that such Holder shall not have any obligation to pay any such excess as long as a default by Belize in its obligations hereunder has occurred and is continuing, in which case such excess may be applied by such Holder to such obligations.

20. Warranty of Belize. Subject to Paragraph 17 hereof, Belize hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Security and to constitute the same legal, valid and binding obligations of Belize enforceable in accordance with their terms, have been done and performed and have happened in due and strict compliance with all applicable laws.

21. Debits to First Payment Under 2038 Bonds. The Trustee is hereby authorized and instructed to apply the payment it receives from Belize on the first Payment Date under the 2038 Bonds as follows:

(a) first, to pay \$1,185,959 in accordance with the terms of the Indenture to the account of BroadSpan Capital LLC, the details of such account to be notified in writing to the Trustee, for further distribution and as partial reimbursement of the expenses incurred by the Coordinating Committee in the negotiation of the transactions described in the listing memorandum; and

(b) second, to apply an amount equal to \$500,000.00 (the “Contingency Amount”) to fund a bank account (the “Contingency Account”) established pursuant to Section 12.1(a) of the Indenture in accordance with the provisions thereof.

The balance of the funds received by the Trustee on the first Payment Date under the 2038 Bonds, net of the debits referred to above, shall be paid to the Holders of those instruments as an interest payment. If the funds received by the Trustee on that first Payment Date are insufficient to cover the debits referred to in (a) and (b) above, the Trustee is authorized and instructed to debit subsequent payments it receives under the 2038 Bonds (whether for principal or interest, allocating such debits first to interest and then to principal) until those amounts are fully covered. Debits and payments made in accordance with this provision shall not constitute an Event of Default.

22. Definitive Headings. The descriptive headings appearing in this Security are for convenience of reference only and shall not alter, limit or define the provisions hereof.

23. Representative Committee. (a) The Holders of a Majority of the Outstanding aggregate principal amount of the Securities may appoint any persons as a committee (a “Holders’ Committee”) to represent the interests of the Holders if any of the following events shall have occurred:

(i) an Event of Default;

(ii) any event or circumstance which would, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfillment of any other requirement provided for in Paragraph 7, constitute an Event of Default; or

(iii) any public announcement by Belize to the effect that Belize is seeking or intends to seek a restructuring of the Securities (whether by amendment, exchange offer or otherwise).

(b) Such Holders’ Committee in its discretion may, among other things, (i) engage legal advisors and financial advisors to assist it in representing the interests of the Holders of the Securities, (ii) adopt such rules as it considers appropriate regarding its proceedings and (iii) enter into discussions with Belize and/or other creditors of Belize. Belize shall take reasonable steps to facilitate the creation of any Holders’ Committee, recognize any such Holders’ Committee, negotiate with it in good faith and promptly provide it with all information, including any debt sustainability analyses, reasonably requested by it. Belize shall pay any reasonable fees and expenses of any such Holders’ Committee (including, without limitation, the fees and expenses of the Holders’ Committee’s legal advisors and financial advisors, if any) within 30 days of the delivery to Belize of a reasonably detailed invoice and supporting documentation. If a Holders’ Committee has been formed, the Trustee shall provide such committee with regular progress reports and otherwise keep such Holders’ Committee reasonably informed, in each case, with respect to any Enforcement Directions or actions or proceedings resulting therefrom using such methods and frequency as the Trustee and the Holders’ Committee shall mutually agree from time to time. Upon the appointment of a Holders’ Committee, the persons constituting the Holders’ Committee (the “Members”) shall deliver a certificate to the Trustee signed by persons purporting to be authorized representatives of the Members, upon which certificate, the Trustee may conclusively rely, which certificate shall certify (i) that the Holders’ Committee has been appointed, (ii) the identity of the Members, and (iii) that such appointment has been made by the Holders of a Majority of the Outstanding aggregate principal amount of the Securities, and shall be accompanied by evidence satisfactory to the Trustee (which may include DTC security position listings) that such committee has been appointed by such Majority. Promptly after any change in the identity of the Members, a new such certificate, upon which certificate the Trustee may conclusively rely, shall be delivered to the Trustee identifying the new Members. The Trustee may conclusively assume that the membership of such Holders’ Committee has

not changed unless and until it shall have received such subsequent certificate. Notwithstanding anything herein to the contrary, in dealing with any Holders' Committee, the Trustee shall not be required to provide such Holders' Committee with any information that has not otherwise been provided to Holders not represented by such Holders' Committee.

