PROSPECTUS

U.S.$125,000,000
Government of Belize
9.50% Notes Due 2012

The Government of Belize is offering U.S.$125,000,000 of 9.50% notes due 2012. The notes will be direct, unconditional, unsecured and general obligations of Belize. The notes will at all times rank at least equally with all other unsecured and unsubordinated external indebtedness of Belize. The full faith and credit of Belize will be pledged for the due and punctual payment of all principal and interest on the notes. Belize will pay interest on February 15 and August 15 of each year, beginning on February 15, 2003.

We have applied to list the notes on the Luxembourg Stock Exchange in accordance with its rules.

You should not assume the information contained in this prospectus is accurate as of any date other than the date on the front of this document.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public Offering	99.05%	U.S.$123,812,500
Underwriting Discount and Fees(1). . .	2.81%	U.S.$ 3,512,500
Proceeds to Belize(2)	96.24%	U.S.$120,300,000

(1) Includes an underwriting discount of 1.875% and a success fee of 0.935%.

(2) Before deducting expenses payable by Belize of approximately U.S.$1,100,000, including an arranger fee of U.S.$806,077 payable to Artemis Global Finance, LLC.

Interest on the notes will accrue from August 21, 2002.

Bear, Stearns & Co. Inc., the underwriter, is offering the notes subject to various conditions. The underwriter expects to deliver the notes to purchasers on or about August 21, 2002 through the book-entry facilities of The Depository Trust Company.

Bear, Stearns & Co. Inc.

The date of this prospectus is August 15, 2002.

BELIZE AND CENTRAL AMERICA

TABLE OF CONTENTS

STABILIZATION

THE UNDERWRITER, FOR ITS OWN ACCOUNT, MAY OVER-ALLOT OR EFFECT TRANSACTIONS IN ANY OVER-THE-COUNTER MARKET OR OTHERWISE, WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET (BUT IN DOING SO, THE UNDERWRITER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF BELIZE). THE UNDERWRITER WILL CONDUCT SUCH STABILIZING IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. THE UNDERWRITER WILL BEAR ANY LOSS RESULTING FROM THE OVER-ALLOTMENT OR STABILIZATION, AND WILL BENEFICIALLY RETAIN ANY PROFIT ARISING THEREFROM.

On March 29, 2002, Belize commenced a private offering by means of a private placement memorandum for up to U.S.$110,000,000 of debt securities. On April 16, 2002, Belize terminated the offering, and the private placement memorandum was withdrawn. Belize sold no securities during the terminated private offering. You should rely only on the information contained in this prospectus. This prospectus supersedes the withdrawn private placement memorandum and any other offering materials used in connection with the terminated private offering.

Belize, having made all reasonable inquiries, confirms that as of the date hereof:

- this prospectus contains all information with respect to Belize and the notes that is material in the context of the issue and offering of the notes, and such information is true and correct in all material respects and is not misleading in any material respect;
- any opinions, predictions or intentions expressed in this prospectus on the part of Belize are honestly held or made and are not misleading in any material respect;

- Belize has made, or caused to be made, all proper inquiries to ascertain and to verify the foregoing; and
- this prospectus does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained in this prospectus, in the light of the circumstances under which they are made, not misleading.

Belize accepts responsibility accordingly.

Belize has not authorized the making or provision of any representation or information regarding Belize or the notes other than as contained in this prospectus or as approved for such purpose by Belize, and you should not rely upon any such representation or information as having been authorized by Belize, the underwriter or any of the underwriter's affiliates. Neither the delivery of this prospectus nor the offering, sale or delivery of any note shall under any circumstances imply that there has been no change in the condition, financial or otherwise, of Belize since the date of this prospectus.

The information contained in this prospectus has been provided by the sources identified herein. The underwriter makes no representation or warranty, expressed or implied, and assumes no responsibility as to the accuracy or completeness of such information, and nothing contained in this prospectus is, or shall be relied upon as, a promise or representation by the underwriter as to the past or the future. By accepting delivery of this prospectus, you agree to the foregoing.

The distribution of this prospectus and the offering, sale and delivery of the notes in certain jurisdictions is restricted by law. The underwriter and Belize require you to inform yourself about and to observe such restrictions. This prospectus does not constitute, and you may not use this prospectus for or in connection with, any offer or solicitation in any jurisdiction in which such offer or solicitation would be unlawful.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this prospectus and you must obtain any consent, approval or permission required for the purchase, offer or sale by you of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither Belize nor the underwriter shall have any responsibility therefor.

PRESENTATION OF CERTAIN INFORMATION

In this prospectus, all references to "Belize" are to the government of Belize. All references to "Belize dollars" and "Bz.$" are to the lawful currency of Belize and all references to "U.S. dollars" and "U.S.$" are to the lawful currency of the United States of America.

Certain figures included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

The government operates on a fiscal year beginning April 1 and ending March 31. References to a single year (e.g., "2001") refer to the calendar year ended December 31, and references to fiscal year (e.g., "fiscal year 2000/01") refer to Belize's fiscal year ended March 31.

The terms set forth below have the following meanings in this prospectus:

- Gross domestic product, which we refer to in this prospectus 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. Nominal GDP figures may be calculated (1) at market prices or (2) at factor cost, that is, at market prices less net indirect taxes. In addition, real GDP figures may be calculated (1) at constant market prices of a particular year, or (2) at factor cost. Unless otherwise indicated, in this prospectus all GDP figures presented are nominal GDP at current market prices. Nominal GDP at market prices was U.S.$805.0 million in 2001 as compared to U.S.$773.0 million in 2000, while nominal GDP at factor cost was U.S.$681.9 million in 2001 as compared to U.S.$659.4 million in 2000.

- Gross imports may be measured on a cost, insurance and freight basis, which we refer to in this prospectus as "cif", or on a free-on-board basis, which we refer to in this prospectus 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 prospectus 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.
- A "ton" is 2,000 pounds; a "metric ton" is 2,204.6 pounds and a "long ton" is 2,240 pounds.

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.

Belize believes that it is in compliance with the International Monetary Fund's Special Data Dissemination Standard, or the IMF's SDDS. The IMF's SDDS includes precise definitions for countries to use when publishing reserves data. However, to this date Belize has not signed an agreement to publish its reserves data in conformity with the IMF's SDDS.

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.

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.

ENFORCEMENT OF CLAIMS

It may be difficult for investors to obtain or realize upon judgments of courts in the United States against Belize. Belize is a foreign sovereign government, which is generally immune from lawsuits and from enforcement of judgments under U.S. law. However, Belize has accepted that the transactions contemplated by the offering constitute commercial activities of Belize and are subject to private commercial law.

In any case, except as provided below, Belize will irrevocably waive and agree not to plead any immunity (including sovereign immunity) from the jurisdiction of any state or federal court in the Borough of Manhattan, The City of New York, to which it might otherwise be entitled in any action arising out of or based upon the notes, to the fullest extent permitted by applicable law. However, Belize reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976, or Immunities Act, 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 immunity by Belize with respect to such action, it would not be possible to obtain a U.S. judgment in such action unless a court were to determine that Belize is not entitled to sovereign immunity under the Immunities Act with respect to that action. Even if you obtained a U.S. judgment in any such suit, you may not be able to enforce the judgment in Belize. Moreover, you may not be able to enforce a judgment obtained under the Immunities Act against Belize's property located in the United States except under the limited circumstances specified in the Immunities Act.

In the fiscal agency agreement and in the notes, Belize will submit irrevocably to the jurisdiction of any state or federal court in the Borough of Manhattan, The City of New York, in respect of any claim or action arising out of or based upon the fiscal agency agreement or the notes which may be instituted by any holder of a note, such as, for example, a claim for breach of any obligation under the fiscal agency agreement or the notes. Any process or other legal summons in connection with any such action may be served upon Belize by delivery of letters rogatory to C.T. Corporation, located in The City of New York or by any other means that may have become permissible under the laws of the State of New York and Belize at the time of such service. However, Belize has not consented to service of suits made under the U.S. federal or state securities laws and, as explained above, Belize's waiver of immunity does not extend to those actions.

There is no agreement between Belize and the United States for the reciprocal enforcement of each other's judgments. However, 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 Judicial Committee of the Privy Council in London, U.K. Section 25(4) of the Crown Proceedings Act, Chapter 167 of the Laws of Belize, Revised Edition 2000, 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. It is possible that the courts of Belize may not enforce the judgments of a foreign court against Belize on the grounds of public policy where Belize has not appeared in the relevant proceedings or has unsuccessfully claimed immunity in such proceedings and has not otherwise submitted to the jurisdiction of such foreign court.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements.

Forward-looking statements are statements that are not about historical facts, including statements about Belize's beliefs and expectations. These statements are based on current plans, estimates and projections, and therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made. Belize undertakes no obligation to update publicly any of the forward-looking statements in light of new information or future events, including changes in Belize's economic policy or budget, or to reflect the occurrence of unanticipated events.

Forward-looking statements involve inherent risks and uncertainties. Belize cautions you that a number of important factors could cause actual results to differ materially from those expressed in any forward-looking statement. These factors include, but are not limited to:

- adverse external factors, such as terrorist attacks in the United States or elsewhere;
- acts of war;
- any general slowdown in the U.S. or global economies;
- adverse domestic factors, such as social and political unrest in Belize, economic or financial instability of Belize, high domestic interest rates, and exchange rate volatility;
- any border or other disputes with neighboring countries such as Guatemala;
- climatic changes and natural disasters such as hurricanes and tropical storms that can affect tourism and agriculture in Belize;
- trade and tariff policies;
- decline in tax revenues;
- financial conditions and liquidity of banks and other financial institutions in Belize;
- reduction in foreign currency reserves; and
- other factors identified in this prospectus.

PROSPECTUS SUMMARY

This summary highlights information contained in this prospectus 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 prospectus.

Summary Economic Information (1)

	Year ended December 31,				
	1997	1998	1999	2000	2001
	(in millions of US$, except percentages)				
DOMESTIC SECTOR					
Nominal GDP at Market Prices	617.3	629.6	688.0	773.0	805.0
Net Indirect Taxes	95.6	101.8	99.2	113.6	123.1
Nominal GDP at Factor Cost	521.7	527.8	588.8	659.4	681.9
Percentage Change in Real GDP at Factor Cost	4.3	1.8	6.5	10.8	4.6
GDP per Capita (U.S.$/person)	2,685.0	2,645.5	2,831.5	3,094.5	3,134.5
Inflation					
Consumer Price Index (Percentage Change)	1.0	(0.8)	(1.2)	0.6	1.1
Interest Rates (%)					
Weighted Average Lending Rate	16.6	16.3	16.3	15.8	15.4
Weighted Average Deposit Rate	6.7	6.0	5.7	5.0	4.3
Treasury Bill Yield(2)	3.4	5.9	5.9	5.9	5.9
Unemployment Rate (%)(3)	12.7	14.3	12.8	11.1	9.3
EXTERNAL SECTOR					
Average Annual Nominal Exchange Rate(1)	2:1	2:1	2:1	2:1	2:1
Exports of Goods (FOB)	200.0	194.4	263.6	288.4	269.1
Imports of Goods (FOB)	280.8	294.1	366.1	461.6	460.6
Goods Balance	(80.8)	(99.7)	(102.5)	(173.2)	(191.5)
Current Account Balance	(16.6)	(40.9)	(73.1)	(151.6)	(169.5)
PUBLIC FINANCE(4)					
Revenue and Grants	156.8	183.6	215.8	217.2	221.8
of which					
Current Revenue	144.0	152.0	168.8	169.5	184.9
Capital Revenue	8.5	22.3	40.2	35.8	26.6
Grants	4.3	9.3	6.8	11.9	10.3
Expenditure	165.0	190.6	241.2	264.9	266.7
of which					
Current Expenditure	126.4	132.4	145.6	148.7	166.6
Capital Expenditure	38.6	58.2	95.6	116.2	100.1
Current Balance	17.6	19.6	23.2	20.8	18.3
Overall Balance (after Grants)	(8.2)	(7.0)	(25.4)	(47.7)	(44.9)
Ratio of Current Balance to GDP (%)	2.9	3.1	3.4	2.7	2.3
Ratio of Overall Balance to GDP (%)	(1.3)	(1.1)	(3.7)	(6.2)	(5.6)
PUBLIC DEBT AND INTERNATIONAL RESERVE POSITION					
Domestic Public Sector Debt	123.6	124.8	128.5	165.7	180.7
Percent of GDP	20.0	19.8	18.7	16.0(5)	17.5(6)
External Public Sector Debt(7)	240.7	260.7	252.5	423.6	475.0
Percent of GDP	39.0	41.4	36.7	54.8(5)	59.0(6)
Total Public Sector Debt	364.3	385.5	381.0	589.3	655.7
Percent of GDP	59.0	61.2	55.4	70.8	76.6
Gross International Reserves	59.3	43.9	71.1	122.8	112.3
(in weeks of imports)	10.8	6.9	10.0	14.3	13.0
TOURISM					
Stop-over Visitors	153,822	165,128	159,744	174,867	177,605
Cruise Ship Arrivals	2,678	14,183	29,011	44,360	40,899
Total Visitor Arrivals	156,500	179,311	188,755	219,227	218,504

(1) The Belizean dollar is and has been pegged to the U.S. dollar at a rate of 2 to 1 since May 1976.
(2) Treasury Bills mature within 90 days.
(3) Includes all persons without jobs, whether actively seeking employment or not.
(4) Fiscal year data from April 1 to March 31. For example, 2000 refers to the period April 1, 2000 to March 31, 2001.
(5) A U.S.$42.0 million aggregate principal amount of public sector domestic debt payable by the Development Finance Corporation, or the DFC, to the Central Bank was deducted from each of total public sector domestic debt of U.S.$165.7 million and total public sector debt of U.S.$589.3 million when calculating the total public sector domestic debt to GDP ratio and the total public sector debt to GDP ratio, respectively. The Central Bank funded such U.S.$42.0 million domestic debt through borrowings from commercial banks during 2000, and these borrowings had been reflected as public sector external debt of the Central Bank. See "Public Debt".
(6) A U.S.$39.5 million aggregate principal amount of public sector domestic debt payable by the DFC to the Central Bank was deducted from each of total public sector domestic debt of U.S.$180.7 million and total public sector debt of U.S.$655.7 million when calculating the total public sector domestic debt to GDP ratio and the total public sector debt to GDP ratio, respectively. Such U.S.$39.5 million domestic debt was part of several loans in the aggregate principal amount of U.S.$42.0 million that the Central Bank made to the DFC during 2000. As of December 31, 2001, the DFC had made aggregate principal payments of U.S.$2.5 million to the Central Bank under such loans. The Central Bank funded the DFC loans through borrowings from commercial banks which were reflected as external debt of the Central Bank. See "Public Debt".
(7) Does not include contingent liabilities. These liabilities consist of guarantees of obligations payable by certain privatized companies and entities created in connection with a mortgage-backed financing of DFC mortgages. The government has guaranteed the payment of U.S.$34.8 million of external obligations of privatized companies. The government has also guaranteed the convertibility of foreign currency reserves for the repayment of U.S.$112.6 million external debt incurred in connection with the DFC mortgage-backed financing. To date, the government has not been required to honor any of these guarantees. See "The Belizean Economy—Privatization" and "The Monetary System—Banking and Financial Institutions—Development Finance Corporation".

