



REBALANCING GROWTH TO WORK FOR ALL BELIZEANS

Budget Presentation for Fiscal Year 2004/2005

Belmopan

24 January 2004

Madam Speaker,

WE HAVE COME A LONG WAY!

Please allow me to set the stage for this year's budget speech with a quotation from the first paragraph of our Prime Minister's first budget speech on March 16th. 1999. I quote "This budget is a budget that begins to put into effect our commitment to change Belize for the better. It is a budget that takes the brake off the economic train and gets it moving again in a direction and at a pace that will benefit Belizeans immediately as well as in the long run. It is the last budget of the 20th. Century and begins to set the framework for the shape of a new, revitalized, modern Belizean economy for the new millennium. It is a budget that heeds the voices of our people in all sectors- workers, farmers, entrepreneurs, investors, the poor and the disadvantaged- and creates the conditions necessary for jobs, for rewarding enterprise and for providing improved public services to all our people."

HERE WE ARE!

Madam Speaker, this year's budget celebrates our Prime Minister's bold initiative played out from then until now. Despite the many challenges of hurricanes, 9/11 and a world economic downturn, right thinking Belizeans will agree that after the stagnation of the 1993 to 1998 years, today we are living in a new, revitalized and modern Belizean economy. We are living in a good country! The economic train has long had its brakes unlocked! Belizeans have proven their resilience when they have truly been set free!

At the same time, I am not unaware of this turn in history with its accompanying significant responsibility that has me here in all humility today. We cannot go on then without congratulating the Prime Minister for his bold and refreshing leadership that has put our PUP team together, firmly supporting his visionary initiatives! And I thank all of my colleagues for their support and wisdom over the years! I have learnt something from each and every one of them! I thank you all!

THIS BUDGET

Madam Speaker, this year's budget will "Keep Belize Free"! This budget will continue our Prime Minister's policies that have almost doubled the size of our economy in six years to \$2bn with unprecedented growth. This budget will also call on the new "Go Belize, Go PUP" spirit to rebalance the opportunities presented by this growth. Rebalance our fiscal and monetary measures to ensure that Belizeans who need a helping hand the most- have that hand held out by a PUP government that listens and cares- assisted by those in our society who have already directly benefited from today's new, revitalized and modern Belizean economy.

These rebalancing measures are all home-grown, not brought on by any International Financial Agency, but are fiscally responsible and assembled by a Belizean team of professionals and fine tuned by our experienced members of Cabinet. These measures have nothing to do with the "Cassandra stuck", hysterical and monotonous howling of "retrenchment and devaluation" from those void of ideas and trapped in their own prison of cynicism and hate. On the contrary, they will secure a much better paid but modernized public service, further strengthen the Belize dollar, and most importantly allow all Belizeans more affordable access to the new basics of life.

THE GLOBAL PICTURE

Thanks to the vision of Prime Ministers George Price and now Said Musa creating a stable Belize, for the most part Belizeans have been protected from a world in economic and political turmoil over the past couple of years. The effects of global terrorism and deflation imported from economies that have endangered their monetary bases to drive their international trade left many developed and undeveloped countries with huge deficits. Since the third quarter of 2003 however, many of the developed countries led by the USA seem to be recovering and are posting significant positive economic growth.

Regionally the economy of Latin America and the Caribbean grew by some 1.5% in 2003 and is forecasted to grow to 3.5% in 2004. As a matter of fact, 2004 projections register, the first year since 1997, that there are no negative growth forecasts for any Latin American economy. Despite this recovery in the region, experts insist that some 44.4% of the population lives in poverty. Now on:

BELIZE'S ECONOMY

While the Central Bank, CSO, and the Ministry of Finance have attached complete fiscal, monetary and economic tables, let us look at some basic econometrics. Preliminary GDP estimates indicate a 4.9% GDP growth for 2003 driven by increased activities in the tourism, banana and shrimp industries. With GDP growth for 2002 now confirmed at 4.3%, this means that Belize's economy has averaged 7% GDP growth over the last five years with Prime Minister Musa's economic management! No economy in the region has achieved this! GDP at current market prices is at \$2.0bn.

The Gross Official International Reserve position stood at US\$84.6mn at the end of 2003 covering over two months of imports.