24. Modifications. (a) Any modification, amendment, supplement or waiver (each, a "Modification") to the Indenture or the terms and conditions of the Securities may be made or given pursuant to (i) a written action of the Holders of the Securities without the need for a meeting, or (ii) by vote of the Holders of the Securities taken at a meeting of Holders thereof, in each case in accordance with the terms of this Paragraph 24 and the other applicable provisions of the Securities and the Indenture.

(b) Modifications to the terms and conditions of the Securities, or to the Indenture insofar as it affects the Securities, may be made, and future compliance therewith may be waived,

(i) in the case of any Non-Reserve Matter (as defined below), with the consent of Belize and the Holders of not less than a Majority in aggregate principal amount of the Securities at the time Outstanding, or

(ii) in the case of any Reserve Matter (as defined below), with the consent of Belize and the Holders of not less than 75% in aggregate principal amount of the Securities at the time Outstanding.

(c) If any Reserve Matter Modification pursuant to Paragraph 24(b)(ii) is sought in the context of simultaneous offer to exchange the Securities for new debt instruments of Belize or any other Person, Belize shall ensure that the relevant provisions of the affected Securities, as amended by such Modification, are no less favorable to the Holders thereof than the provisions of the new instrument being offered in the exchange, or if more than one debt instrument is offered, no less favorable than the new debt instrument issued having the largest aggregate principal amount.

(d) Any Modification consented to or approved by the Holders of the Securities pursuant to this Paragraph 24 shall be conclusive and binding on all Holders of the Securities, whether or not they have given such consent or were present at a meeting of Holders at which such action was taken, and on all future Holders of the Securities whether or not notation of such Modification is made upon the Securities. Any instrument given by or on behalf of any Holder of a Security in connection with any consent to or approval of any such Modification shall be conclusive and binding on all subsequent Holders of such Security.

(e) (i) Before seeking the consent of any Holder of a Security to a Reserve Matter Modification, Belize shall provide to the Trustee (for onward distribution to the Holders of the Securities) and publish on the website of the Central Bank of Belize the following information:

(A) a description of the economic or financial circumstances that, in Belize's view, explain the request for the proposed Modification;

(B) a copy of any debt sustainability analysis;

(C) if Belize shall at the time have entered into a stand-by arrangement, arrangement under the extended Fund facility or similar program with the International Monetary Fund, a copy of that program (including any related technical memorandum); and

(D) a description of Belize’s proposed treatment of its other major creditor groups (including, where appropriate, Paris Club creditors, other bilateral creditors and internal debtholders) in connection with Belize’s efforts to address the situation giving rise to the requested Modification.

(ii) Prior to any vote on a Reserve Matter Modification affecting Securities pursuant to Paragraph 24(b), Belize shall deliver to the Trustee a certificate signed by an Authorized Representative of Belize specifying, for Belize, the Central Bank of Belize and each Public Sector Instrumentality (as defined below), any Securities falling within clause (D) of the definition of “Outstanding” set forth below or, if no Securities are owned or controlled by Belize, the Central Bank of Belize or any Public Sector Instrumentality, a certificate signed by an Authorized Representative of Belize to this effect.

(f) For purposes of this Security,

(i) “Non-Reserve Matter” means any Modification other than a Modification constituting a Reserve Matter.

(ii) “Outstanding” means the Securities authenticated and delivered pursuant to the Indenture except:

(A) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation or held by the Trustee for reissuance but not reissued by the Trustee;

(B) Securities that have become due and payable at maturity and with respect to which monies sufficient to pay the principal thereof and any interest thereon shall have been made available to the Trustee;

(C) Securities in lieu of or in substitution for which other Securities shall have been authenticated and delivered pursuant to the Indenture; and

(D) Securities owned or controlled directly or indirectly by Belize, the Central Bank of Belize or by any Public Sector Instrumentality as provided in Section 6.4 of the Indenture.