Source: Central Bank of Belize; Ministry of Finance.

Offering Summary

This summary highlights information contained in this prospectus and may not contain all of the information that may be important to you. You should read this summary along with the more detailed description of the notes in "Description of the Notes".

Issuer	Government of Belize.
Notes Offered	U.S.$125,000,000 principal amount of 9.50% notes due 2012.
Issue Price	99.05% of the principal amount of the notes plus accrued interest from and including August 21, 2002 to but excluding the delivery date.
Maturity Date	August 15, 2012.
Interest	The notes will bear interest at a rate of 9.50% per year payable semi-annually in arrears in U.S. dollars on February 15 and August 15 of each year, commencing February 15, 2003.
Withholding Tax and Additional Amounts	Belize will make all payments of principal and interest on the notes without withholding or deduction for any Belizean taxes, except in certain limited circumstances.
Book Entry Delivery, Form And Denominations	The notes will be issued in fully registered form without interest coupons in minimum denominations of U.S.$1,000 and higher integral multiples of U.S.$1,000 in excess thereof. The notes will be represented by one or more global notes, registered in the name of Cede & Co. as nominee of DTC. Beneficial interests in the global notes will be shown on, and the transfer thereof will be effected through, records maintained by DTC. See "Global Clearance and Settlement".
Redemption or Sinking Fund	None.
Status of the Notes	The notes will be direct, general, unsecured and unconditional obligations of Belize. They will rank at least equally in right of payment among themselves and with all of Belize's existing and future unsecured and unsubordinated external indebtedness. Belize has pledged its full faith and credit to make all payments on the notes when due. See "Description of the Notes—Status of the Notes".
Events of Default	The notes will contain certain events of default, the occurrence of which may permit noteholders to accelerate Belize's obligations under the notes prior to maturity. See "Description of the Notes—Default; Acceleration of Maturity".

Covenants	The notes will contain a negative pledge covenant that will restrict Belize from creating or permitting to exist (subject to certain exceptions) any security interest on any of its present or future revenue, properties or assets. See "Description of the Notes—Negative Pledge Covenant".
Listing	Belize has applied to list the notes on the Luxembourg Stock Exchange. See "Description of the Notes—Listing".
Use of Proceeds	Belize will use the net proceeds from the sale of the notes for the repayment of existing public sector external debt.
Taxation	See "Taxation" for a discussion of the U.S. federal and Belizean tax consequences associated with an investment in the notes. Investors should consult their own tax advisors in determining the tax consequences of the purchase, ownership and disposition of the notes.
Ratings of the Notes	Belize expects the notes to be rated. Belize is currently rated Ba2 by Moody's Investors Services, Inc. and BB- by Standard & Poor's. The ratings of the notes will not constitute a recommendation to buy, sell or hold the notes and may be subject to revision or withdrawal at any time by the rating organizations. You should evaluate each rating independently of any other rating of the notes or other securities of Belize.
Fiscal Agent, Principal Paying Agent and Registrar	JPMorgan Chase Bank.
Luxembourg Listing Agent, Paying Agent and Transfer Agent	J.P. Morgan Bank Luxembourg S.A.
Financial Advisor to the Government and Arranger	Artemis Global Finance, LLC.
Governing Law	The notes will be and the fiscal agency agreement are governed by the laws of the State of New York, except with respect to their authorization and execution which is governed by the laws of Belize. See "Description of the Notes—Governing Law and Submission to Jurisdiction".

USE OF PROCEEDS

Belize will use the net proceeds of approximately U.S.$119,200,000 from the sale of the notes, after deduction of expenses, underwriting discount and fees and the arranger's fee, for the repayment of existing external central government indebtedness of Belize and for the creation of a sinking fund for the repayment of central government bonds that carry a 10.347% interest rate and mature in 2005. Belize expects to repay approximately U.S.$117 million of outstanding indebtedness, consisting of 31 loans, with an average outstanding balance of approximately U.S.$3.8 million each, from banks, multilateral organizations and vendors, with maturity dates from 2002 to 2012 and interest rates ranging from LIBOR to LIBOR + 3.0% in respect of floating rate debt and 5.42% to 11.90% in respect of fixed rate debt. Belize estimates that total cash flow relief from both interest savings and extending principal payments on short-term debt over the next nine years as a result of the sale of the notes and the repayment of this existing debt will be approximately U.S.$45-55 million.

BELIZE

History

Belize is the only country in Central America where English is the official language. The territory of what is now Belize was originally settled by the Maya over 4,000 years ago. The earliest European settlement in Belize was established in 1638 by British pirates, buccaneers and adventurers known as "Baymen" who developed logwood and mahogany industries, which formed the basis of the settlement's economy. From the seventeenth century until the mid-1900s, the Belizean economy thrived from the expansion of the logwood and mahogany industries. The importance of forestry in the country's early economic development is embodied in the Belizean flag, which contains a mahogany tree between two woodcutters standing on either side of a coat of arms. The national motto "*sub umbra florero*" ("under the shade I flourish"), a reference to the mahogany industry, also appears in the Belizean flag.

In 1786 Belize became a British colony and in 1862 became a British Crown colony under the name British Honduras. As a colony, the various governments of Belize included a lieutenant governor, a governor and a legislative council, and by limited representative government in the twentieth century. The colonial government granted universal adult suffrage in 1954. Internal self-government began in 1964, and the colony was renamed "Belize" in 1973 in anticipation of its independence. The move toward independent status was slowed by years of border disputes with Guatemala, which claimed rights to Belizean territory. See "—International Relationships—Guatemala". Belize became a sovereign state within the British Commonwealth on September 21, 1981.

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 386 km. The area of Belize is roughly the size of Massachusetts at 23,000 square km. The capital city, Belmopan, was built 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.

From the 1991 census to the 2000 census, Belize's population grew by 26.8%. The total population of Belize was 249,800 as of May 2000. The last official census taken in May 2000 indicated that 51.4% of Belize's population lived in rural areas, while 48.6% lived in urban areas. Belize City, the country's largest business center, has a population of approximately 54,125, about 21.7% of the total population. Belmopan is about 75 km from Belize City and has a population of approximately 8,305. Based on census data compiled by the Belizean Central Statistical Office, population density is estimated at 10.4 persons per square km, making it the least densely populated country in Central America.

Society

Belize's population maintains diverse religious beliefs, although Christian denominations predominate with approximately 82% of the population practicing some form of Christianity. Other major religious groups include adherents to the Hindu, Ba'haí, Muslim and Buddhist faiths.

Since 1980, an estimated 50,000 Central Americans (mostly Guatemalans, Salvadorans and Nicaraguans) fled civil strife in their own countries and immigrated to Belize. More recently, an estimated 10,000 Taiwanese nationals have immigrated to Belize. The result is a multiethnic, multilingual society, which is 49% Mestizo, 25% Creole, 11% Maya, 6% Garufina, 3% East Indian, and 6% other (Asian, White and other). While English is the official language, Creole and Spanish are also spoken.

Belize's educational system is based on the British system. Belize education levels are relatively high with the World Bank estimating the adult literacy rate in 2000 at 93.2%. Pre-primary school education is available to children between the ages of three and five years. Primary school consists of eight years of education and is mandatory for children between the ages of five and 14. Secondary school education consists of four years of education offering general education and vocational or trade schools offering short-term courses in basic trades. The Centers for Employment Training are the most prominent of the vocational and trade schools. The training system in the Centers for Employment Training adapts to employment trends and changes in the labor market.

Belize's educational system consists of public and private schools. The government pays tuition fees for students attending public primary and secondary schools. Post-secondary education is available to qualified candidates at community colleges. Belize has five post-secondary schools, which include the University of Belize and four junior colleges. The government makes contributions to each post-secondary school based on the number of students. Students at all post-secondary levels pay registration and other fees. In total, the government contributes approximately 70% to the total cost of student education.

In 2001, the average unemployment rate in Belize was 9.3%, compared with 11.1% in 2000 and 12.8% in 1999. The unemployment rate in Belize during the past five years has ranged from a high of 14.3% in 1998 to a low of 9.3% in 2001. See "The Belizean Economy—Employment and Labor".

The following table sets forth selected comparative social indicators for Belize and a number of other Central American countries for the year ended December 31, 2000:

Selected Social Development Indicators

	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
Infant Mortality (per thousand)	30.8	10.2	29.1	38.8	34.6	33.0	19.9
Adult Literacy Rate	93.2	95.6	78.9	68.7	74.6	66.5	91.9
GNP Per Capita (In US$)	3,110.0	3,810.0	2,000.0	1,680.0	860.0	400.0	3,260.0
Life Expectancy	74.1	77.5	70.1	65.2	66.0	68.9	74.6

Source: The World Bank

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. 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 upon the British Westminster model and is a member of the British Commonwealth. The Head of State is the British Monarch, who is represented locally by the Governor-General of Belize. Traditionally, the British Monarch appoints the Governor-General upon the recommendation of the Belizean Prime Minister. The actions of the Governor-General are, in most cases, of a purely formal and ceremonial nature. Under the Constitution, general elections are due every five years. The Constitution permits the Prime Minister to call elections at anytime within the five-year period, consistent with the British Westminster model. The next general election is required to be held due no later than August 2003.

National legislative power is vested in a bicameral National Assembly composed of a House of Representatives and a Senate. Belize is divided into 29 electoral districts, with each district representing at least 2,000 registered voters. The House of Representatives comprises 29 members elected by the people in the general elections. Belize held its last general election on August 27, 1998. The results of the last general election accorded the Peoples United Party, or PUP, 26 of the 29 seats in the House of Representatives. The Prime Minister, the member from the ruling 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. Said Musa, is a member of the PUP.

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 require ratification by a two-third majority in both houses of the National Assembly. Constitutional amendments to fundamental rights require ratification by a three-quarter majority in both houses of the National Assembly.

In addition to the national governing bodies, local government is administered through the six administrative districts of Corozal, Belize, Orange Walk, Stann Creek, Cayo and Toledo. Those districts are administered at the local level by two city councils located in Belize City and Belmopan, eight town councils and 185 village councils. The Belmopan city council has six members, and the city council of Belize City has nine members. Town and village councils each have seven members. City council, town council and village council members are each elected to three-year terms. The Constitution requires the next local elections to be held in 2003.

The principal policy-making body of the government of Belize 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 Prime Minister's administration decides the size of the cabinet. The Governor-General appoints members of the cabinet upon the recommendation of the Prime Minister.

The Belizean judicial system is based on English common law and practice and consists of a Supreme Court, a Court of Appeal and local courts. Final appeals are made to the Judicial Committee of the Privy Council in the United Kingdom. A number of Caribbean nations, including Belize, are currently discussing the establishment of a Caribbean Court of Justice to replace the Judicial Committee of the Privy Council for those nations. Belize has signed the Agreement for the Establishment of the Caribbean Court of Justice under the auspices of the Caribbean Community and Common Market, or CARICOM. Belize's Constitution, however, will need to be amended before the Caribbean Court of Justice officially replaces the Privy Council as the court of final appeal in the Belizean judicial system.

Prior to 1981, two political parties existed in Belize, the PUP and the United Democratic Party, or UDP. Since independence, these two major political parties have continued to dominate Belize's political system. From the date of Belize's independence on September 21, 1981 until 1984, the PUP formed the government, while the UDP assumed power in 1984. The PUP won the 1989 elections only to be ousted by the UDP in 1993. In 1998, the PUP returned to power by winning 59.7% of the votes cast and 26 out of 29 seats in the House of Representatives.

The following table shows the House of Representatives' electoral results for the past five general elections:

House of Representatives' Electoral Results(1)

	1979	1984	1989	1993	1998
	(number of representatives)				
People's United Party	12	7	15	13	26
United Democratic Party	6	21	13	16	3

(1) The total number of seats in the House of Representatives was increased to 28 in 1984 and to 29 in 1993.

Source: The Election and Boundaries Commission

The PUP won the 1998 elections with a parliamentary majority on a platform of economic growth, social development and poverty reduction. After a two-year period of consultation with various representatives of

Belizean society, the government formulated, in 2000, a five-year National Poverty Elimination Strategy and Action Plan, or the Poverty Elimination Plan, with support from the Caribbean Development Bank, or CDB, the UK Department for International Development and the Canadian International Development Agency. The overarching goal of Belize's development agenda is to reduce the poverty rate from approximately 33% in 1999 to approximately 28% by 2004. The four main objectives of the Poverty Elimination Plan are: (1) enhancing economic growth, (2) improving access to and quality of social services, (3) modernizing the state and improving governance and (4) promoting environmentally sustainable development. The strong showing of the PUP in the electoral results gave it a mandate to implement its policy agendas. See "The Belizean Economy".

Media

There are no daily newspaper publications in Belize, however, several weekly newspapers are published, including two that are sponsored by Belize's political parties, The Belize Times (PUP) and The Guardian (UDP), and four independent newspapers, The Amandala, The Dangriga Star, The Reporter and The San Pedro Sun. The Voice of America operates an international medium-wave transmitter near Punta Gorda. There are several private radio stations in Belize City, and two operators provide a nationwide television service.

Healthcare

Registered medical personnel as of December 31, 2000 included 210 doctors, 32 dentists, 404 nurses, 30 opticians, 34 pharmacists and 230 midwives. As of December 31, 2000, Belize had approximately 550 hospital beds. Rural healthcare has been expanded by the provision of health centers and mobile clinics, which offer free outpatient treatment. There are seven government hospitals and two private hospitals in Belize. Recently, the DFC financed the newly constructed Universal Health Services Hospital.

Infrastructure

Improving Belize's infrastructure is of primary importance to the government. The government has focused and is continuing to focus on developing roads, ports, housing, airports, utilities, and healthcare infrastructure. The government places particular priority on the maintenance and development of roads and ports. Although main roads are paved in most areas of the country, a number of non-graded gravel roads remain and they are difficult to negotiate. In addition, the maintenance of the current depth levels of Belize's ports presents an ongoing challenge to the country's efforts to accommodate container ships.