Inflation that has averaged 1.1% over the past 5 years registered an annualized November 2003 rate at 2.6%, as the impact of higher petroleum prices affected all aspects of economic life internationally.

Real Sector Developments

Domestic exports were up by 21.5% in response to a combination of some price improvements, expansion of regional sales, and exceptional surging production. Leading the export rebound were marine products in particular shrimp, banana, and sugar.

Sugar

With a 4.6% increase in sugar export volume, revenues rose by 11.8% to \$73.7mn as prices strengthened in almost all markets. Sales within CARICOM, where prices were more than double those on the world market, expanded from 5,217 long tons in 2002 to 12,725 long tons in 2003. While the appreciation of the Euro against the US dollar drove up the EU price by US\$0.03 per pound, the world sugar price remained practically unchanged at US\$0.06 per pound.

Marine Products

Marine exports rose by \$40mn to \$110.2mn as farmed shrimp rebounded from the Taura virus and hurricane setbacks. The sluggish performance in conch and lobster was more than offset by the near quadrupling in shrimp production and its export sales. Timely stocking of ponds, pond expansion and the use of a strain resistant to the Taura virus raised shrimp production and exports. Shrimp exports were 16mn pounds at \$92.7mn or almost four times

last years earnings, and indicators are for a rebound in prices in 2004.

Bananas

Extensive replanting of damaged plantations and investments aimed at improving field irrigation and drainage resulted in banana exports of 74,935 metric tons valued at \$52.6mn. This was almost double the volume and revenue earned in the same period of the previous year when the industry was still recovering from the effects of Hurricane Iris.

Citrus

Exports reached some \$78.6mn in 2003 although huge surplus stocks of Brazilian orange juice pushed global prices downwards, despite a 9.0% decline in US production. The US market remained the major market (63.2%) for orange concentrate followed by the Caribbean (29.2%) and Japan (7.5%).

Papaya

Papaya exports increased to \$16.6mn. Although production was up by almost 50% the average price fell by 29.4% to BZ\$0.48 per pound as competition heated up from Brazil and Mexico.

Other Domestic Exports

The value of other domestic exports fell with much reduced exports of fresh citrus but increased sales of black-eye peas and modest expansion in veneer sheets/plywood and pepper sauce sales as well as increased sales of other miscellaneous non-traditional products.

Agriculture for the local market had another year of significant increase by some 20% placing more Belizean grown food on Belizean tables.

Tourism

With 10% growth in overnight and 80% growth in cruise arrivals, developments in 2003 in the tourism industry were unprecedented.

- Another terminal added to the Belize Tourism Village.
- Consolidation works at the major archaeological sites.
- Continued infrastructure development such as at Xunantunich, the Northern and Western border facilities
- Training of over 2,000 people in the industry
- Upgraded tourism police unit including horse mounted police.
- Commencement of the marine parade extension project to ease the traffic congestion.
- Revision of cruise ship policy controlling the number of cruise ship passengers to a maximum of 8,000 persons per day, the equivalent of 3-4 ships per day.
- A commission launched to rationalize fees in the industry

The prospects for 2004 are also remarkable.

- Construction of new cruise ship terminals
- Upgrade of airport facilities
- Cruise ship passengers projected to increase by 30%
- Overnight arrivals projected to increase 4%-6%

As a government, we salute the thousands of men, women and youth who have ignored the delirious outcries of those who only sulk and criticize. We salute those who have gotten up early each morning to continue building an even more diversified and efficient Belizean economy as they provide more today than ever before for their loved ones. Today we have with us The Presidents of the Corozal and Orange Walk Cane Farmers Associations, Mr. Lisandro Murray and Mr. Arnulfo Munoz, Mr. Mike Dunker and Mr. Alvin Henderson, representing the Shrimp Association, Mrs. Bridget Cullerton and Mr. William Bowman representing the Citrus Industry, Mr. Tony Zabaneh and Mr. Zaid Flores representing the Banana Growers association, Mr. Enrique Carballo, a high tech papaya grower working through DFC, Mr. Jose Marin, a well known tourism operator and Mr. Luis Escobar a successful farmer, both share holders of the Small Farmers and Business Bank, outstanding examples of the 3,000 more Belizeans who are shareholders and are making a difference. Also representing the teachers, we have Mr. Anthony Fuentes. And thanks Mr. Youth for the Future, Nuri Mohammed, for being with us. You all represent the true Belizean heroes who have achieved this proud \$2bn new, revitalized and modern Belizean economy. Give them the recognition they well deserve!