(iii) “Reserve Matter” means any Modification that would:

(A) change the date for payment of principal or premium of, or any installment of interest on, the Securities;

(B) reduce the principal amount or premium, if any, payable under the Securities;

(C) reduce the portion of the principal amount which is payable in the event of an acceleration of the maturity of the Securities;

(D) reduce the interest rate on the Securities;

(E) change the currency or place of payment of any amount payable under the Securities;

(F) change the obligation of Belize to pay Additional Amounts in respect of the Securities;

(G) change the definition of Outstanding or the percentage of votes required for the taking of any action pursuant to this Paragraph 24 (and the corresponding provision of the Indenture) in respect of the Securities;

(H) authorize the Trustee, on behalf of all Holders of the Securities, to exchange or substitute all the Securities for, or convert all the Securities into, other obligations or securities of Belize or any other Person; or

(I) change the pari passu ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms and conditions of the Securities.

(iv) “Reserve Matter Modification” means any Modification constituting a Reserve Matter.

(v) “Public Sector Instrumentality” means any department, ministry or agency of the central government of Belize (other than the Central Bank of Belize) or any corporation, trust, financial institution or other entity owned or controlled by the central government of Belize or any of the foregoing, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint greater than 50% of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust financial institution or entity.

(g) It shall not be necessary for the vote or consent of Holders of the Securities to approve the particular form of any proposed Modification, amendment, supplement, request, demand, authorization, direction, notice, consent, waiver or other action, but it shall be sufficient if such vote or consent shall approve the substance thereof.

25. Provision of Information. (a) So long as any of the Securities remains outstanding, Belize shall make its best effort to begin to subscribe and fully comply with SDDS. For these purposes, “SDDS” means the Special Data Dissemination Standard established by the International Monetary Fund as in effect from time to time.

(b) So long as any of the Securities remains outstanding, Belize shall prepare and publish the following on the Website of the Central Bank of Belize:

- (i) annual central government budgets;
- (ii) annual budget speeches; and
- (iii) quarterly fiscal data.

(c) So long as any of the Securities remains outstanding, the Central Bank of Belize shall prepare and publish the following on the Website of the Central Bank of Belize:

- (i) monthly economic reports;
- (ii) weekly monetary aggregate information; and

(iii) consolidated banking system information.

(d) So long as any of the Securities remains outstanding, the Statistical Institute of Belize shall prepare and publish the following on the Website of the Statistical Institute of Belize on a regular basis:

(i) consumer price index data;

(ii) gross domestic product data; and

(iv) trade data.

(e) So long as any of the Securities remains outstanding, Belize will authorize the International Monetary Fund to publish on its website:

(i) all Article IV reports;

(ii) the terms of any standby, extended fund facility or other arrangement for use of Fund resources entered into between Belize and the International Monetary Fund; and

(iii) all other reports on Belize which the International Monetary Fund agrees to publish.

The availability of such reports, information and documents to the Trustee (and any other reports, information or documents that the Indenture may provide be delivered or available to the Trustee) is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including Belize's compliance with any of its covenants hereunder or under the Indenture (as to which the Trustee is entitled to rely exclusively on Official's Certificates).

BOOK-ENTRY SETTLEMENT AND CLEARANCE

The information in this section concerning Euroclear, Clearstream and DTC and their book-entry systems has been obtained from sources Belize believes to be reliable, but Belize makes no representation or warranty with respect to this information. Euroclear, Clearstream and DTC are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. None of Belize, the Trustee, or the Exchange Agent will be responsible for Euroclear, Clearstream or DTC's performance of each of its obligations under its rules and procedures, or for the performance by direct or indirect participants of its obligations under the rules and procedures of the clearing systems.

The 2038 Bonds will initially be issued in the form of registered 2038 Bonds in global form, without interest coupons, as follows:

- 2038 Bonds issued to qualified institutional buyers in reliance on the private offering exemption under the Securities Act will be represented by a global 2038 Bond (each, a "*Restricted Global 2038 Bond*"); and
- 2038 Bonds issued in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by a global 2038 Bond (each, a "*Regulation S Global 2038 Bond*").

Upon issuance, each of the global 2038 Bonds will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global 2038 Bond will be limited to persons who have accounts with DTC (the "*DTC participants*"), or persons who hold interests through DTC participants. Belize expects that under procedures established by DTC:

- upon deposit of each global 2038 Bond with DTC's custodian, DTC will credit portions of the principal amount of the global 2038 Bond to the accounts of the DTC participants that tendered Eligible Claims on behalf of beneficial owners;
- ownership of beneficial interests in each global 2038 Bond will be shown on, and transfers of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each global 2038 Bond).