Roads

Road development and drainage improvement is a primary objective of the government's plan to increase transport efficiency. In recent years roads in Belize have suffered from flooding after hurricanes and tropical storms due to poor drainage conditions. Belize City is particularly susceptible to this problem because it is below sea level. The inability to use flooded roads hampers transport and has a negative impact on commerce.

An extensive construction program that started in the early 1980s greatly improved Belize's road network, which now exceeds 2,565 km in total length. Substantial upgrading of major and rural access roads is currently underway with funds provided by a number of sources including the CDB, the International Bank for Reconstruction and Development, or IBRD, an affiliate of the World Bank, the United Kingdom and the Kuwaiti Fund. Belize has four major highways, two of which provide border crossings to Guatemala and Mexico. All main towns and villages are linked by roads to the capital, Belmopan and to Belize City. Private bus services operate to and from all major towns on a regular basis.

The Southern Highway Project, which began in 1997, is Belize's major highway construction project currently underway. Its objective is to extend the Southern Highway 103 miles, linking the southern districts of Stann Creek and Toledo to Belize's middle districts. The Southern Highway Project is divided into five separately funded sections because of its length.

The Roads and Municipal Drainage Project for Belize is another major project currently underway. It is being financed by the IBRD, which approved a U.S.$13.0 million loan in September 2000 to help Belize pave many of its gravel roads and improve its water drainage capacity to handle floods, as part of the project. The four objectives of the program are to (1) improve a road section connecting the Northern Highway to the Western Highway, (2) implement road maintenance by contract, (3) support the improvement of the drainage system for selected municipalities and (4) finance technical assistance to the Ministry of Works and Transport, respectively. Completion of the project is scheduled for June 2004.

Other current road projects include the Orange Walk Town Bypass Project and the Hummingbird Highway Bridge Project. The Orange Walk Town Bypass Project is intended to improve the road conditions and create new road access in the district of Orange Walk. Financed with a Bz.$20.0 million loan from the CDB, the project will build two high level bridge structures and create 7 km of new roadway. This project is expected to be completed by 2003. The Hummingbird Highway Bridge Project, financed by a Bz.$5.0 million European Union grant, seeks to improve road access to the western district of Belize.

In addition, Belize is currently negotiating a new project, expected to be funded by the Kuwait Fund and OPEC with a loan of approximately Bz.$35 million, that will create road access in southern Belize to Guatemala. In addition, Belize is currently finalizing feasibility studies with respect to the Manatee Project, another road project. The Manatee Project, expected to cost between Bz.$45 to Bz.$50 million, will create 36 miles of roadway in the southern district of Stann Creek.

Ports

The Belize Port Authority was established in 1976 to manage and operate the ports of Belize. Belize City is equipped with a modern, deep-water port able to handle containerized ships. Located approximately 800 meters offshore, the Belize City Port has 67 meters of berths with 5.2 meters of natural depth. The Belize City Port also has a coastal marine facility with 153 meters of low-level berth and a natural depth of 2.4 meters. Nine major shipping lines operate cargo services in and out of Belize City Port.

There are nine other government-approved ports of entry. Among these, Commerce Bight Port in the Stann Creek District in the south can accommodate medium-sized vessels required to handle exports of citrus and other products. The Commerce Bight pierhead extends approximately 150 meters offshore. It was originally constructed with 27.5 meters of berthing face and 5.9 meters of natural depth. In addition, the port facility at Big Creek Port in the Stann Creek District was completed by a private consortium in 1990 to facilitate banana exports and continues to be privately owned. The port has approximately 154 meters of berthing face and 6.7 meters of depth. Other ports and shipping facilities include (1) timber wharves at Libertad and Orange Walk, (2) a molasses storage concrete barge of 7,000 tons capacity in the Southern Grennels Channel, (3) mooring buoys adjacent to the Belize City Port with a natural depth of 6.7 meters and (4) a warehouse and transfer facility located in Belize City used for sugar exports.

Belize is currently completing a dredging and reclamation program to construct an access channel at the pierhead of the Belize City Port with a depth of approximately 10 meters. In addition, the program will dredge the Haulover Creek Basin, increasing the depth to approximately 4 meters.

Belize completed the privatization of the Belize City Port in 2002. Port of Belize Limited, or PBL, was created to succeed Belize Port Authority and now owns and operates the Belize City Port. In addition, PBL will also manage and operate the Commerce Bight Port under a long-term lease arrangement with the Belize Port Authority. The government's decision to lease the Commerce Bight Port is subject to certain parameters set out in PBL's business plan. Through its management of these two ports, PBL will handle 87.5% of the national port business in Belize. As part of the privatization agreement, the government has retained the right to appoint two directors, one of whom must also be appointed chairman of PBL. The majority shareholder of PBL is Belize Ports Limited, which owns 99.6% of the outstanding shares.

Housing

As of December 31, 2001, 3,112 new houses had been financed with government support as part of the Poverty Elimination Plan's housing program. The key lenders under this housing program include the Development Finance Corporation, or DFC, the Belizean Social Security Board and the Ministry of Housing. Under a mortgage-backed financing program, mortgages owned by the Ministry of Housing, the DFC and the Social Security Board are assigned in the regional capital markets. The Ministry of Housing, the DFC and the Social Security Board then reinvest the proceeds in the construction of new housing units, mortgage financing and other public investment projects. Thus far, the government has managed to place five issues of investment instruments under the mortgage-backed financing program for a total of approximately U.S.$195.3 million.

The key component of the housing program is the provision of mortgage financing by the DFC. This includes financing to credit unions to provide mortgages to their members and construction loans to developers. As of December 31, 2001, 2,208 new houses had been financed by the DFC as a part of the housing program. The DFC's mortgage inventory reached Bz.$90.6 million in 2001, or 35.0% of its loan portfolio, reflecting its commitment to provide liquidity to the housing market. In addition, as of December 31, 2001, the DFC had approximately U.S.$70 million invested in housing developments that it plans to sell in 2003 and 2004. The DFC plans to finance approximately 90% of these sales. The financial resources of the DFC have come mostly from mortgage-backed financings, loans from the Central Bank of Belize and loans from the CDB. The DFC uses mortgage-backed financings to provide liquidity to its operations, which in turn allows the DFC to provide new low-cost loans to the housing market. See "The Monetary System—Development Finance Corporation".

The Social Security Board has provided Bz.$25.8 million between 1999 and 2001 to credit unions to finance mortgages for their members. These resources have financed 397 new houses. The mortgage loans made by the Social Security Board and the DFC carry interest rates of 12%. This has contributed to an overall decline in interest rates for mortgages offered by commercial banks from 15.3% in December 1999 to 14.0% in March 2002. See "The Monetary System—Interest Rates".

The Ministry of Housing also sponsored the construction of 507 houses for low-income families between 1998-2001. These houses were built by private developers with financing provided by the ministry. Upon completion, the houses were bought by families with mortgage financing provided by the Social Security Board.

Airports

Philip Goldson International Airport, located 14 km from Belize City, is served by three carriers, American Airlines, Continental Airlines, and Grupo TACA Airlines, which operate direct flights to and from Miami and Houston. In addition, U.S. Airways and the Belizean Port Authority entered into an agreement that requires U.S. Airways to start operating direct flights into Belize in November 2002. Air Jamaica and the Belizean Port Authority are also discussing the possibility of instituting Air Jamaica flights directly into Belize. There are regional services to several Central American capitals, in addition to two municipal airstrips serving domestic routes. Belize is currently planning an expansion of the airport that would potentially accommodate larger jet aircraft.

The expansion of the Hector Silva Landing Strip, located inland in Belmopan, became an important government objective after Philip Goldson International Airport was adversely affected by flooding due to hurricanes in 2000 and 2001. Belize, in conjunction with the government of the United Kingdom, began construction to expand and widen the existing runways at Hector Silva Landing Strip to accommodate military aircraft. By expanding the landing strip, the government is taking the first steps toward reducing the country's dependence on Philip Goldson International Airport.

Utilities

The Public Utilities Commission, or PUC, was created pursuant to the Public Utilities Act of 1999 to assist the regulators of the water and sewage, telecommunications and electricity sectors in implementing and maintaining policies that enhance services and protect consumer interests. The PUC works closely with the government to assist in the future development of the utilities sector while ensuring consumer protection.

Telecommunications

There are two telecommunications companies in Belize, Belize Telecommunications Limited, or BTL, and International Telecommunications Limited, or Intelco. BTL operates a direct dialing telephone network linking the most populous areas with villages often being served by a single community telephone. Other than some telecommunications services that Intelco provides to the government, BTL currently has a monopoly in the telecommunications market in Belize. BTL was privatized in stages between 1988 and 1999. Its principal shareholders are Carlisle Holdings Limited (52%) and the Belize Social Security Board (22%), with the remaining shares held by the public. Carlisle Holdings, the only Belizean NASDAQ-listed company, owns equity interests in several business groups in Belize, including Belize Bank and BTL. BTL's monopoly, combined with the relatively small size of Belize's telecommunications market, has contributed to comparatively high domestic and international telephone rates.

BTL retains the exclusive right to provide telecommunication services to the private sector pursuant to a licensing agreement with the government that expires in December 2002. Upon expiration of the license, other telecommunications companies that obtain a license will be allowed to enter the Belizean market and compete with BTL.

The PUC is currently working closely with the government in drafting a telecommunications bill that will replace the Belize Telecommunications Act of 1987. The bill would give the PUC greater control over the regulation of telecommunications in Belize. Currently, the Belize Telecommunications Authority regulates telecommunications in Belize. The bill also seeks to lower barriers of entry for new competition by including provisions for the interconnection of competing networks. Going forward, if the PUC determines that effective competition exists in the Belizean telecommunications industry, it will not regulate telecommunications prices. Such prices will be determined by supply and demand in the market. Where the PUC determines that effective competition does not exist, such as where the existence of a dominant provider does not allow market forces to set prices, the PUC will reserve the right to create the methodology for determining prices. Licenses will be required to operate a public telecommunications network and the PUC will reserve the right to revoke licenses for a variety of public interest reasons, including to prevent anti-competitive practices. In addition, the bill prohibits anti-competitive cross-subsidies that allow a dominant provider to subsidize lower prices in highly competitive markets with above-cost prices in other markets.

Electricity

Belize Electricity Limited, or BEL, a privately-owned company, is the primary commercial generator, transmitter and distributor of electricity in Belize. Prior to 1992, the government was the sole owner of the Belize Electricity Board which was the only authority for 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 Belize Electricity Limited. Canadian-owned Fortis, Inc. is the majority owner of Belize Electricity Limited, with 68% of the outstanding shares. The Belize Social Security Board also owns 26.3% of BEL's outstanding shares.

BEL supplies Belize with approximately 44 MW of electricity from multiple sources, which include electricity purchases from Comision Federal de Electricidad, or CFE, the Mexican state-owned electricity company, from the Mollejon hydroelectric facility in western Belize and from BEL's own diesel-fired generators. BEL purchases approximately 50% of its power supply from CFE. This dependence on Mexico has exposed Belize to periods of power outages because CFE does not accord Belize the same priority as its Mexican customers. The availability of foreign exchange to BEL in order to meet its payment obligations to CFE is guaranteed by the government pursuant to BEL's contract with CFE, where the government undertakes to provide approval for currency conversion without restrictions to meet these obligations. In 2001, the power supplied by BEL's diesel generators and hydroelectric facilities accounted for approximately 20% and 30% of BEL's total power supply, respectively.

As there are no domestic sources of fossil fuels in Belize, BEL purchases all of the fuel used in its diesel generators from foreign fossil fuel suppliers. BEL is seeking alternative sources of power due to the risk of price instability from BEL's dependence on foreign fossil fuel suppliers which led BEL to seek alternative sources of power. In August 2000, BEL agreed that it will purchase up to 15MW of power from an electric generation facility owned by Belize Sugar Industries Limited, or BSI, when the facility becomes operational.

Belize Electric Company Limited, or BECOL, currently owns and operates the Mollejon Dam on the Macal River, which provides power from the Mollejon plant. In an effort to increase domestic electricity generation of renewable, stably-priced energy, BECOL plans to build a U.S.$30 million hydroelectric dam, the Chalillo Dam Project, upstream along the Macal River from the existing Mollejon Dam that will double the power output potential from the Mollejon plant from 80 million kilowatt-hours to 160 million kilowatt-hours per year. Fortis, Inc. holds 95% of BECOL shares. BECOL intends to sell the power produced by the project to BEL for distribution. The project is designed to provide 7.3 MW of new electricity generation capacity to Belize and greater water storage for the existing Mollejon hydroelectric dam to more reliably produce energy from its 25.2 MW capacity at lower production costs. The terms pursuant to which BEL was privatized require BEL to pass any lower production costs on to consumers in the form of lower rates. Electricity costs in Belize are relatively high due to the country's relatively low population density, and because the small size of the country renders greater competition in the electricity sector impractical. The government expects that implementation of the Chalillo Dam Project will result in lower electricity rates in the country, however.

The Belize Alliance for Conservation Non-Government Organizations, or BACONGO, a local environmental group, has objected to the Chalillo Dam Project on environmental grounds; however, the government granted environmental clearance for the project based on the Belize National Environmental Appraisal Committee's review of the project's environmental impact assessment in November 2001. BACONGO, with the backing of the Natural Resources Defense Council, a U.S. private environmental group, filed a lawsuit against the government which claims that the approval process violated Belize environmental law and seeks to stop development of the dam. The lawsuit is presently before the Supreme Court of Belize.

Water and Sewage

The government's water and sewage program under the Poverty Elimination Plan seeks to increase the coverage of water and sanitation services to its population, particularly in the rural areas of southern and western Belize that have at times been plagued by malaria. The incidence of infectious diseases associated with deficiencies in water supply and sanitation has been a particular concern in these areas. Malaria alone cost Belize over Bz.$1.6 million, funded by the central government, after an outbreak of over 5,300 cases in 1992. Currently, malaria cases in Belize have been virtually eliminated due in part to mosquito spraying efforts and public health campaigns.

Various ministries and departments, specifically the Ministry of Natural Resources, the Ministry of Health, and the Ministry of Tourism and Environment share the responsibility for the management and provision of water and sanitation services. Under the Water Industry Act of 2001, or the Water Industry Act, these ministries continue to regulate water and sanitation under the supervision of the PUC. The Water Industry Act repealed the Water and Sewage Act of 1971.