TRADE BALANCE

Based on preliminary figures for imports and exports the trade deficit should increase by only \$6mn for 2003 with the increase in imports led by higher fuel prices and huge investments in EPZs.

ON MONETARY SECTOR DEVELOPMENTS

Money Supply

During the year, broad money (M2) expanded by 3.9% to \$1.1 billion driven mainly by a robust 14.2% growth in loans to the private sector.

Narrow money (M1) increased by \$11mn driven mainly by an \$8.0mn increase in currency held by the public. In contrast, quasi-money rose sharply by \$34.7mn, as the \$43.0mn increase in time deposits that was attributable to business enterprises and individuals was partially offset by a slight decline in regular savings deposits.

Interest Rates

The weighted average interest rate spread accruing to commercial banks declined markedly by 60 basis points to 9.4% (October 2003) reflecting a 20 basis points decline in the weighted average lending rate alongside a 40 basis points rise in the weighted average deposit rate. The weighted average lending rate is now at 14.3% and the weighted average deposit rate is at 4.9%.

Commercial Bank Loans and Advances

Expanded by \$137.4mn (15%) to \$1,041.9mn led by a \$126.9mn rise in loans to the private sector. Net credit to Central Government and other public sector entities increased by \$10.5mn. Private sector credit covered all sectors of the economy, with the tertiary (transportation, distribution, real-estate and tourism) and secondary (commercial construction and utilities) sectors receiving \$53.1mn and \$48.1mn, respectively. The former reflected increases for aviation transportation, tourism, and distributive trade activities. The most significant loans to the secondary sector went for commercial construction and utilities.

Liquidity

While by year end it had increased to \$51mn, there was a \$9.0mn decline in excess statutory liquidity reflecting significant increases in lending to the private sector, and proactive measures taken by the Central Bank to balance portfolios. In contrast, primary liquidity increased by \$13.2mn with a \$15.5mn rise in daily average holdings of cash reserves relative to a \$2.3mn increase in required cash reserves.

Public Sector External Debt

The public sector's disbursed outstanding debt rose by \$99.9mn with disbursements of \$163.1mn outweighing amortization payments of \$66.3mn, and valuation adjustments of \$3mn. The Central Bank reports a total public sector external debt of US\$674.4mn of which Central Government's share is US\$545.5mn or 56% of GDP. The domestic debt is at Bze. \$261.8mn.

Interest and other payments amounted to \$61.5mn. The effects of the debt refinancing will reduce debt service payments by US\$22.5mn in 2004. Also the UK government's approval of Commonwealth Debt Initiative relief allows some \$5mn for our pro-poor strategies and recognizes our seriousness about debt management. The Toledo Development Corporation can now boast a 100% budget increase.

Over the past six years, we have been faced with the wreckage of the UDP crashed economic train, hurricanes, 9/11 and global turmoil. Only commitment to work, our manifesto as our political bible and calculated risk management driven by bold and deliberate expansionary policy could have grown a new, revitalized and modern Belizean economy. Today as we celebrate remarkable accomplishments, as a part of rebalancing growth, we must also share our experiences with others and take advantage of their own responses to challenges. In order to broaden the management on our Public sector debt, a broad based Debt Management Board co-chaired by the Governor of the Central Bank and the Financial Secretary has been established. This Board will also have the benefit of invited IDB sponsored consultants to get the best unbiased opinions on specific issues.

Belizeans can be assured that there is no debt service crisis, and all the international financial agencies agree to that. As the tables show, we have actually brought down our external debt service ratio from 15.3% to 12.2%. Our debt restructuring has not only proven international investor confidence in this government's debt management, but also pushed some 70% of our debt amortization past 10 years! With this government's growth policies and intense debt and risk management, there will never be a debt crisis! Yet we cannot speak of debt without reporting on a:

DFC ADAPTING TO REBALANCE GROWTH

The most significant disbursement to Central Government came from the Bear Stearns bond issue (US\$100.0mn), which was used for the refinancing of existing DFC debt.