Beneficial interests in a Regulation S Global 2038 Bond will initially be credited within DTC to Euroclear and Clearstream Banking on behalf of the owners of such interests.

Investors may hold their interests in a Regulation S Global 2038 Bond directly through Euroclear or Clearstream Banking, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Investors may also hold their interests in a Regulation S Global 2038 Bond through organizations other than Euroclear or Clearstream Banking that are DTC participants. Euroclear and Clearstream Banking will each appoint a DTC participant to act as its depository for the interests in a Regulation S Global 2038 Bond that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

Beneficial interests in the global 2038 Bonds may not be exchanged for 2038 Bonds in physical certificated form except in the limited circumstances described below.

Each global 2038 Bond and beneficial interests in each global 2038 Bond will be subject to restrictions on transfer as described under “Notice to Investors”.

Exchanges between the Global 2038 Bonds

Beneficial interests in one global 2038 Bond of a series may generally be exchanged for interests in another global 2038 Bond of that series. Depending on whether the transfer is being made during or after the 40-day period commencing on the date of first issuance of the 2038 Bonds, and to which global 2038 Bond the transfer is being made, the seller may be required to provide to the Trustee or to Belize certain written certifications in the form provided in the indenture. In addition, in the case of a transfer of interests in a global 2038 Bond to an institutional accredited investor, the trustee may require the buyer to deliver a representation letter in the form provided in the indenture that states, among other things, that the buyer is not acquiring 2038 Bonds with a view to distributing them in violation of the Securities Act.

A beneficial interest in a global 2038 Bond that is transferred to a person who takes delivery through another global 2038 Bond will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global 2038 Bond of that series.

Book-Entry Procedures for the Global 2038 Bonds

All interests in the global 2038 Bonds will be subject to the operations and procedures of DTC, Euroclear and Clearstream Banking. Belize provides the following summaries of those operations and procedures solely for the convenience of investors that hold the 2038 Bonds. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither Belize nor the Trustee is responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the law of the State of New York;
- a “banking organization” within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a “clearing corporation” within the meaning of the Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the U.S. Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC’s participants include securities brokers and dealers, including banks and trust companies; clearing corporations; and other organizations. Indirect access to DTC’s system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC’s nominee is the registered owner of a global 2038 Bond, that nominee will be considered the sole owner or holder of the 2038 Bonds of that series represented by that global 2038 Bond

for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global 2038 Bond:

- will not be entitled to have 2038 Bonds of that series represented by that global 2038 Bond registered in their names;
- will not receive or be entitled to receive physical, certificated 2038 Bonds of that series; and
- will not be considered the owners or holders of the 2038 Bonds of that series under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global 2038 Bond of that series must rely on the procedures of DTC to exercise any rights of a holder of 2038 Bonds under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest in the 2038 Bonds).

Payments of principal and interest with respect to the 2038 Bonds of that series represented by a global 2038 Bond will be made by the trustee to the extent funded by Belize to DTC's nominee as the registered holder of the global 2038 Bond. Neither Belize nor the Trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global 2038 Bond, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global 2038 Bond will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream Banking will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and participants in Euroclear or Clearstream Banking, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream Banking. To deliver or receive an interest in a global 2038 Bond held in a Euroclear or Clearstream Banking account, an investor must send transfer instructions to Euroclear or Clearstream Banking, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream Banking, as the case may be, will send instructions to its DTC depository to take action to effect final settlement by delivering or receiving interests in the relevant global 2038 Bonds in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream Banking participants may not deliver instructions directly to the DTC depositories that are acting for Euroclear or Clearstream Banking.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant that purchases an interest in a global 2038 Bond from a DTC participant will be credited on the business day for Euroclear or Clearstream Banking immediately following the DTC settlement date. Cash received in Euroclear or Clearstream Banking from the sale of an interest in a global 2038 Bond to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream Banking cash account as of the business day for Euroclear or Clearstream Banking following the DTC settlement date.