The Water Industry Act authorized the privatization of the Water and Sewage Authority, a government-owned entity that provided water and sanitation services in Belize until 2001. In addition, the Water Industry Act gave the PUC (1) the power to grant the newly privatized entity a license to operate water and sanitation services, as well as (2) the authority to set water and sanitation service rates in Belize. Following its privatization in 2001, the Water and Sewage Authority was renamed Belize Water Services Limited. The shareholders of Belize Water Services Limited include Cascal, B.V., which has a 82.7% stake, and the Belize Social Security Board, which has a 10.0% stake. The government has retained the ability to appoint the chairman of the company's board of directors.

International Relations

Belize maintains diplomatic relations with almost every nation in the world. It is a member of the United Nations Organization, or UN, and the Organization of American States and the respective agencies of each organization. Belize is also a member of the Association of Caribbean States, the African Caribbean Pacific group of countries, CARICOM, the CDB, the British Commonwealth, the IBRD, the International Labor Organization and the International Monetary Fund, or IMF, and several other international agencies.

Belize is also a signatory to the Cotonou Agreement between the European Union 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, or 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. See "—Generalized System of Preferences".

Belize receives preferential tariff treatment on most of its products pursuant to, among others, the trade agreements described below.

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 15 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 the member states, especially the less developed countries, coordinating the foreign policies of the independent member states and engaging 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, and Haiti, Suriname and Montserrat, three associate members, and nine countries that have observer status.

CARICOM's principal activities are in the area of economic integration by means of the creation of a Caribbean Common Market. Members have also established common institutions in the areas of policy formulation and cooperation in the provision of such services as education and health and in such other areas as labor matters, agriculture, transport, communications, tourism and disaster preparedness. The members of CARICOM have agreed to amend the Treaty of Chaguaramas to establish the CARICOM Single Market and Economy, or CSME. The CSME would allow for the free movement of goods, capital, persons and services through out the member states. The treaty requires that the member states be compliant with the terms of the CSME by 2005. Belize transitioned into the free movement of capital phase in July 1997. All member states began implementing the free movement of certain skilled labor, with full compliance to be phased in by 2005. All members states began implementation of free movement of service providers in February 2002 and full implementation is expected in 2005. The CSME also intends to harmonize fiscal and monetary policies, but initiatives have not been formalized, and no time frame has been established. Central banks of member states are currently reviewing their options with respect to such harmonization and discussing possible parameters and time frames.

Cotonou Agreement

In February 2000, the European Union and the African Caribbean Pacific group of countries concluded negotiations for the twenty-year Cotonou Agreement, which provides for:

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

The Cotonou Agreement was signed in Benin on June 23, 2000 during the African Caribbean Pacific group-EU Council of Ministers Meeting and replaced an earlier similar agreement among the same parties known as the Lomé IV Convention. Under the Cotonou Agreement, Belize enjoys preferential market access to the European Union through a system of product quota and price preferences. This system, however, will be replaced gradually by a series of new economic partnerships based on the progressive and reciprocal removal of trade barriers among the European Union and the ACP countries in line with the principles of the World Trade Organization, or WTO. Prior to the implementation of any of these new economic partnerships, the European Union must conduct an impact assessment study. According to the terms of the Cotonou Agreement, the economic partnerships are expected to become effective by January 1, 2008.

The Cotonou Agreement provides for an eight-year extension of the special arrangements for ACP exports of bananas, rum and rice previously provided under the Lomé IV Convention. The Cotonou Agreement also provides economic development support to the tourism industry and provides guaranteed access to European markets for certain maximum amounts of Belizean sugar exports. See “The External Economy—Foreign Trade—Exports”.

The special arrangements for the importation of bananas provided by the Cotonou Agreement and its predecessor the Lomé IV Convention have been challenged by the United States and four Latin American banana producers and held by WTO to be inconsistent with WTO rules. In April 2001, the United States and the European Union announced an agreement by which the banana arrangements would be gradually phased out by 2006. The Belizean banana industry has taken steps to become more competitive with other banana producers in anticipation of the phase-out of these arrangements. See “The Belizean Economy—Principal Sectors of the Economy—Agriculture—Bananas” Banana exports represented 8.0% of total exports and 2.7% of GDP, in 2001. See “The External Economy—Foreign Trade—Exports”.

The Caribbean Basin Initiative

The Caribbean Basin Initiative, or CBI, 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. 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 appraised value of manufactured articles must be derived 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 trade agreement 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 sugar annual quota, the CBI does not guarantee any quotas to Caribbean product exports. The U.S. Congress subsequently passed the Caribbean Basin Recovery Expansion Act, or CBI II, in 1990, which improved the conditions of the original agreement by extending the life of the CBI and providing limited duty-free treatment for articles that the CBI had excluded. See "The Belizean Economy—Manufacturing—Sugar".

The Caribbean Trade Partnership Act of 2000

The Caribbean Trade Partnership Act of 2000, or the CBTPA, 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 CBII by reducing or eliminating U.S. duties on those products not previously covered by the CBII. 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 CBTPA is duty-free and quota-free entry for imports into the U.S. of apparel sewn and assembled by CBI countries from U.S. cloth and yarn; this product sector had been excluded from the original CBI law but was provided to Mexico under NAFTA. As in the case of CARIBCAN, Belizean exports have generally not yet benefited from CBTPA 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.

The CBTPA program was implemented in October 2000 and will last through the earlier of September 2008 or when the Free Trade Area of the Americas enters into force.

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.

Caribbean-Canada Trade Agreement

The 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 CARIBCAN are in large part not exported from Belize. Hence, Belizean exports have generally not yet benefited from duty-free access to Canada under CARIBCAN.

Free Trade Area of the Americas

Belize is currently participating with all other countries of the Western Hemisphere (except Cuba) in the negotiations of the Free Trade Area of the Americas. The purpose of the Free Trade Area of the Americas is to establish a hemispheric free trade regime. At a conference of CARICOM heads of government held July 3-5, 2002, Belize, along with the other CARICOM nations, adopted a timetable that contemplates implementation of the Free Trade Area of the Americas no later than December 2005.

Guatemala

Belize's relations with Guatemala have been affected by a territorial dispute and Guatemala's claim to the territory of Belize delayed Belizean independence for more than a decade. Belize, which joined the Caribbean Community in 1974, received the support of the United Nations for its independence in the late 1970s. Votes were taken on 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 dispute the location of Belize's borders. Today, relations have improved and the two countries now enjoy closer diplomatic ties. Since July 2000, the two countries have tried to accelerate a settlement of the dispute. Each country has appointed one facilitator, who will issue a recommendation for the resolution of the dispute. Belize anticipates that both facilitators will make their submissions to both governments in late August 2002. Upon review of the recommendations, both countries will adopt a final dispute resolution that will be submitted to approval by referendum in each country. The referenda will require approval by at least a majority vote in each country. While the border dispute continues to be a source of tension in diplomatic relations between the countries, Guatemala and Belize have never been involved in an armed conflict over this issue.

Defense

In 1994 the United Kingdom withdrew its garrison of 1,200 army and 300 Royal Air Force personnel, formally handing over defense responsibilities to the government of Belize. A small British training school for warfare is maintained. Belize has a defense force, the Belize Defense Force, of approximately 1,050 members, with approximately 50 in the maritime wing. There is a militia reserve numbering approximately 700. Budgeted defense expenditure for fiscal year 2000/01 was approximately U.S.$8.4 million.

Environmental Policy

The protection and conservation of the environment through sustainable development form a part of the government's Poverty Elimination Plan, which aims to carry out the following environmental activities by 2004, emphasizing their impact on the lives of poor people:

- 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 from points sources, targeting industrial and domestic sources, primarily as they affect marine resources;
- developing and implement strategic, rational land management plans for urban development;
- developing proper solid waste management by establishing the Solid Waste Management Authority, implementing public awareness programs, constructing a central landfill and rehabilitating existing sites to conform to required standards; and
- implementing measures to manage water resources.

Belize believes that the policies of sound management of natural resources and protection of the environment are of critical importance to its citizens. Recognizing that there must be a balance between economic growth and its impact on the social and physical landscape, Belize has made recent progress in implementing its environmental strategy.

Belize is one of four countries, including Mexico, Guatemala and Honduras, that have signed on to the Meso-American Barrier Reef Project which is headquartered in Belize. The project was founded by the Global Environmental Facility, or GEF, following the UN World Summit on Sustainable Development in 1992 and is administered by the World Bank. The twin goal of the project is:

- to sustain the marine life of 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 GEF, seeks to enhance Belize's efforts in this area.

Drug Trafficking

The proximity of Belize to Mexico makes it an attractive transshipment point for drugs destined for the United States. Belize has recently intensified its efforts to reduce drug trafficking through its borders and combat the violent crime caused by drug use and trafficking. Belize has also cooperated with the United States on narcotics control and other international crime issues primarily through the efforts of the Belize Police Force and the Belize Defense Force.

Belize believes that it has been successful in eradicating most cannabis cultivation in the country. Belize does not allow aerial spraying for the eradication of marijuana because of environmental concerns, though it does actively encourage aerial reconnaissance missions. The police and the Belize Defense Force manually eradicate plantings identified during these missions.

THE BELIZEAN ECONOMY

For purposes of this section, (1) the amounts and percentages relating to contribution to gross domestic product are presented in nominal GDP at factor cost, and (2) the growth and contraction rates of the various sectors and sub-sectors of the economy have been calculated based on real GDP at factor cost.

General

Belize has a small economy, the principal sectors of which are (1) agriculture, (2) manufacturing, which primarily includes agro-products such as sugar and citrus products, and (3) services, which includes primarily tourism and public administration. From 1997 through 2001, tourism represented 20.2% of gross domestic product, or GDP, on an average annual basis. Agriculture, agro-product manufacturing and tourism are the major foreign exchange earning sectors. During 2001, Belize's exports of goods and services represented approximately 55.1% of GDP, with exports of goods representing 33.4% of GDP. Export goods principally include sugar, citrus products, bananas, marine products (including seafood such as shrimp) and small manufacturing.

The United States and the United Kingdom are major trading partners of Belize. During 2001, exports to the United States were U.S.$86.7 million, or 53.8% of total exports, and exports to the United Kingdom were U.S.$37.1 million, or 23.0% of total exports.

The relative strengths of the Belizean economy include an abundance of land, forest, and water resources, Belize's proximity to the U.S. market and the country's historically close ties to the United Kingdom. Belize's environmental resources also create substantial opportunities in the nature-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 and electricity costs. Although historically Belize has not been significantly impacted by hurricanes, during 2001 and 2000 two substantial hurricanes and one tropical storm did adversely affect the Belizean economy, illustrating the vulnerability of Belize to natural disasters. See "—External Factors". The declining preferred market access available to certain export products such as bananas and sugar under various international arrangements is another challenge for Belize. See "Belize—International Relations".

Strategy

The core of Belize's economic plan since 1998 has been the stimulation of the economy by a combination of increased government spending and a 1999 tax reform that has lowered overall tax rates but broadened the tax base. Increased spending has targeted an active public sector investment program, particularly in essential infrastructure and hurricane reconstruction projects. The budget for fiscal year 2002/2003, however, reflects that government spending will decrease by approximately 4% in 2002. The highlights of tax reform have been a replacement of the 15% value added tax, or VAT, with an 8% sales tax, lower individual tax rates, simplification of calculation of tax liabilities and improved tax collection procedures. These reforms, along with an overall increase in economic activity, have resulted in an increase in tax revenues. See "Public Finance—Tax Reform". Between 1992 and 2002, the government also embarked on a privatization program to enhance its fiscal position and to improve structural efficiencies in the economy. See "—Privatization".

In 2000, Belize introduced a five-year National Poverty Elimination Strategy and Action Plan, or the Poverty Elimination Plan, designed to promote economic growth, social development, public sector efficiency and poverty reduction. The main components of this plan are:

- macroeconomic policy aimed at achieving a sustainable fiscal policy, liberalizing trading, broadening the economic base, reducing tax rates, accelerating land titling and improving the regulatory framework in critical sectors to stimulate private sector participation;

- a social policy promoting investment in education, health, land development and housing for the low-income groups, access to micro-credit, and the reform of safety net programs to improve their efficiency and effectiveness;
- public sector reform designed to enhance government financial control and accountability and the quality of public services; and
- environmental policy aimed at preserving Belize's natural resources through the enhancement of land, waste and natural disaster management, the prevention of water pollution, and the improvement of road and drainage systems.

External Factors

Impact of Global Events

In 2001, the United States purchased 53.8% of Belizean exports and was the country of origin of 60.6% of Belize's stop-over tourists. Accordingly, any downturn in the U.S. economy is likely to have a negative impact on the Belizean economy. Furthermore, in 2001, the United States was the source of 40.3% of all Belizean imports. As a result, any rise or fall in the U.S. export price index 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. As a result, the value of imports for countries other than the United States is likely to increase, and the value of exports to countries other than the United States is likely to decrease.

The terrorist attacks in the United States on September 11, 2001 contributed to the general slowdown of the U.S. and global economies, which in turn also had a negative impact on parts of the Belizean economy. In particular, following these terrorist attacks, the world public (and the U.S. public in particular) exhibited a reluctance to travel due to fears of additional acts of terrorism, leading to a reduced number of tourist visitors to Belize and reduced revenue from tourism and air transport. Belize estimates that the attacks contributed in part to a reduction in GDP growth to 4.6% in 2001 as compared to 10.8% in 2000. See "—Principal Sectors of the Economy".

While Belize cannot predict what effects these events will have in the long term, Belize expects that a downturn in the world economy, future terrorist attacks, military action in response to such attacks, or the anticipation of any such actions or events could continue to have a negative impact on tourism and Belize's economy in general.

Hurricanes and Tropical Storms

During the 19-year period from 1978 to 1997, no hurricanes and only three tropical storms reached Belize. However, since 1997, Belize has suffered damage caused by Hurricanes Mitch, Keith and Iris and Tropical Storm Chantal.

Recent natural disasters have caused considerable damage to infrastructure and have affected the performance of several economic sectors. In 2000, Hurricane Keith hit San Pedro and Caye Caulker, and Tropical Storm Chantal hit the Corozal and Orange Walk Districts, all in the northern parts of the country, while in 2001 Hurricane Iris hit the Toledo District and the Southern part of the Stann Creek District in the southern region of the country. Damage resulting from Hurricanes Keith and Iris amounted to losses equivalent to approximately 33.8% of GDP, in 2000 and 18.9% of GDP, in 2001. The National Emergency Management Organization calculated these losses based on data relating to hurricane damage following the guidelines established by the Economic Commission of Latin America and the Caribbean of the United Nations.