The Development Finance Corporation (DFC) has been one of the primary vehicles used to assist the government in carrying out its economic and social mandate. Since 1998 the portfolio of the DFC has increased from BZ\$65m to BZ\$327m in 2003. With over \$600mn in assets, in order to achieve its mandate, the DFC promoted development through the financing of viable and environmentally sustainable projects in agriculture, tourism, manufacturing, services, housing and education sectors.

Using various financial instruments such as securitization of its mortgages on the regional and North American markets, bonds, etc., the DFC was able to utilize its existing assets to acquire funds for further lending. As DFC grew the economy of Belize grew consistently every year. This translated into thousands of Belizeans getting opportunities that they did not have prior to 1998. Financing was provided by DFC to every sector of the economy especially when challenged by hurricanes. Hundreds of Belizeans are studying today on special DFC loans. Over 13,000 loans were disbursed by the DFC since 1998. The role of the DFC since 1998 has ensured our economic renaissance.

With a refreshed banking community now involved in all sectors of the economy, the DFC is being restructured to refocus on its core operations and concentrate on the demands of the most needy areas of the society that require urgent development. DFC's debt has been restructured and the successful liquidation of some of its assets is providing the necessary funding to repay Central Government for restructuring costs and meet future debt payments for the next five years. This will significantly flatten our debt service curve and end once and for all speculation about DFC's debt. So now we turn to:

THE 2003/2004 FISCAL OUTTURN

From 1998 to this year, our government has spent some 1 billion Belize dollars on capital projects from North to South, from East to West of our great country. Roads, bridges, canals, schools, libraries, computer centers, clinics, community centers, cultural centers, hurricane shelters, playfields, rural water systems, public lighting and many other infrastructural assets not there or in total disrepair in 1998 are now a part of the modern Belize in which we are so proud.

On recurrent expenditure, since 1998, we have also kept our promises to public officers and restored many benefits robbed by the UDP, and this year we completed the first year of a three year salary increase that provides yearly increases of 5 to 8% with 8% for the most. We have not retrenched! Retrenchment is not the PUP way! In fact today government has over 7,000 established and un-established staff, not to mention thousands of teachers, on the payroll. We have produced government's financial statements, ignored since 1978, right up to 1998, and today the Auditor General has in hand statements bringing us up to 2002-a remarkable accomplishment by any standards but particularly for a government with tremendous challenges!

Still on recurrent expenditure, in 1998, we spent \$61mn on Education and \$24.7mn on Health. This year we spent over 50% more with \$94.1mn on Education and \$41.7mn on Health. This government has put the money where it is most needed! No government has ever increased the stock of public housing as this one has! No government in our history has had to rebuild after four storms in as many years! Recovery has been so remarkable that

many have forgotten the trauma!

Still on recurrent expenditure, we have practically computerized all government accounting including payroll. Today's estimates reflect full computerization including a summary page which meets international standards and an obvious change from the past. We are now moving toward an electronic Treasury in 2004. Yes, payments and collections will be done electronically, to and from your living room or your office! Collections and payments previously dispersed over relevant departments will be brought together to one point at electronic treasuries nationwide hooked to electronic banking and Government's computer center. This is a good example of the modern government that we are creating for better efficiency, the best customer service and real time financial updates. In the future electronic processing with the push of a button will ensure that we no longer have to wait years for financial statements. And no, the treasury staff will not be retrenched, some will be re-deployed, re-trained, if necessary, to do more productive and less repetitive work, increasing their employment values tremendously and providing more efficient service to the tax payer who is becoming more and more aware of his or her purchasing power and its accompanying rights.

The working Belizean has no time for discourteous or arrogant bureaucratic attitude! Our government knows this, and the serious public officer knows this! A good example has been the management and staff of the once Printing Department who said "unshackle us from government bureaucracy. Give us a chance, and we will not only provide a better service for the public sector, but we will compete with the private sector". Our government provided them with the opportunity by transferring the asset as equity in the DFC, and the DFC gave them a loan based on the revenue stream potential of the assets. A win/win situation for government, staff and taxpayer, by producing a fixed cost for specific services, a reduced bureaucracy, and Belizeans taking control of their own destiny. However this simple common sense initiative has been opposed by those who fought against Independence, ridiculed the vision of Belmopan, cried out when the old central market was torn down to be replaced by a modern structure, joined economic saboteurs to stop hydroelectricity and even today are impervious to the new realities of the marketplace.