DTC, Euroclear and Clearstream Banking have agreed to the above procedures to facilitate transfers of interests in the global 2038 Bonds among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither Belize nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream Banking or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Bonds

2038 Bonds of a series in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related 2038 Bonds only if:

- DTC notifies Belize at any time that it is unwilling or unable to continue as depositary for the global 2038 Bonds of that series and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the U.S. Securities Exchange Act of 1934 and a successor depositary is not appointed within 90 days;
- Belize, at its option and subject to the procedures of DTC, notifies the trustee that it elects to cause the issuance of certificated 2038 Bonds of that series; or
- certain other events provided in the indenture occur.

LISTING AND LISTING AGENT

Application has been made to list the 2038 Bonds on the Luxembourg Stock Exchange and to trading on the Euro MTF market. The Luxembourg Listing Agent is The Bank of New York Mellon (Luxembourg) S.A., Vertigo Building, Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg. Copies of the Indenture and the forms of the 2038 Bonds will be made available during normal business hours on any day except Saturday, Sunday and public holidays at the offices of the Luxembourg Listing Agent for so long as the 2038 Bonds are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require.

NOTICE TO INVESTORS

The 2038 Bonds are subject to the following restrictions on resale. By acquiring 2038 Bonds, you will be deemed to have made the following acknowledgements, representations to and agreements with Belize:

1. You acknowledge that:
 - the 2038 Bonds have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
 - unless so registered, the 2038 Bonds may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of Belize, that you are not acting on Belize's behalf and that either:
 - you are a qualified institutional buyer (as defined in Rule 144A) and are acquiring 2038 Bonds for your own account or for the account of another qualified institutional buyer; or
 - you are not a U.S. person (as defined in Regulation S under the Securities Act) or acquiring for the account or benefit of a U.S. person, other than a distributor, and you are acquiring 2038 Bonds in an offshore transaction in accordance with Regulation S.
3. An "*Eligible EEA Investor*" is an investor who is:
 - (a) a "qualified investor" within the meaning of the law in a relevant member state implementing Article 2(1)(e) of the Prospectus Directive; and
 - (b) in the case of any notes that may be acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive,
 - (i) a person who will not have acquired the new notes on behalf of, or with a view to offering or reselling the new notes to, persons in any relevant member state other than qualified investors; or
 - (ii) where new notes may be acquired by it on behalf of persons in any relevant member state other than qualified investors, the offer of those notes to it would not be treated under the Prospectus Directive as having been made to such other persons.
4. You acknowledge that neither Belize nor any person representing Belize has made any representation to you with respect to Belize or the offering of the 2038 Bonds, other than the information contained in this listing memorandum. You represent that you are relying only on this listing memorandum in making your investment decision with respect to the 2038 Bonds. You agree that you have had access to such information concerning Belize and the 2038 Bonds as you have deemed necessary in connection with your decision to purchase 2038 Bonds, including an opportunity to ask questions of and request information from the Government.

5. You represent that you are acquiring 2038 Bonds for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the 2038 Bonds in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the 2038 Bonds pursuant to Rule 144A or any other available exemption from the registration requirements of the Securities Act.
6. You agree on your own behalf and on behalf of any investor account for which you are acquiring 2038 Bonds, and each subsequent holder of the 2038 Bonds by its acceptance of the 2038 Bonds will agree, that until the date that is one year after the later of the Closing Date and the last date that the Government or any of its affiliates was the owner of 2038 Bonds or any predecessor of the 2038 Bonds (the “resale restriction period”), the 2038 Bonds may be offered, sold or otherwise transferred only:
 - to Belize;
 - pursuant to a registration statement that has been declared effective under the Securities Act;
 - for so long as the 2038 Bonds are eligible for resale under Rule 144A, to a person whom the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom it has given notice that the transfer is being made in reliance on Rule 144A;
 - through offers and sales that occur outside the United States within the meaning of Regulation S;
 - under any other available exemption from the registration requirements of the Securities Act; or
 - subject in each of the above cases, to any requirement of law that the disposition of the seller’s property or the property of an investor account or accounts be at all times within the seller or such account’s control.