As part of a program to refurbish existing infrastructure to reduce exposure to the adverse effects of hurricane activity, Belize obtained a U.S.$21.3 million facility from the IDB to modernize hurricane shelters throughout Belize. In addition, in 2001, Belize created by statute an association of engineers whose duties are to assess the condition of existing infrastructure and to issue recommendations to the Ministry of Works with respect to maintenance standards. Belize is also in the process of reviewing existing building and housing codes and expanding its supervisory role over compliance with such codes. The government anticipates that this review will lead to the implementation of new housing and building codes in the future.

Gross Domestic Product

Overview

Belize generally divides economic activity into the primary sector, the secondary sector and the services sector.

- The primary sector comprises products that do not undergo any transformation and includes the activity of extraction of raw materials. Agriculture, fishing, forestry and logging, and mining are the primary sub-sectors.
- The secondary sector comprises all economic activities directed to the transformation of raw materials into finished products, and includes the manufacturing, electricity and water, and construction sub-sectors. Food products, including citrus juice and sugar, are included in the secondary sector as they constitute final products obtained from the processing and conversion of fruits and sugarcane.
- The services sector comprises all activities directed toward the generation of final services, and includes the trade, restaurant and hotel sub-sector (including tourism), the transport and communications sub-sector, the real estate and business services sub-sector, the public administration sub-sector and the community and other services sub-sector.

The Belizean economy grew by 4.6% and 10.8% in 2001 and 2000, respectively. The slowdown in growth in 2001 relative to 2000 was attributable to a contraction in several economic sub-sectors that was due mainly to hurricane damage, the impact of the September 11 terrorist attacks on tourism activity and declining export prices. The modest growth in 2001 principally reflected an expansion in the primary sector, which grew by 12.0%, while the secondary and services sectors grew at lower rates of 3.7% and 2.0%, respectively. The expansion in the primary sector in 2001 was principally the result of (1) a growth of 36.2% in the fishing sub-sector, as compared to a growth of 13.1% in 2000, and (2) a growth of 16.0% in the forestry and logging sub-sector, as compared to a contraction of 30.9% in 2000. The growth in the fishing sub-sector in 2001 was primarily attributable to an increase in the production and exports of shrimp products, while the growth in the forestry and logging sub-sector was principally due to an increase in pine wood harvesting. See "—Principal Sectors of the Economy—Fishing" and "—Principal Sectors of the Economy—Forestry and Logging".

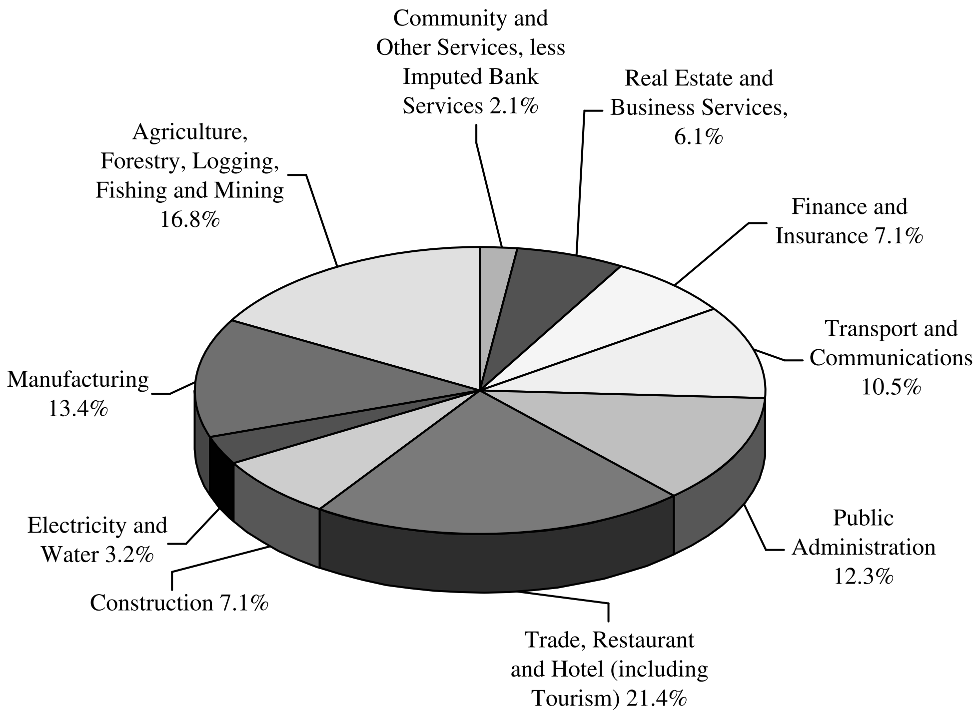
During 2001, the services sector continued to be the largest contributor to GDP, accounting for 59.5% of GDP, as compared to 58.7% in 2000, with the trade, hotel and restaurant sub-sector (including tourism) representing the largest share of GDP among all sub-sectors of the services sector. The secondary sector continued to be the second-largest contributor to GDP, accounting for 23.7% of GDP, in 2001 as compared to 23.1% in 2000, with the manufacturing sub-sector representing the largest share of GDP among all sub-sectors in the secondary sector. The primary sector's share of GDP was 16.8% in 2001 compared to 18.2% in 2000, with agriculture accounting for 11.3% of GDP in 2001 compared to 12.9% in 2000. See "—Principal Sectors of the Economy".

The 2001 growth in output was accomplished with a modest inflation rate of 1.1%. A 0.7% reduction in import costs as measured by the U.S. export price index, as well as the limitation in average import duties to 20% under CARICOM's Common External Tariff contributed to lower prices. The U.S. and the CARICOM countries were the sources of 40.3% and 4.3% of Belizean imports, respectively, in 2001. See "The External Economy—Trading Partners" and "—Inflation".

The following table sets forth the distribution of nominal GDP at factor cost in the Belizean economy, indicating for each sector its percentage contribution to GDP for the year ended December 31, 2001:

Sectors of the Belizean Economy

(as a % of nominal GDP at factor cost for 2001)



The following table shows nominal GDP at factor cost by economic sectors and as a percent of GDP for the five years ended December 31, 2001:

Sectoral Share of Nominal GDP at Factor Cost

	Year ended December 31,									
	1997		1998		1999		2000		2001	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in millions of US$, except percentages)									
Primary Sector										
Agriculture										
Banana	US$ 17.8	3.4%	US$ 18.0	3.4%	US$ 20.5	3.5%	US$ 24.1	3.7%	US$ 15.1	2.2%
Sugarcane	19.7	3.8	16.5	3.1	14.3	2.4	12.5	1.9	10.9	1.6
Citrus Fruits	8.7	1.7	8.0	1.5	9.2	1.6	11.0	1.7	10.1	1.5
Other Crops	24.1	4.7	22.0	4.2	26.4	4.5	26.2	4.0	26.9	3.9
Livestock	11.5	2.2	10.6	2.0	11.7	2.0	11.1	1.7	14.2	2.1
Total	81.7	15.6	75.0	14.2	82.0	13.9	84.9	12.9	77.1	11.3
Fishing	12.6	2.4	16.9	3.2	20.3	3.4	26.4	4.0	25.0	3.7
Forestry & Logging	8.8	1.7	8.5	1.6	10.9	1.9	4.0	0.6	7.6	1.1
Mining	3.2	0.6	3.1	0.6	3.6	0.6	4.5	0.7	4.7	0.7
Total Primary Sector	106.2	20.4	103.5	19.6	116.8	19.8	119.8	18.2	114.3	16.8
Secondary Sector										
Manufacturing	72.3	13.8	71.1	13.5	74.9	12.7	87.8	13.3	91.6	13.4
Construction	31.0	5.9	30.8	5.8	37.4	6.4	43.3	6.6	48.4	7.1
Electricity & Water	15.5	3.0	18.0	3.4	19.5	3.3	21.5	3.3	21.8	3.2
Total Secondary Sector	118.7	22.8	119.8	22.7	131.8	22.4	152.6	23.1	161.8	23.7
Services Sector										
Trade, Restaurant & Hotel (Including Tourism)	95.6	18.3	99.6	18.9	120.2	20.4	145.6	22.1	145.7	21.4
Public Administration										
General Government	47.4	9.1	50.3	9.5	53.1	9.0	57.7	8.7	62.6	9.2
Health	8.4	1.6	9.2	1.7	10.2	1.7	10.6	1.6	11.3	1.6
Education	6.9	1.3	7.4	1.4	8.4	1.4	9.4	1.4	10.3	1.5
Total	62.7	12.0	66.8	12.7	71.6	12.2	77.7	11.8	84.1	12.3
Transport & Communications										
Transport	21.9	4.2	20.0	3.8	24.1	4.1	23.6	3.6	26.8	3.9
Communications	33.0	6.3	34.8	6.6	37.1	6.3	41.7	6.3	45.0	6.6
Total	54.8	10.5	54.7	10.4	61.2	10.4	65.3	9.9	71.7	10.5
Finance & Insurance										
Finance	32.4	6.2	28.2	5.3	31.2	5.3	41.4	6.3	41.8	6.1
Insurance	4.3	0.8	8.5	1.6	6.9	1.2	4.9	0.7	6.7	1.0
Total	36.7	7.0	36.6	6.9	38.1	6.5	46.2	7.0	48.5	7.1
Real Estate & Business Services	35.0	6.7	34.9	6.6	36.7	6.2	39.1	5.9	41.6	6.1
Community & Other Services	34.1	6.5	34.1	6.5	35.4	6.0	36.6	5.5	38.0	5.6
Less Imputed Bank Services	21.9	4.2	22.1	4.2	22.8	3.9	23.2	3.5	23.8	3.5
Total Services Sector	296.9	56.9	304.5	57.7	340.3	57.8	387.2	58.7	405.9	59.5
Total GDP	US$521.7	100.0%	US$527.8	100.0%	US$588.8	100.0%	US$659.4	100.0%	US$681.9	100.0%

Source: Central Statistical Office

The following table shows the rate of growth of real GDP by economic sectors at constant 1984 prices for the five years ended December 31, 2001:

Growth Rate of Real GDP at Constant 1984 Prices

	Year ended December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
	(percentage change in real GDP at constant 1984 prices)				
Primary Sector					
Agriculture	12.0%	(9.2)%	9.1%	4.9%	2.9%
Bananas	(7.2)	(1.6)	8.3	16.8	(27.4)
Sugarcane	(5.4)	(2.8)	2.1	(5.7)	(7.9)
Citrus Fruits	(41.9)	(14.6)	14.3	24.0	2.7
Other Crops	15.8	(13.8)	11.0	(2.3)	8.3
Livestock	3.1	(2.4)	8.9	(4.5)	27.2
Forestry & Logging	(2.4)	(3.2)	(0.6)	(30.9)	16.0
Fishing	31.6	37.9	28.8	13.1	36.2
Mining	(3.2)	(4.4)	15.4	23.9	3.4
Primary Sector Average Growth Rate	12.5%	(1.7)%	12.5%	4.8%	12.0%
Secondary Sector					
Manufacturing	2.7%	(2.9)%	3.9%	19.5%	2.0%
Construction	(5.7)	(1.5)	20.5	14.8	9.0
Electricity & Water	9.7	13.3	(28.8)	9.9	0.7
Secondary Sector Average Growth Rate	1.2%	(1.1)%	4.3%	17.6%	3.7%
Services Sector					
Trade, Restaurant & Hotel (Including Tourism)	8.2%	6.6%	3.1%	24.1%	(0.6)%
Public Administration	(4.1)	1.9	2.4	3.8	3.5
General Government	(6.2)	1.7	1.9	(0.2)	1.4
Health	4.6	3.6	0.6	19.2	2.7
Education	0.3	0.6	7.5	10.8	15.9
Transport & Communications	(2.9)	2.5	8.2	3.0	4.3
Transportation	3.6	(2.5)	28.3	(5.8)	15.0
Communications	5.5	3.3	1.9	7.1	0.1
Finance & Insurance	1.8	(0.3)	10.1	18.8	2.6
Finance	3.3	(13.2)	17.1	29.8	(1.1)
Insurance	(8.0)	98.9	(13.5)	(31.3)	34.7
Real Estate & Business Services	7.2	9.4	9.8	1.2	2.9
Community & Other Services	3.6	3.5	2.1	2.7	2.7
Services Sector Average Growth Rate	2.4%	4.6%	5.1%	10.5%	2.0%
Gross Domestic Product	4.3%	1.8%	6.5%	10.8%	4.6%

Source: Central Statistical Office

The following table shows nominal GDP at market prices by expenditure for the five years ended December 31, 2001:

Gross Domestic Product by Expenditure

	Year ended December 31,									
	1997		**1998**		**1999**		**2000**		**2001**	
	(in millions of US$ and as percent of total GDP, at nominal market prices)									
Government Consumption	US$ 104.8	17.0%	US$ 109.6	17.4%	US$112.3	16.3%	US$123.1	15.9%	US$131.5	16.3%
Private Consumption	410.9	66.6	425.0	67.5	441.9	64.2	554.9	71.8	570.4	70.9
Gross Capital Formation	144.9	23.5	152.8	24.3	203.7	29.6	250.8	32.4	256.0	31.8
Exports of Goods and Services	331.3	53.7	333.1	52.9	417.3	60.6	448.3	58.0	443.7	55.1
Imports of Goods and Services	(374.6)	(60.7)	(390.8)	(62.1)	(487.0)	(70.8)	(604.1)	(78.1)	(596.6)	(74.1)
Net (Exports) Imports	(43.3)	(7.0)	(57.7)	(9.2)	(69.8)	(10.1)	(155.8)	(20.1)	(153.0)	(19.0)
GDP at Market Prices	US$ 617.3	100.0%	US$ 629.6	100.0%	US$688.0	100.0%	US$773.0	100.0%	US$805.0	100.0%

Sources: Central Statistical Office; Central Bank of Belize

Principal Sectors of the Economy

Belize classifies its GDP activities into the three following major sectors: (1) the primary sector, with agriculture contributing the largest share of GDP; (2) the secondary sector, with agro-based manufacturing contributing the largest share of GDP; and (3) the services sector, with trade, restaurants and hotels (including tourism), public administration, transport and communications, and finance and insurance representing the largest shares of GDP.

Primary Sector

Agriculture

The principal agricultural products cultivated in Belize are sugarcane, bananas, citrus fruits and papayas. Other agricultural products include grains, vegetables and livestock. Agriculture was the fourth-largest contributor to GDP, in 2001 and 2000, accounting for U.S.$77.1 million, or 11.3% of GDP, in 2001, as compared to U.S.$84.9 million, or 12.9% of GDP, in 2000. During 2001, agriculture grew at a rate of 2.9%, as compared to a rate of 4.9% during 2000. The slowdown in growth in 2001 relative to 2000 was principally due to reductions in sugarcane, citrus fruit and banana production due to damage resulting from Hurricanes Keith and Iris and Tropical Storm Chantal. The 2000 growth in agriculture resulted from a rise in the producing acreage of export crops, which offset reductions in grain production caused by Hurricane Keith during the last quarter of 2000.