Despite these doom and gloom Cassandras, we have ended our first year of fiscal consolidation so close to that budgeted that even the most warped cynics will have difficulty complaining.

Recurrent revenue estimated at \$443.1mn is projected, based on December figures, to conservatively produce \$448.4mn. Recurrent expenditure consumes this gain however, with the increase of fuel prices, costs of debt restructuring and taking on more street lighting and other utility services reaching \$385.3mn or some \$5.4mn above budget. As per international standards this expenditure does not include amortization which is accepted as a financing item below the line and amounted to \$43mn of our debt paid off.

Capital 2 or domestic capital expenditure is being contained to \$58.9mn against \$60.8 budgeted. Capital 3 or foreign funded capital projects will end up at \$80.3mn against \$77.3mn budgeted. Capital revenue and grants are expected to reach \$43.5mn.

Indexed Environmental Receipts met budget expectations at some \$6.6mn.

This all calculates to a recurrent surplus of \$63.1mn and an overall deficit of \$32.5mn comparing well to a budgeted overall deficit of \$34.4mn. Calculated against GDP, this translates to a 2.14% overall deficit well within our target of staying below 3% of GDP. In other words Madam Speaker, the Prime Minister's budget 2003/2004 has been executed with

its expected positive results for the health of Belize's fiscal position! We thank the public service and all Belizeans for working with us to accomplish what some have declared as the impossible.

THE NEW BUDGET 2004/2005

Madam Speaker, for the new budget for 2004/2005, we have tried to build from the experiences of the past while listening keenly to the needs of all Belizeans from the largest corporation, to the hardest worker and even to those who are not fortunate enough today to help themselves. We are thankful for the confidence of the productive sector that has toiled with us through tax reform to improving all factors of production, creating one of the best business enabling environment in the developing world. We continue to seek the distribution sector's full cooperation to play their proper and responsible role as their behavior can afford the humblest among us the best opportunities or obstruct the inter- dependent cycle of Belize's economics as determined by production costs, distribution margins and consumption capacity.

So this budget seeks to continue carefully stimulating efficient growth while performing a rebalancing of our economy to ensure that this growth works to make affordable even the new basic necessities particularly benefiting low income Belizeans. These estimates take into account rebalancing of some fiscal measures to fine tune our tax reform. This program started in 1999 to accomplish this, and to build a more shockproof economy; an economy more able to withstand external shocks and those of nature, but more importantly an economy where we will never have to suffer the shocks of social unrest because of an economic gap that society cannot tolerate.

Based on this year's performance, the new rebalancing measures and conservatively projected growth of 4%, we have estimated some \$491.3mn in recurrent revenue and \$424.4mn in recurrent expenditure. This should provide a recurrent surplus of \$66.9mn.

Capital 2 expenditure will be held to \$52.3mn and capital 3 expenditure to \$70.3mn with some \$22mn in capital revenue and grants. Amortization payments are projected at \$47.5mn. Indexed Environmental receipts are estimated at \$7mn. This should leave us with an overall deficit of just under 2% of GDP staying within our target of below 3% of GDP. To accomplish this we now turn to:

REBALANCING FISCAL MEASURES & FIRST OPERATIONAL MEASURES

Commencing immediately, we intend to use the benefits from computerization and broad based consultation to rationalize the entire government's vehicle fleet to standardize, eliminate waste and establish tight mechanically driven controls. SUV's not needed will be converted to economical diesel fueled cars. Large inefficient pick-ups will be similarly replaced by smaller diesel units, and vehicles being used to drive around the corner to the office but busy at nights or on the weekends for leisure will end up on the auction block.