You also acknowledge that:

- the above restrictions on resale will apply from the Closing Date of the offering of the 2038 Bonds until the end of the resale restriction period, and will not apply after the resale restriction period ends;
- Belize and the trustee reserve the right to require, in connection with any offer, sale or other transfer of 2038 Bonds before the resale restriction period ends under clauses (d) and (e) above, the delivery of an opinion of counsel, certifications and/or other information satisfactory to Belize and the trustee; and
- each 2038 Bond contains a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN

MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (E) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT TO BELIZE'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

7. You acknowledge that Belize and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your acquisition of 2038 Bonds is no longer accurate, you will promptly notify the Government. If you are acquiring any 2038 Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

TAXATION

Investors are urged to consult their own tax advisors in determining the tax consequences of holding notes, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Belizean Tax Considerations

The effect of the Belize Income and Business Tax Act is that payment of interest on the 2038 Bonds is exempt from all taxes, and that no capital gains tax is payable upon their transfer. No stamp duty or transfer tax is payable on the securities and the instruments effecting the issue or transfer of the 2038 Bonds. In addition, the Minister of Finance has given his approval that (1) the 2038 Bonds are exempt from all taxes and stamp duties and (2) the excess of the principal amount of any 2038 Bond over its issue price will be treated as interest by the Commissioner of Income Tax.

United States Taxation

If you are subject to taxation in the United States, you should consult your own tax advisors concerning United States tax considerations. Holders of the 2038 Bonds may contact the Ministry of Finance of Belize to obtain the issue price, amount of original issue discount and the yield to maturity of the 2038 Bonds. Contact information may be found on the back cover of this listing memorandum.

Other Jurisdictions

If you are subject to taxation in any other jurisdiction, you should consult your own tax advisor concerning tax considerations under laws and regulations of such jurisdiction.

OFFICIAL STATEMENTS

Information in this listing memorandum whose source is identified as a publication of Belize or the Central Bank of Belize or one of their respective agencies or instrumentalities relies on the authority of such publication as a public official document of Belize. All other information contained in this listing memorandum is included as an official public statement made on the authority of the Minister of Finance in his official capacity as such.

LEGAL MATTERS

Certain matters of U.S. federal and New York state law will be passed upon for Belize by Cleary Gottlieb Steen & Hamilton LLP, U.S. counsel to Belize.

Certain matters of Belizean law will be passed upon for Belize by the Legal Counsel of the Ministry of Finance and Economic Development.

As to matters of Belizean law, Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of the Legal Counsel of the Ministry of Finance and Economic Development.

GENERAL INFORMATION

Securities Codes

The securities have been accepted for clearing through Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme. The securities codes for the securities are:

<u>Global Bond</u>	<u>CUSIP #</u>	<u>ISIN#</u>	<u>Common Code</u>
Restricted Global Security	07782G AG8	US07782GAG82	090880276
Regulation S Global Security	P16394 AG6	USP16394AG62	090880250

Due Authorization

On February 12 and February 13, 2013, the House of Representatives and Senate, respectively, as required by the Finance and Audit (Reform) Act 2005, No. 12 of 2005 of Belize, authorized the issuance of and the payments of all amounts due under the 2038 Bonds.

Litigation

Except as set forth herein, neither Belize nor any governmental agency of Belize is involved in any litigation or arbitration or administrative proceedings relating to claims or amounts which would adversely affect Belize's ability to meet its obligations under the 2038 Bonds and the indenture, and, so far as Belize is aware, no such litigation or arbitration or administrative proceedings are pending or threatened.

Arbitral Awards

As of the date of this listing memorandum, several arbitral awards have been delivered against the Government of Belize (GOB) and are pending enforcement, as set forth below.

On June 23, 2008, an arbitration panel constituted under the United Nations Commission on International Trade Law (UNCITRAL) arbitration rules awarded NEWCO Limited (NEWCO), a company registered in Belize, the sum of US\$4,420,586.63 plus interest accrued at 8% per annum, compounded quarterly, from the date of the award to the date of payment. The arbitration arose out of a claim for damages for alleged breach of a Concession Agreement between the Parties for management of the Belize International Airport. Enforcement of the award by NEWCO in the United States has been stayed by the Belize Supreme Court and the U.S. District Court for the District of Columbia, pending the conclusion of certain proceedings against NEWCO commenced by GOB in Belize. The GOB has filed a counter claim against NEWCO for taxes due in the sum of BZ\$5,477,805.00 (U.S.\$2,738,902.50). As of the date of this report, the parties are awaiting the judgment of the Belize Supreme Court.