The following table shows the production of selected agricultural products for the five years ended December 31, 2001:

Agricultural Production

	Year ended December 31,				
	1997	1998	1999	2000	2001
	(in thousands of pounds, unless otherwise indicated)				
Crops					
Bananas(1)	2,905	2,856	3,097	3,626	2,600
Sugarcane(2)	1,156	1,136	1,164	1,107	1,063
Citrus fruits(1)	5,422	5,273	5,405	7,088	6,923
Papayas	8,173	10,049	9,069	12,307	14,153
Corn	82,363	82,908	89,593	60,160	81,113
Rice	36,877	20,838	27,819	24,908	25,301
Red kidney beans	9,357	6,905	8,044	9,299	12,340
Livestock					
Beef	3,326	3,260	2,526	2,074	3,196
Pork	1,686	1,740	1,873	1,532	2,380
Poultry	16,521	15,856	18,399	16,781	27,903
Other					
Milk(3)	2,511	2,492	2,934	2,203	4,260
Honey	132.9	98.3	192.6	171.7	92.9
Eggs(4)	2,583	2,678	2,733	2,805	2,884

(1) Citrus fruit and banana production volume is presented in thousands of boxes.
(2) Sugarcane production volume is presented in thousands of long tons.
(3) Milk production volume is presented in pounds.
(4) Egg production volume is presented in thousands of dozens.

Source: Central Statistical Office

Bananas. Bananas were the major agricultural product in 2001 and 2000, accounting for U.S.$15.1 million, or 2.2% of GDP, in 2001, as compared to U.S.$24.1 million, or 3.7% of GDP, in 2000. During 2001, however, the banana industry contracted by 27.4%, compared to a growth of 16.8% in 2000. This contraction was primarily the result of: (1) a drop in banana production by 28.3% to 2.6 million boxes in 2001 from 3.6 million boxes in 2000 as Hurricane Iris damaged banana fields in the southern part of the country in October 2001; (2) a drop in banana export volume by 25.8%, to 48,185 metric tons in 2001 from 64,912 metric tons in 2000 following damages to banana plantations caused by Hurricane Iris, which halted export shipments during the last three months of the year; and (3) a reduction in the banana price per box to growers, which dropped to U.S.$7.96 in 2001 from U.S.$9.20 in 2000.

During 2000, production of bananas increased by 17.1% to 3.6 million boxes in 2000, as compared to 3.1 million in 1999. This increase was mainly attributable to a rise in the acreage under cultivation, which expanded to 5,212 acres in 2000 from 4,076 acres in 1999.

During 2001, the European Union decided to conform its banana import regime to the WTO principles. A new tariff-only system for banana imports that will replace the quota system presently in effect is expected to be implemented by 2006 in the European Union. ACP countries have been given a transitional period from 2001 through 2005 to improve their competitiveness. From June 2001 through December 2001, banana import quotas for Latin America were 2,553,000 tons, while banana import quotas for ACP countries were 850,000 tons. From January 2002 through December 2005, import quotas for Latin American countries and ACP countries have been adjusted to 2,653,000 tons and 750,000 tons, respectively. The level of tariffs for non-ACP bananas (including bananas from Latin American countries) has not yet been decided, but will be critical in determining the future prospects of ACP bananas.

Sugarcane. Almost all sugarcane in Belize is sold in the domestic market to sugarcane processors for the production of sugar and other by-products of sugarcane, such as molasses. The sugarcane season begins on December 1 and ends on July 1 of the following year. Sugarcane was the second major product in the agriculture sub-sector in both 2001 and 2000, accounting for U.S.$10.9 million, or 1.6% of GDP, in 2001, as compared to U.S.$12.5 million, or 1.9% of GDP, in 2000. During 2001 and 2000, however, the sugarcane industry contracted by 7.9% and 5.7%, respectively, primarily as a result of: (1) a decrease in sugarcane production by 4.0% in 2001 and 4.9% in 2000, due to flooding of agricultural lands caused by Hurricane Keith and a depression in crop yields attributable to insufficient investments by sugarcane growers in their crop fields; and (2) a decrease in sugarcane prices to U.S.$20.57 per long ton in the 2000/2001 season compared to U.S.$21.09 per long ton in the 1999/2000 season, resulting from a decline in world sugar prices.

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.

Citrus fruits were the third major product in the agriculture sub-sector in 2001 and 2000, accounting for U.S.$10.1 million, or 1.5% of GDP, in 2001, as compared to U.S.$11.0 million, or 1.7% of GDP, in 2000. During 2001, the citrus fruit industry grew at a rate of 2.7% as compared to a rate of 24.0% during 2000. The slowdown in growth in 2001 relative to 2000 was principally as a result of a 2.3% drop in citrus fruit production to 6.9 million boxes in 2001 from 7.1 million boxes in 2000 resulting from: (1) damages and delays in fruit maturation caused by Hurricanes Keith and Iris; (2) insufficient investments by farmers in their crop fields as a result of a decrease in fruit prices; and (3) a reduction in crop yields resulting from labor shortages and widespread use of inexperienced workers. Citrus fruit production grew to 7.1 million boxes in 2000 from 5.4 million boxes in 1999 as young groves came into production.

Other Agricultural Production. Other agricultural production includes the production of minor agricultural products, such as papayas and other fruits, grains, vegetables and livestock. Other agricultural production represented U.S.$41.1 million, or 6.0% of GDP, in 2001, as compared to U.S.$37.3 million, or 5.7% of GDP, in 2000.

Despite suffering damage from recent hurricanes, the production of basic grains has increased. Corn production rose by 34.8% to 81.1 million pounds in 2001 from 60.2 million pounds in 2000. Rice also experienced a small increase of 1.6% to 25.3 million pounds in 2001 from 24.9 million pounds in 2000. Papaya production increased by 15.0% to 14.2 million pounds in 2001 from 12.3 million pounds in 2000 due to growth in the number of export shipments of large papaya. Approximately 741 acres were under papaya cultivation in 2001, with 380.5 acres having harvestable trees and 360.5 acres containing young non-producing trees. The production of red kidney beans expanded by 32.7% to 12.3 million pounds in 2001 from 9.3 million pounds in 2000. Large-scale soybean production began during 2001, with over 450 acres planted in June and July and another 2000 acres planted in October. Grains (other than red kidney beans) are primarily sold in the domestic market. During 2001, red kidney export volume totalled approximately 6 million pounds.

Livestock production in 2001 rebounded after the disruption to animal rearing caused by Hurricane Keith in 2000. Beef and pork production increased in 2001 by approximately 54.6% as compared to 2000. Pork, in particular, responded to rising demand derived from an increase in local meat processing. During 2001, poultry production totalled 27.9 million pounds as compared to 16.8 million pounds in 2000, while egg production averaged 2.8 million dozens in 2000 and 2001. During 2001, milk production measured 4.3 million gallons as compared to 2.2 million gallons in 2000. Honey production almost halted as bees could not forage well due to the destruction of flora caused by the intense storms that hit Belize during 2001. Livestock is primarily consumed in the domestic market.

Fishing

Fishing comprises lobster, conch and finned fish and shrimp farming. The fishing sub-sector experienced an average annual GDP growth of 29.5% between 1997 and 2001. This growth has been principally the result of a growth in farmed shrimp production, which has benefited from substantial capital infusions and farm consolidations over the last seven years. Since 1997, the production of farmed shrimp has grown from 1.7 million pounds, valued at U.S.$7.7 million, in 1997 to 6.4 million pounds, valued at U.S.$23.3 million, in 2001. During 2001, a substantial amount of the fish catch was exported to the United States.

The following table shows the export volume and values of the fishing products for the five years ended December 31, 2001:

Fishing Exports

	Year ended December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
Export Volume(1)					
Shrimp	1,690.0	3,136.0	4,637.0	4,897.0	6,381.0
Lobster	639.0	549.0	606.0	622.0	461.0
Conch	539.0	479.0	365.0	564.0	622.0
Other	324.0	119.0	75.0	101.0	11.0
Total	3,192.0	4,283.0	5,683.0	6,184.0	7,475.0
Export Values(2)					
Shrimp(3)	US$ 7.7	US$ 12.2	US$ 18.0	US$ 23.2	US$23.3
Lobster	7.9	7.7	8.4	8.5	6.2
Conch	1.9	1.7	1.3	2.0	2.3
Other	0.3	0.1	0.1	0.1	0.0
Total	US$ 17.8	US$ 21.7	US$ 27.8	US$ 33.8	US$31.8

(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: Central Bank of Belize

Fishing was the second-largest product in the primary sector in 2001 and 2000, accounting for U.S.$25.0 million, or 3.7% of GDP, in 2001, as compared to U.S.$26.4 million, or 4.0% of GDP, in 2000. During 2001, the fishing sub-sector grew at a rate of 36.2%, as compared to a rate of 13.1% during 2000. The increase in growth in 2001 relative to 2000 was primarily a result of:

- an increase in farmed shrimp production reflecting an expansion in industry production capacity. Shrimp production rose by 30.3% to 9.8 million pounds in 2001 from 4.9 million pounds in 2000. The rise in production capacity offset (1) a productivity decline caused by a shrimp mortality rate of approximately 30% resulting from the resurgence of the Taura virus and (2) a decline in lobster production by 25.9% to 461,000 pounds in 2001 from 622,000 pounds in 2000 as Hurricane Keith destroyed a high percent of lobster traps. Hurricanes Keith and Iris also disrupted Belize's fishing grounds, which resulted in a drop in finned fish production; and
- a rise in total marine export volume to 7.5 million pounds in 2001 from 6.2 million pounds in 2000, principally due to increases in shrimp and conch exports. Average shrimp prices, however, decreased to U.S.$3.67 per pound in 2001 from U.S.$4.74 per pound in 2000 partially as a result of (1) the September 11 terrorist attacks, which had the effect of contracting the restaurant market in the United States, and (2) a rise in shrimp supply from Japanese exporters. After recovering from the effects of Hurricane Mitch which affected the harvesting area bordering the coast of Honduras, and following an increase in

Asian demand, conch export volume increased by 10.3% to 622,000 pounds in 2001 from 564,000 pounds in 2000, while export prices increased to U.S.$3.70 per pound in 2001 from U.S.$3.55 per pound in 2000.

The 2000 expansion in the sub-sector was attributable to larger production volumes of lobster, conch and farmed shrimp. The conch catch also rose in 2001 as compared to 2000 because of favorable marine and reproductive conditions. In addition, in 2000, the conch catch recovered from two years of low output after damaging effects from Hurricane Mitch.

Forestry and Logging

Forestry and logging was the third-largest industry in the primary sector in 2001, accounting for U.S.$7.6 million, or 1.1% of GDP, in 2001, as compared to U.S.$4.0 million, or 0.6% of GDP, in 2000. During 2001, forestry and logging grew at a rate of 16.0%, while its share GDP contracted by 30.9% in 2000. The 2001 growth in the sub-sector was attributable to an increase in pine wood harvesting resulting from the harvest of pine trees suffering from the pine bark beetle disease as well as the harvest of healthy pine trees in proximity to the affected areas to contain the spread of the disease. The 2000 contraction was attributable to (1) a reduction in the volume of harvestable trees which highlighted the need to implement more sustainable logging and re-forestation practices, and (2) the closure of a major logging company.

A substantial part of forestry and logging products are used domestically. However, Belize does export some timber. During 2001, 2000 and 1999, timber export values totalled U.S.$1.2 million, U.S.$2.4 million and U.S.$2.1 million, respectively. The decrease in the timber export value during 2001 was principally the result of an increase in timber sales in the domestic market following a surge in domestic demand for use in hurricane reconstruction and other projects.

Secondary Sector

Manufacturing

Belize's principal manufacturing products include citrus juices, sugar, molasses, pulp and other products. Belize includes agro-industrial products in the secondary sector because they are derived from the processing of agricultural raw materials, such as sugarcane, oranges and grapefruits.

The manufacturing sub-sector was the second-largest contributor to GDP, in 2001 and 2000, accounting for U.S.$91.6 million, or 13.4% of GDP, in 2001, as compared to U.S.$87.8 million, or 13.3% of GDP, in 2000. During 2001, however, manufacturing grew at a rate of 2.0%, as compared to a rate of 19.5% during 2000. The slowdown in manufacturing growth in 2001 was principally the result of a decline in sugar and citrus juice production. The 2000 expansion in manufacturing was the result of increased production in the processed foods and alcoholic and non-alcoholic beverages.

The table below sets forth production data with respect to manufacturing products for the five years ended December 31, 2001:

Production

	Year ended December 31,				
	1997	1998	1999	2000	2001
	(in thousands of gallons, unless otherwise indicated)				
Sugar(1)	123,250	117,397	115,923	120,783	107,209
Citrus juices	7,988	6,441	6,248	9,009	6,537
Concentrate	3,403	3,495	3,447	5,109	5,564
Not-from concentrate	4,585	2,946	2,801	3,900	973
Molasses(1)	51,571	44,012	40,225	35,192	35,632
Citrus pulp(2)	n/a	n/a	n/a	2,245	2,165
Other Products					
Garments(3)	1,992	2,144	2,140	1,760	1,172
Rum	31,552	23,780	16,033	17,569	13,110
Soft drinks	2,990	3,238	3,883	4,899	5,282
Cigarettes(3)	88.1	94.4	91.6	84.3	87.6
Fertilizer(4)	21,525	21,326	25,236	23,277	23,749

(1) Sugar and molasses production volume is presented in long tons.
(2) Citrus pulp production volume is presented in thousands of pounds.
(3) Garment production volume is presented in thousands of units and cigarette production volume is presented in millions of units.
(4) Fertilizer production volume is presented in metric tons.

Source: Central Statistical Office; Central Bank of Belize

During 2001 the total value of exported goods was U.S.$269.1 million, with citrus juice exports accounting for 17.7% of total exports, or U.S.$47.6 million, followed by exports of sugar and garments, whose 2001 export values accounted for 11.0% and 5.7% of total exports of goods, respectively, or U.S.$29.7 million, and U.S.$15.2 million, respectively.