Similarly with electronic records in hand, a Management Audit Team will carefully analyze and propose remodeling the public service in full consultation with the PSU to ensure that all are at productive work, properly prepared and knowing where they will be going next-based on performance. There will be no retrenchment! Now turning to:

REBALANCING TAX MEASURES

First in an effort to close loopholes the Office of Revenue in the Ministry of Finance has

recommended the following amendments to the tax act:

- Amend Section 108(1) (a) to remove profession or vocation from this subsection and give it its own subsection with a threshold of \$20,000.00 per annum.
- Amend Section 108(1) (b) in respect of rental receipts and insert a threshold of \$800.00 per month.
- Add a penalty of 10% for non-compliance of Section 112 (withholding tax on gross contract payments).
- Increase the rate of business tax on rental of property from 1.25% to 3% on rentals over \$800.00 per month.
- Apply a withholding tax on winnings from slot machines and table games of 15% on winnings in excess of \$1,000.
- Amend the act so that in cases where a taxpayer has income from more than one source, the tax should be paid on the gross at the respective rate for each class of income, provided the aggregate gross income exceeds \$20,000 in the year or \$1,666.67 per month.
- Administer EPZ legislation to the letter disallowing any exemptions on fuel not used for energy generation or vehicles not directly involved with production.
- And last amend the Income Tax act for better tax administration as it relates to Real Estate agents, placing the burden of payments on the agent, and providing for special fines and penalties for violation.

While we live in a new, revitalized and modern economy, many look on unable to feel the new day because the new way demands new basic necessities to truly participate in our new society. In the past we have removed import duties and taxes from most basic items ranging from basic food items to electricity, water, stoves, fridges and even computers. The efforts of this government, providing new jobs and generating more credit through the DFC, the Small Farmers and Business Bank, lower interest rates, Youth for the Future, the Renewed Marketing Board and general economic growth have afforded most Belizeans these past staples then considered as basics. But today how can a Belizean explore the changing world if that Belizean cannot afford a computer. Long ago we removed duties from computers. In some cases such as fridges and stoves, we took away the import duties but sales taxes still apply.

In order to have these new basics reach all Belizeans we will now remove import duties from a few last staples still paying duties- tea, salt, yeast, baking powder, and toothpaste. Today we also remove import duties from some new basic necessities- smoothing irons, metal buckets, pampers, marley, linoleum, small table and floor fans, house hold telephones, and scooters (50cc and smaller). In most cases these items carried a 20% rate of import duty.

Recently we removed all duties on blank Cds for recording local music on the recommendation of the Ministry of Culture, and today we continue to keep our commitment to advancing culture in Belize by now removing duties on all musical instruments and accessories, and all recorded music products including CDs, gramophone records, cassettes, DVD-Audio and Music videocassettes.

We are also removing sales tax from refrigerators (15cuft. and less) and gas stoves (regular

30” and less). These measures will save Belizeans hard earned money every week spent on basic items like tea and toothpaste and big bucks on items like fans and scooters. What is sure, is that now, we even have most modern basic necessities free of duties and many free of taxes and for the most part have saved Belizeans some 20% on their costs.

In rebalancing to stay fiscally responsible and share the costs of our new more shockproof economy and society, today we will increase sales tax on all of the other goods and services except for telecommunications by 1%, and the following items will join fuel, alcohol, and tobacco at the higher rate of sales tax: telephones (non-household), large fans, scooters (over 50cc), refrigerators (over 15cuft.), and stoves (other than the regular domestic gas stove).

But with all this, we are well aware that some, on the Southside of Belize City and in the far flung villages of Toledo and South Stann Creek, do not yet have the purchasing power to take advantage of this rebalancing so we go even further. We must also:

REBALANCE POTENTIAL ECONOMIC GENERATORS

We have recently signaled cruise ship and tourism entities in general that if they make significant investments in these areas, they will be afforded EPZ status. And in the case of investments which will employ thousands directly and indirectly, we will even consider exclusivity tied to long term expansion commitments and subject to our laws. In the special case of Belize City, we are so determined to develop the Southside while maintaining our legal commitments, that we are offering special incentives in line with responsible business plans to those concerned in order to build the new Cruise Ship Terminals-both at Stake Bank and the Port Of Belize. Our goal also includes operations at Stann Creek and Toledo.

Additionally those who have fiscal incentives today are being asked to include cut flowers and live local entertainment in their business plans, and future incentives will include these as conditions. This should expand greatly the market for Belizeans of humble means who can plant flowers after training in their back yards, and many more who are culturally talented.