On August 18, 2009, the London Court of International Arbitration (LCIA) awarded BCB Holdings Limited (BCB Holdings) and the Belize Bank Ltd (Belize Bank) the sum of BZ\$44,453,256.54, plus interest accrued at 3.38% per annum, as damages for the alleged breach of a Settlement Deed between the parties relating to the repurchase of BTL shares. In the enforcement proceedings in Belize, the Supreme Court of Belize had given judgment for the claimants but the Court of Appeal reversed the

Supreme Court and ordered, in its judgment delivered on August 8, 2012, that the Award was not enforceable, as the New York Convention for the Enforcement of Arbitral Awards does not apply to Belize and Part IV of the Arbitration Act of Belize, under which the award was sought to be enforced, is invalid and cannot be relied upon. BCB Holdings & Belize Bank have now appealed the decision of the Court of Appeal to the Caribbean Court of Justice. As of the date of this report, the appeal is pending.

On March 18, 2009, the LCIA awarded BTL the sum of BZ\$38,714,029.00 plus interest accrued at 15% per annum, as damages for the alleged breach of certain accommodation agreements between the parties. BTL purportedly assigned this award to Belize Social Development Ltd (BSDL), a BVI Company, and BSDL commenced proceedings in the United States to enforce this award. The enforcement proceedings in the United States are currently stayed by the Belize Supreme Court and the U.S. District Court for the District of Columbia. On remand by the U.S. Court of Appeals, the District Court is presently reconsidering the matter of enforcement of this award. As of the date of this report, the parties are awaiting the decision of the District Court for the District of Colombia.

On January 15, 2013, the LCIA awarded to Belize Bank the sum of BZ\$38,585,357.00 plus interest accrued at 17% per annum compounded monthly. The arbitration arose out of a claim for damages for the alleged breach of a loan note between the parties arising out of a guarantee given by the GOB in respect of a loan to Universal Health Services Ltd., a private health facility. No enforcement action has so far been commenced by the claimant. The GOB intends to oppose the enforcement of this award on the grounds, among others, that the arbitration panel was improperly constituted and that the underlying guarantee of the loan was unconstitutional.

Pending Arbitration Proceedings

In addition to the above-mentioned arbitral awards, there are two pending arbitration proceedings, as set forth below.

On December 4, 2009, Dunkeld International Investment Ltd (Dunkeld), a Turks & Caicos Islands company, commenced arbitration proceedings against GOB under UNCITRAL Arbitration Rules, claiming damages between BZ\$300 million and BZ\$600 million for the compulsory acquisition of its BTL shares by the GOB. Dunkeld claims to be the beneficial owner of some 71% of BTL shares. The arbitration proceedings have been stayed by the Belize Supreme Court since December 29, 2009 on the ground, among others, that the arbitral proceedings are oppressive and vexatious. Dunkeld's appeal against the injunction was heard by the Belize Court of Appeal in October 2012, but the judgment is pending. The registered holders of shares in which Dunkeld claims beneficial interest have made separate claims for compensation to the GOB. According to the fair market valuation of NERA Economic Consulting of London, the value of BTL shares in which Dunkeld claims beneficial interest is only BZ\$49,796,340.82 at the rate of BZ\$1.46 per share. An offer of compensation in this amount has already been made to the registered holders of the shares. The Dunkeld claim duplicates the claims of the registered holders of the shares. See "Public Debt—Additional Liabilities".

On May 4, 2010, British Caribbean Bank Ltd. (BCB) commenced UNCITRAL arbitration proceedings against the GOB claiming some U.S.\$24 million plus interest in damages. The claim arose out of certain loan facilities granted by BCB to BTL and Sunshine Holdings Ltd. before these entities were nationalized. The arbitration proceedings are currently stayed by order of the Belize Supreme Court and the Court of Appeal. BCB has appealed the decision of the Court of Appeal to the Caribbean Court of Justice. The GOB claims, among other things, that the loan facilities granted by BCB to the said entities were illegal and cannot be enforced.

Schedule A to the
Listing Memorandum

ELIGIBLE CLAIMS

Type of Claim	ISIN	CUSIP	Year of Issue	Final Maturity	Principal Amount as of February 14, 2013
U.S. Dollar Bonds Due 2029	US07782GAF00 USP16394AF89	07782GAF0 P16394AF8	2007	2029	U.S.\$547,522,200.00

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