The following table shows export values with respect to selected manufactured products for the five years ended December 31, 2001:

Selected Manufactured Products Exports

	Year ended December 31,				
	1997	1998	1999	2000	2001
Export Volumes(1)					
Citrus juices(2)	9,040	7,384	8,063	10,596	8,636
Concentrate	3,617	3,301	3,750	5,628	7,329
Not-from concentrate	5,423	4,083	4,313	4,968	1,307
Sugar(3)	108,977	104,255	117,848	107,597	89,538
Molasses(3)	7,497	46,874	36,511	33,424	31,228
Citrus pulp(4)	n/a	n/a	n/a	1,524	2,075
Garments(5)	1,971	2,064	2,361	2,628	1,956
Export Values(6)					
Citrus juices(7)	35.4	30.7	36.9	59.4	47.6
Concentrate	24.1	21.6	27.5	47.3	44.3
Not-from concentrate	11.3	9.1	9.5	12.1	3.3
Sugar	46.0	44.5	43.3	37.1	29.7
Molasses	3.3	1.1	0.2	0.2	0.8
Citrus pulp	n/a	n/a	n/a	0.5	0.7
Garments	18.9	19.7	19.7	19.9	15.2

(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. See production table above.
(2) Citrus juice export volume is presented in thousands of gallons.
(3) Sugar and molasses export volume is presented in long tons.
(4) Citrus pulp export volume is presented in thousands of pounds.
(5) Garment export volume is presented in thousands of units.
(6) Export value is presented in millions of U.S. dollars.
(7) Reflects value of shipments and not sales.

Source: Central Bank of Belize; Central Statistical Office

Citrus Juices. Citrus juice products include orange and grapefruit not-from-concentrate juices, and orange and grapefruit concentrate. During 2001, concentrate juice products also included frozen concentrate juices in response to a trial marketing initiative in Asia. During 2001, citrus juices were the most important product in the manufacturing sub-sector in terms of export values. During 2001, the volume of citrus juice production decreased by 27.4% to 6.5 million gallons from 9.0 million gallons in 2000 and the aggregate amount of citrus juice export value decreased by 19.9% to U.S.$47.6 million in 2001, as compared to U.S.$59.4 million in 2000.

Belize attributes the 27.4% fall in citrus juice production in 2001 to the combined effect of (1) a decrease in the production of not-from-concentrate juices by 75.1% to approximately 1 million gallons in 2001 from 3.9 million gallons in 2000 and (2) a shift in the production of concentrate juices from not-from-concentrate juices, which resulted in a decrease in the total number of gallons produced, because concentrate juices have relatively less water content than not-from-concentrate juices. Belize attributes the greater production of concentrate juices relative to not-from-concentrate juices in 2001 to a change in the processing strategy of the fruit processors, who allocated a substantial amount of raw material to the production of concentrate juices as such processors decided to take advantage of greater market opportunities presented by the concentrate juice market, particularly in the United States.

Belize attributes the 19.9% decline in the aggregate value of citrus juice exports in 2001 to:

- a decrease in the aggregate export volume of citrus juices by 18.5% to 8.6 million gallons in 2001 from 10.6 million gallons in 2000;
- a decline in the average price of orange concentrate juices in the spot market to U.S.$5.94 per gallon in 2001 from U.S.$7.26 per gallon in 2000; and
- a decline in the average price of orange not-from-concentrate juices to U.S.$2.27 per gallon in 2001 from U.S.$1.96 per gallon in 2000.

During 2000, citrus juice production increased by 44.2% to 9.0 million gallons from 6.2 million gallons in 1999 as young groves reached harvest maturity. Concentrate juice production rose by 48.2% to 5.1 million gallons in 2000 from 3.4 million gallons in 1999.

Sugar. During 2001, sugar was the second most important product in the manufacturing sub-sector in terms of export values. During 2001, sugar production fell by 11.2% to 107,209 long tons in 2001 from 120,783 long tons in 2000, while the aggregate value of sugar exports declined by approximately 20% to U.S.$29.7 million in 2001 from U.S.$37.1 million in 2000. Belize attributes the 11.2% fall in sugar production in 2001 to (1) a decrease in the number of days in processing operations and (2) a decline in overall processing time efficiency. Belize attributes the 20% decrease in sugar exports to a decrease in the value of sugar exports to the European Union and other countries, except for the United States.

During 2001, Belizean sugar producers sold a substantial part of all sugar produced in Belize in the export market. The European Union and the United States are Belize's major sugar export markets, accounting for 61.8% and 15.2%, respectively, of sugar export values during 2001. Under the Cotonou Agreement, the current sugar export quota to the European Union amounts to approximately 40,000 long tons per year. Under the CBI, Belize currently enjoys a sugar quota allocation to the United States of approximately 11,000 long tons per year, which represents approximately 1% of the U.S. annual sugar requirements. See "Belize—International Relations—The Caribbean Basin Economic Recovery Act".

Molasses. Molasses is a by-product of the sugar manufacturing process and is exported primarily for animal feed and rum production. Molasses production increased by 1.3% to 35,632 long tons in 2001 from 35,192 long tons in 2000 due to an increase in the volume of sugarcane allocated by sugarcane processors to the production of molasses. Molasses production had decreased 12.5% to 35,192 long tons in 2000 from 40,225 long tons in 1999 as a result of a decline in the volume of sugarcane allocated by sugarcane processors to the production of molasses. Molasses exports were more profitable in 2001 as total export volume of 31,228 long tons resulted in export value of U.S.$0.8 million, while higher export volume of 33,424 long tons in 2000 resulted in an export value of only U.S.$0.2 million. The rise in export value was the result of an increase in the price of molasses to U.S.$25.62 per long ton in 2001 from U.S.$4.49 per long ton in 2000 due to an unexpected increase in the demand for molasses for animal feed resulting from an increase in the price of grains that are used also for animal feed.

Citrus Pulp. Pulp is the fiber remaining in fruit after the removal of its liquid content. Pulp is used generally for animal feed and as fertilizer. 2001 was the second consecutive year in which pulp was produced in Belize for commercial use, with output decreasing 3.6% to 2,165,000 pounds in 2001 from 2,245,000 pounds in 2000. Grapefruit pulp production ceased in December 2001 due to quality problems found with respect to the pulp at the retail level. Pulp production began in 2000, with a U.S.$0.8 million investment, and was expanded to the European market.

Other Products. Other manufacturing products include garments, rum, batteries, beer, soft drinks, flour, cigarettes and fertilizers. In 2001, garment production declined by 33.4% to 1.2 million units from 1.8 million units in 2000, while the export value of garments declined by 23.6% to U.S.$15.2 million in 2001 from U.S.$19.9 million in 2000 principally due to a 25.6% reduction in export volume to 2 million pieces from

2.6 million pieces. Acting on the directions of its U.S.-based parent company, one of the largest Belizean sewing companies changed garment styles in 2001 from cargo pants, jeans and shorts to winterwear. Because winter items are more labor intensive and time consuming to produce, this change led to a reduction in both export volume and export value.

In 2001, rum production decreased by 25.4% due to the contraction in the 2001 sugarcane harvest. Soft drink production rose by 7.8% in 2001 to 5.3 million gallons. In 2001, cigarette and fertilizer production increased by 3.9% and 2.0%, respectively, and beer production rose by 17.3%.

Construction

Construction was the second-largest industry in the secondary sector in 2001 and 2000, accounting for U.S.$48.4 million, or 7.1% of GDP, in 2001, as compared to U.S.$43.3 million, or 6.6% of GDP, in 2000. During 2001, construction grew at a rate of 9.0%, as compared to a rate of 14.8% in 2000. The 2001 expansion was attributable to hurricane reconstruction, residential construction and ongoing infrastructure projects and new public projects including seaport dredging. Infrastructure, housing and hurricane reconstruction in Belize's two principal tourist destinations, San Pedro and Caye Caulker, largely accounted for growth in 2000.

Electricity and Water

The electricity and water sector comprises electricity generation and water production activities. Electricity and water was the third largest industry in the secondary sector in 2001 and 2000, accounting for U.S.$21.8 million, or 3.2% of GDP, in 2001, as compared to U.S.$21.5 million, or 3.3% of GDP, in 2000. The sub-sector contracted by 28.8% in 1999 principally due to increased electricity imports from Mexico. During 2001 and 2000, electricity and water grew at rates of 0.7% and 9.9%, respectively, primarily as a result of an increase in water production. The slowdown in growth in 2001 relative to 2000 was principally attributable to an increase in electricity imports from Mexico.

Services Sector

Trade, Restaurant and Hotel (Including Tourism)

General. The trade, restaurant and hotel sub-sector was the largest contributor to GDP of all sub-sectors in the Belizean economy in 2001 and 2000, accounting for U.S.$145.7 million, or 21.4% of GDP, in 2001 as compared to U.S.$145.6 million, or 22.1% of GDP, in 2000. During 2001, however, the trade, restaurant and hotel sub-sector contracted by 0.6%, as compared to a growth of 24.1% in 2000. This contraction was primarily the result of a slowdown in tourism activity due to the effects of:

- Hurricane Iris, which caused stop-over visitor cancellations in the area affected by the hurricane;
- a drop in the number of air arrivals by 55.4% in September, as compared to August, of 2001, following the September 11 terrorist attacks. Notwithstanding the adverse effect of September 11 on tourism during the last quarter of 2001, the total number of stop-over visitors by air increased slightly by 1.1% to 129,419 in 2001 from 128,050 in 2000. The total number of stop-over visitors by air had increased by 3.7% during the first eight months of 2001 as compared to the first eight months of 2000, reflecting in part, the success of promotional efforts to market Belizean tourism abroad; and
- a fall in the number of port calls made to Belize due to financial difficulties experienced by Commodore Cruise Lines and Premier Cruise Lines which resulted in a decrease in the number of cruise passenger arrivals of 7.8% in 2001 to 40,899 from 44,360 in 2000. Belizean tourism companies undertook intensive promotional efforts in 2001 designed to attract new cruise lines into the country, which led to additional port calls by the end of the last quarter of 2001.

During the first three months of 2002, visitor arrivals totaled 120,051, an increase of 48.1% compared to the corresponding period of 2001. Of the total visitors for the first three months of 2002, 60,585 were stop-over visitors and 59,466 were cruise ship passengers, representing increases of 0.7% and 184.7%, respectively, as compared to the same period of 2001. Based on data compiled by the Belize Tourism Board, or the BTB, during the first four months of 2002, visitor arrivals totaled 161,067, an increase of 56.4% compared to the corresponding period of 2001. Of the total visitors for the first four months of 2002, 77,612 were stop-over visitors and 83,455 were cruise passengers, representing a decrease of 1.2% and an increase of 242%, respectively, as compared to the same period of 2001. The increase in tourist arrivals during the first four months of 2002 was partly a result of the increase in cruise passengers from the promotional efforts in marketing Belize's tourism products abroad and new cruise lines deciding to make port calls in Belize. From January 2002 through April 2002, the number of port calls made into Belize totaled 71, as compared to 48 calls during the whole of 2001 and 70 calls during the whole of 2000. During 2001, the BTB spent approximately U.S.$1.8 million in tourism marketing activities, including international publicity, brochures, public relations, trade shows and other promotional efforts.

During 2000, tourism activity benefited from a 9.5% rise in the number of stop-over visitors to 174,867 in 2000 from 159,744 in 1999 and a 52.9% rise in the number of cruise passenger arrivals to 44,360, from 29,011 in 1999. The increase in the number of cruise passengers was the result of an increase in the number of visiting ships and the number of port calls made by cruise lines.

The tourism industry is the leading gross earner of foreign exchange for Belize and makes a significant contribution to employment. The trade, restaurant and hotel sub-sector (including tourism) accounted for 27% and 26.3% of Belize's total exports of goods and services in 2001 and 2000, respectively. In 2001 and 2000, the accommodation sub-sector alone employed approximately 2,934 and 2,769 persons, respectively. Total stop-over visitor arrivals in Belize have grown annually over the last decade. Total visitors' accommodation capacity has also has grown by 60.3%, from 2,784 rooms in 1991 to 4,463 rooms in 2001.

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 Maya archeological sites, such as temples, palaces, cave systems and pyramids, as well as national parks and other natural and cultural sites. While exploring the Maya culture and other natural attractions, tourists also participate in other sports such as canoeing, horseback riding and hiking. The principal Maya archeological sites located in Belize include:
    - Caracol, the largest known Maya center in Belize, located in the Cayo District;
    - Cerros, an important ancient Maya trading center with several plazas surrounded by pyramidal structures, located in the Corozal District;
    - Lubaantun, one of the largest ceremonial centers built entirely without the aid of mortar, located in the Toledo District;
    - Lamanai, one of the largest ceremonial centers set in a tropical forest, located in the Orange Walk District;
    - Xunantunich, a major ceremonial center consisting of six major plazas surrounded by numerous temples and palaces, located in the Cayo District; and
    - Altun Ha, a major ceremonial center as well as a vital trade center with two main plazas and several temples and residential structure, located in the Belize District.

Tourism Data. During 2001, The Philip Goldson International Airport, or the International Airport, was the major tourist entry point of stop-over visitors, accounting for 72.9% of total stop-over visitor arrivals. Land border and seaports arrivals comprised the remaining 21.4% and 5.7%, respectively. In the days immediately following the September 11 terrorist attacks, air arrivals plummeted as all international airports in the United States, Belize's major tourist market, were closed. The growth in traffic prior to September 2001 compensated for the tourism decline experienced after that month. During 2001, the United States and Europe, Belize's two largest tourist markets, accounted for 60.7% and 15.6%, respectively, of total stop-over visitors in 2001.

Notwithstanding the events of September 11, average hotel room occupancy increased slightly to 44.8% in 2001, as compared to 41.7% in 2000.

During 2001, the Belizean tourist industry completed the development of several major hotel projects, the largest of which was the 21-room Fountain Blue Resort and the 18-room Belizean Shores Resort in San Pedro town.

During 2002, Belize expects that the following major hotel facilities will be completed:

- the 200-room Avalon Beach Resort in San Pedro; and
- the 40-room Aracari Resort in Belize's rural area.