So that unemployed residents in that area can grasp the opportunities, we are budgeting two million more for the Small Farmers and Business Bank for this specific purpose and working in collaboration with the Toledo Development Corporation, Youth for the Future, and the Employment Agency. The Ministry of Tourism & Investment will also be gearing up special programs for training and interfacing existing services. For the South there will be added incentives for development.

Today, the Deputy PM will also present amendments to the Land Tax Act which pays special attention to encouraging ownership and development of land in the South. While not increasing the tax rate in the country, we will ensure that those who own small properties and less than 30 acres pay only a token land tax while those who own larger properties will no longer have to seek out the Department to find out what they owe or to pay land taxes. The valuation process will be simplified by a modern and just system of land “declared unimproved values” categorized by economic location and use. The collection method will also be mechanized placing the onus for payment on the owner, increasing penalties and the statute of limitations. On consultation, most land owners, including large owners, agree that a fixed system which allows for proper budgeting and the relief of proper process, will improve our enabling environment. Again here we are not increasing the tax rate, but we are rebalancing. We are making sure that Belizeans, who can, pay, and those that need time to grow economically are relieved.

The Deputy PM will also introduce amendments to the Land Tax act to ensure collection of

Speculation Tax by placing the burden of payment on the owner and increasing fines and penalties. Speculation tax of course only applies to property over 300 acres by accumulated ownership where no productive use is being made of that land.

Lastly we will present amendments today which will be:

REBALANCING MONETARY POLICY

Amending the EPZ Act to disallow transactions in Belize Dollars and increasing the fines and penalties for violations, and,

Amending the Casa de Cambio legislation to tighten up on reporting requirements and increasing fines and penalties for violations in general. But we must also be:

REBALANCING SECURITY MEASURES

Even the new more empowered society that we are creating must be concerned about security. In 1998 we inherited a neglected and demoralized security system. Since then we concluded and implemented a complete Strategic Security Review. Today our police and BDF are better equipped than ever before, and wide public consultations are followed up by action with legislative changes, neighborhood watch, the 922 system, cash for information and many other programs.

Internationally, we have seen a new defiance by a small minority of criminals who unfortunately lead a larger group of young followers down the wrong path. While Belize has been fortunate in that violence here has not near reached the levels in nations around us, we have been challenged. We met this challenge after many attempts by several governments to negotiate order failed. We applied a determined proactive and muscular strategy which targeted the known leaders who were influencing our youth to mimic the worst of today's ubiquitous TV violence. We also put more and better trained police on the streets. Police training today includes from gender awareness to the most sophisticated of Forensic Science. As a result crime statistics have gone down dramatically, but policemen have been injured and in some cases killed. The most notorious of criminals have either left this world, this country, are in jail or hiding. Most crimes of violence today are of passion or related to burglary. Some say we have gone very far, and some streets are terrified. Some would have us be even more proactive.

Today for a period of one month, we reopen conversation with these young people at risk. Our community policing will reach out and test their readiness to re enter society. Their response must be clear and sincere backed by turning in weapons, sharing information and taking up gainful employment. The Youth for the Future, Employment Agency and Small Farmers and Business bank team will work with the police. This rebalancing of security must not be misunderstood as a sign of weakness. To continue, it must be visibly successful in 30 days. It was not I who said that "freedom is not an issue until order is restored", but we hear clearly the mandate that we have from the Belizean people.

At the same time our refurbished prison now run by the Kolbe Foundation, working closely with us, offers real rehabilitation opportunities. On Immigration, we now have public ceremonies and soon will have civics test to avoid any of the friction of the past. And if we needed any further proof that we have also been dealing with the causes of some crime, we now report on:

BELIZE SOCIAL SECURITY REBALANCING SOCIETY

In 1998 when we first came to government there were 55,134 insured working Belizeans getting some \$11.6mn in benefits for that year. We are happy to report that at the end of 2003 some 71,260 were insured receiving some \$25mn in benefits, and this does not include the NHI benefits enjoyed by residents of the Southside of Belize District. In other words this government's policies have provided at least 30% more formal jobs since 1998 and probably as many informal opportunities. At the same time those who need it most have received more than double the benefits that they received in 1998. Additionally some 2,000 Belizeans over 65 years, with no other means of income, have already received some \$1.3mn and 1,000 more applicants are being processed through the committee headed by Canon Flowers. Also in 1998 Social Security's assets were at \$192mn. Today they are over \$286mn. Almost \$100mn more working to defend the needy when necessary. We are indeed rebalancing our economy to work more for those who most need it. As a matter of fact with today's rebalancing measures, Prime Minister Said Musa's government has created:

A SPECIAL AND DELIBERATE SOCIAL SAFETY NET

This special social safety net deliberately carved out within Belize's national economy serves Belizeans who now earn \$20,000 and less per annum, own a humble lot and home or less than 30 acres of land in rural areas, have average stoves, fridges, phones, fans, smoothing irons, scooters, electricity, water and all the basic food, medicines and necessities for decent living. These precious Belizeans have one thing in common. These Belizeans can afford these new necessities because they pay almost no taxes. These Belizeans join the benefits from our successes, because of rebalanced economic growth, by a government and the more fortunate among us, who understand that this is what a new, revitalized, and modern economy demands. And by doing this, we forge real hope for these Belizeans that with this social safety net created is a ladder of opportunity for them to climb toward more prosperity. But there are many:

MORE BENEFITS FROM REBALANCING GROWTH

While the Prime Minister will elaborate on the array of new and continuing projects which will keep building our new, modern and revitalized Belizean economy, we cannot leave out the huge investments being made in good governance. These include more investments in the Judiciary, a new San Pedro Court, expanded Contractor General and Ombudsman offices, the new Governance Improvement Board, a Management Audit, completed Financial Statements right up to 2002, funded constituency offices for all 29 divisions, much better salaries for members of the national assembly and the list goes on and on. We are all benefiting from:

REBALANCING GROWTH TO WORK FOR ALL BELIZEANS

We appeal to all Belizeans especially those on the other side to join in and be a part of Belize's new, revitalized, and modern Belizean economy. We can meet the tide of free trade and globalization if we know where we are going. Globalization has been defined by intellectuals as the "Death of Distance". We cannot empower our economy to compete globally without cranking up our efficiencies on all the factors of production and marketing. As global competition touch us, some workers may feel threatened by these forces and need to know exactly how they will benefit. We believe that Belize can be a competitive and lean economic generator without being mean. All Belizeans must have education, good health, a home, adequate transport and the new basic necessities. The only way we can do this is to rebalance our growth to work for all Belizeans.

We also appeal to those Belizeans who will be assisting with this rebalancing to understand that there is a cost for everything including our special enabling environment moving toward a more shockproof economy. These are the Belizeans who have excelled by grasping the opportunities from our new, revitalized and modern economy.

Even the IMF's Mr. Horst Kohler speaking on the "Social Dimensions of Globalization" recently said: "Experience has shown, most recently in Latin America, that social equity is a crucial pillar of political stability and a sustained good investment climate. Social contracts differ across countries. However, we should reflect whether and how John Rawl's "Difference Principle" in conceiving of a fair and just society-"tolerate inequalities only when they benefit the least well-off", can be used in international policy development."

WE HAVE COME A LONG WAY!

In 1998 there was no confidence in our economy. Growth hardly passed 1%, and our recurrent account was in deficit. Yet the UDP had just retrenched almost 1,000 public officers and at Christmas time. Still we were paying a 15% VAT and even our savings were being taxed. The streets of Belize were owned by gangs. Today we see a new Belize all around us. No one can deny this. We are waging a real war against poverty, ignorance and HIV/Aids. The police and the communities are taking back the streets. After average growth of 7% over five years, we have a \$2bn economy. Public Officers are involved and better paid. Belizeans have real opportunities and are engaged, and our Ministry of Investments is kept busy by new investors all bullish on this new Belize. Since 1998 over 200 new ventures have been processed creating thousands of jobs. Goods and services once obtained only by getting on a plane are now around the corner. And this year with \$127mn being spent on Education and \$57mn on Health, Belizeans have access to education and health like never before. Thousands more Belizeans own their own homes, and after today with this rebalancing of growth, thousands more will be able to afford more of the new basic necessities. Our Belizean economy must work for all Belizeans! All Belizeans must have real hope for meaningful employment. We will not rest, until all Belizeans are working. "By the might of truth and the grace of God", we have come a long way! There can be no turning back!