The following table sets forth statistics relating to the tourism sector for the five years ended December 31, 2001:

Key Tourism Indicators

	Year ended December 31,				
	1997	1998	1999	2000	2001
Stop-over Visitor Arrivals					
United States	89,259	95,820	92,694	106,292	107,717
Canada	8,477	9,100	8,430	9,492	9,205
United Kingdom	6,636	7,124	7,711	9,313	8,007
Other European	14,727	15,809	18,491	20,423	19,667
Other Countries	34,723	37,275	32,419	29,347	33,009
Total	153,822	165,128	159,744	174,867	177,605
Cruise Ship Passengers	2,678	14,183	29,011	44,360	40,899
Total Arrivals	156,500	179,311	188,755	219,227	218,504
Number of Cruise Ships	N/A	25	52	70	48
Hotel Occupancy Rates (%)	27.1	29.9	31.4	41.7	44.8
Length of Stay (days)	7.1	7.1	7.1	7.6	7.6

Source: Central Bank of Belize; Belize Tourism Board

Every three years, the BTB conducts a tourist survey at the International Airport and at the borders of Mexico and Guatemala in order to determine the daily tourist expenditure of stop-over visitors and cruise passengers. The BTB engages the service of tourist interviewers to run the survey over a period of seven months. Based on its most recent survey, which was concluded in 2000, the BTB estimates that the current stop-over visitor expenditure per day and the cruise passenger expenditure per day are U.S. $139.8 and U.S. $45.0, respectively. In addition, the BTB estimates that the aggregate amount of tourist expenditure was U.S. $120.5 million in 2001, as compared to U.S. $120.2 million during 2000.

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.

Currently, the following airlines have flights into Belize: (1) Continental Airlines has 14 weekly direct flights leaving from Houston; (2) American Airlines has 12 weekly direct flights, seven leaving from Miami and five leaving from Dallas, (3) and TACA Airlines has seven weekly flights connecting from Los Angeles and San Francisco via El Salvador as well as seven weekly direct flights leaving from Houston. In addition, American Airlines expects to add, on a trial basis, an additional daily direct flight from Miami in July and August of 2002, that will allow air travelers coming from Europe to fly to Belize in a single day. U.S. Airways and the Belizean Port Authority have entered into an agreement under which U.S. Airways will make four weekly direct flights into Belize from Charlotte, North Carolina, in the United States beginning November 2002. The Belizean Port Authority and Air Jamaica are discussing the possibility of instituting two or three Air Jamaica flights per week directly from Montego Bay. The BTB engages in various joint marketing and promotional activities with these airlines, but it does not subsidize them.

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. 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 as 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.

During 2000, Belize created the Border Management Agency, with a mandate to improve the infrastructure at the northern and western land borders.

Tourism Projects. During 2001, BTB achieved the following objectives: (1) the continuation of the refurbishment of Caracol and other archaeological sites; and (2) the installation of 15 new road signs to complete the last phase of the government's National Directional Signs Project. In addition, during 2001 Tourism Village Ltd., a private sector entity, completed the first phase of the Belize Tourism Village. The Belize Tourism Village caters to cruise ship tourists, and contains restaurant and bar facilities, duty free shopping, a cultural center and a secondary marine and water taxi terminal. The final phase, which is scheduled to be completed by 2003, involves the construction of the marine and water taxi terminal, an amphitheater and several stores.

During 2001, BTB intensified its television advertising campaign in the United States, Belize's major tourist market, to boost tourism. This marketing effort partly contributed to an increase in the number of total visitor arrivals. Internet marketing was also intensified with the creation of facilities enabling tourists to make hotel, vehicle and tour reservations over the internet.

BTB is currently undertaking the following projects:

- the construction of new immigration and customs facilities at Belize's northern and western borders;
- the continuation of the reconstruction and improvement works on major national archeological sites; and

- the implementation of a two-year national training program for tourist guides and operators, front desk and other hotel personnel as well as taxi drivers, sponsored by BTB for all private companies in the tourism industry.

Public Administration

The public administration sub-sector of the services sector includes the payroll of the general government employees and social security employees, as well as the government's expenditures in education and health services. Public administration was the second-largest contributor to the services sector in 2001 and 2000, accounting for U.S.$84.1 million, or 12.3% of GDP, in 2001, as compared to U.S.$77.7 million, or 11.8% of GDP, in 2000. During 2001, public administration grew at a rate of 3.5%, as compared to a rate of 3.8% during 2000.

The government's compensation system provides for annual salary increases based on a performance appraisal system, and grants a salary increase if the employee's performance is rated as "fair". Substantially all government employees in Belize have received annual salary increases under this system. The rate of the annual salary increase depends on the degree of skill required for the applicable position.

General Government. General government includes the payroll of the general and social security employees. General government was the largest component of the public administration sub-sector in 2001 and 2000, accounting for U.S.$62.6 million, or 9.2% of GDP, in 2001 as compared to U.S.$57.7 million, or 8.7% of GDP, in 2000. During 2001, general government grew by 1.4%, while it contracted by 0.2% in 2000. The slight growth in general government in 2001 was attributable to the grant of annual salary increases as well as hiring of additional employees.

Health. Health was the second largest contributor to the public administration sub-sector in 2001 and 2000, accounting for U.S.$11.3 million, or 1.6% of GDP, in 2001 as compared to U.S.$10.6 million, or 1.6% of GDP, in 2000. During 2001, health grew at a rate of 2.7%, as compared to a rate of 19.2% during 2000. The government's health expenditures increased at an average annual rate of 9.3% from 1997 through 2001 principally as a result of an increase in the number of employees as well as annual salary increases. Employment compensation costs gradually increased from U.S.$9.3 million in 1997 to U.S.$10.7 million in 2001, while the cost of medical supplies rose from U.S.$1.6 million in 1997 to U.S.$4.6 million in 2001.

Education. Education was the third-largest component of public administration in 2001 and 2000, accounting for U.S.$10.3 million, or 1.5% of GDP, in 2001 as compared to U.S.$9.4 million, or 1.4% of GDP, in 2000. During 2001, education grew at a rate of 15.9%, as compared to a rate of 10.8% in 2000. The growth in education over the last few years was primarily attributable to the creation of new educational centers and the grant of annual salary increases to school teachers and administrative personnel. The University of Belize, in particular, has grown significantly since its inception in 2000, with the establishment of campuses throughout the country. The government currently guarantees full education at the primary school level, and it assumes the responsibility to pay all of teachers' salaries at that level. In addition, the government pays 70% of all teachers' salaries at the secondary and tertiary levels of education.

Transport and Communications

Transport and communications was the third-largest contributor to the services sector in 2001 and 2002, accounting for U.S.$71.7 million, or 10.5% of GDP, in 2001, as compared to U.S.$65.3 million, or 9.9% of GDP, in 2000. During 2001, transport and communications grew at a rate of 4.3%, as compared to a rate of 3.0% during 2000.

Transport. Transport includes the transportation of passengers and merchandise by air, land and sea. Transport totalled U.S.$26.8 million, or 3.9% of GDP, in 2001 as compared to U.S.$23.6 million, or 3.6% of GDP, in 2000. During 2001, transport grew at a rate of 15.0%, while it had contracted by 5.8% during 2000.

The growth in transport has been principally attributable to the improvement of main highways, such as the Hummingbird Highway and the Southern Highway, and the expansion in the air, sea and land transport businesses in Belize to accommodate the higher number of people visiting the country as well as the larger cargo volumes. See "Belize—Infrastructure".

Communications. Communications accounted for U.S.$45.0 million, or 6.6% of GDP, in 2001 as compared to U.S.$41.7 million, or 6.3% of GDP, in 2000.

The level of penetration of telephone service in Belize grew from 30,271 telephone lines in 1997 to 36,996 telephone lines in 2001. By the end of 2001, the number of telephones (fixed and cellular) had reached 53,808 from 32,455 in 1997. Internet access has also increased significantly in recent years, with the number of internet accounts growing from a total of 186 accounts in 1997 to a total of 360 accounts in 2001.

The following table shows the number of fixed and cellular telephone lines during the five years ended March 31, 2001:

Telephone Lines

	Year ended March 31,				
	1997	**1998**	**1999**	**2000**	**2001**
Fixed Lines	30,271	31,560	33,189	36,921	36,996
Cellular Lines	2,184	2,544	3,535	6,591	16,812
Total lines	32,455	34,104	36,724	43,512	53,808

Source: Belize Telecommunications Limited

There are two telecommunications companies in Belize, BTL and Intelco. BTL is the sole provider of telecommunications services to the private sector in Belize. BTL's investments over the last three years have included investments in technology equipment to render BTL's telecommunications equipment Y2K compliant as well as investments to acquire and install underwater fiber-optic equipment and to expand its internet service capacity. See "Belize—Utilities—Telecommunications".

Intelco currently provides telecommunications services to the government, including public schools in major towns and cities. The government's monthly budgeted expenditure for the Intelco agreement is U.S.$450,000. Until the exclusive licensing agreement enjoyed by BTL expires by the end of 2002, Intelco only will be permitted to provide telecommunications services to the government of Belize.

Finance and Insurance

Finance and insurance was the fourth-largest service sub-sector in the services sector in 2001 and 2000 accounting for U.S.$48.5 million, or 7.1% of GDP, in 2001, as compared to U.S.$46.2 million, or 7.0% of GDP, in 2000. During 2001, the finance and insurance sub-sector grew at a rate of 2.6%, as compared to a rate of 18.8% in 2000. This sub-sector's contribution to GDP is measured on the basis of a composite activity index of the manufacturing and the trade, hotel and restaurant sub-sectors. Thus, the finance and insurance sub-sector's performance will be generally reflective of the performance of those two sub-sectors.

The aggregate amount of insurance premiums received by insurance companies from 1997 to 2000, has grown at an average annual rate of approximately 10.7%. Revenues from insurance premiums totalled U.S.$18 million, U.S.$19.8 million, U.S.$20.8 million and U.S.$24.4 million during 1997, 1998, 1999 and 2000, respectively.

Real Estate and Business Services

Real estate principally includes building leases. Business services comprise professional services, such as the services of consultants, attorneys and accountants. The real estate and business services sub-sector was the fifth-largest contributor to the services sector in 2001 and 2000, accounting for U.S.$ 41.6 million, or 6.1% of GDP, in 2001, as compared to U.S.$39.1 million, or 5.9% of GDP, in 2000. Real estate and business services totaled U.S.$41.6 million, or 6.1% of GDP in 2001, as compared to U.S.$39.1 million, or 5.9% of GDP, in 2000. During 2001, real estate and business services grew at a rate of 2.9%, as compared to a rate of 1.2% in 2000. The slowdown in growth in the sub-sector during 2001 was primarily attributable to a slowdown in real estate activity.

Community and Other Services

Community and other services include education and health services provided by the private sector. Community and business services totaled U.S.$38.0 million, or 5.6% of GDP in 2001, as compared to U.S.$36.6 million, or 5.5% of GDP in 2000. During 2001 and 2000, the sub-sector grew at an annual average rate of 2.7%. Generally, the growth in this sub-sector is linked to an increase in the population.

Privatization

Belize is nearing the completion of a privatization program that reduces the government's role in providing essential utility services. The program began in 1992 with the divestment of the public telecommunications services. To date, Belize has completed the privatization of the Belize telecommunications, electricity, water services and port authority sectors. The Belize water services sector and ports were each privatized since March 2001. Belize has guaranteed a portion of the debt of Belize Electricity Limited and Belize Water Services Limited. See "Public Debt—Central Government Contingent External Liabilities".

The following table summarizes certain major entities privatized and the proceeds received since 1992:

Entity	Year of Privatization	Percentage Sold	Proceeds
		(in millions of Bz.$)	
Belize Telecommunications Ltd.	1988	45.0	34.8
	1992	48.0	30.0
	1999	7.0	7.5
Belize Electricity Ltd.	1992	49.0	28.3
	1999	51.0	40.5
Belize Water Services Ltd.	2001	100.0	60.0
Port of Belize Ltd..	2002	100.0	40.0

Source: Central Bank of Belize

Inflation

Prices remained relatively stable in the period from 1997 to 2001 with virtually no inflation during that time. During 2001, Belize's inflation rate increased to 1.1% from 0.6% in 2000. The price of goods and services increased modestly in 2001 across all categories except for clothing and footwear, household goods and recreation services, and education and cultural services. The largest price increases in 2001 occurred in the services sector, particularly in the transport and communication services sub-sector, in which prices rose by 5.3%, the rent, water fuel and power service sub-sector, in which prices rose by 2.1%, and the medical and care service sub-sector, in which prices rose by 1.9%. The principal reason for service price increases was the rise in fuel prices. Major factors contributing to a low inflation rate in 2001 were a phased-in duty reduction to 20% from 25% in 1998 of the Common External Tariff, established under CARICOM, as well as a small reduction in import costs, supported by a 0.7% decline in the U.S. export price index. Inflation averaged a 1.0% annual rate in the first quarter of 2002 due to higher transport and communication prices, resulting from higher retail fuel costs and the restructuring of telephone rates.

The following table shows the average annual change in the consumer price index for the five years ended December 31, 2001:

Change in Consumer Price Index

	Year ended December 31,				
	1997	1998	1999	2000	2001
	(expressed as a percentage)				
Food, Beverage and Tobacco	1.8%	(1.0)%	(2.1)%	0.6%	0.5%
Clothing and Footwear	(1.8)	(3.7)	(4.9)	(3.7)	(3.5)
Rent, Water, Fuel and Power	2.7	0.4	0.7	1.6	2.1
Household Goods and Maintenance	0.4	(0.4)	(2.3)	(0.6)	(0.9)
Medical Care	1.1	0.1	1.4	2.6	1.9
Transport and Communication	(0.7)	(1.0)	(0.4)	1.9	5.3
Recreation, Education and Culture	2.5	(1.2)	(1.3)	0.4	(0.4)
Personal Care	(0.2)	(1.1)	(1.7)	1.2	0.3
Average, All Items	1.0	(0.8)	(1.2)	0.6	1.1

Source: Central Bank of Belize

Employment and Labor

General

During 2001, the number of employed persons was 86,780, while in 2000 the number of employed persons was 83,660. During the five-year period ended December 31, 2001, the Belizean labor force increased by a total of 18.3% over the period, whereas the population increased by a total of 11.7% during the same period. In 2001, the average unemployment rate in Belize was 9.3%, compared with 11.1% in 2000.

During 2001, the total labor force in Belize comprised approximately 95,700 persons, representing a 1.7% increase as compared to 2000. The agriculture, forestry and fishing sub-sectors accounted for 27.2% of the employed population in 2001, while the trade, restaurant and hotel sub-sector accounted for 23.0% of the employed population. The unemployment rate in Belize during the past five years has ranged from a high of 14.3% in 1998 to a low of 9.3% in 2001.

The following table shows certain labor force and employment data for the five years ended December 31, 2001:

Labor Force and Employment

	Year ended December 31,				
	1997	1998	1999	2000	2001
	(in thousands of persons, except percentages)				
Total Population(1)	230.0	238.0	243.0	249.8	256.8
Labor Force	80.9	85.6	89.2	94.1	95.7
Employed(2)	70.7	73.3	77.8	83.7	86.8
Unemployed(2)	10.3	12.3	11.5	10.5	8.9
Unemployment Rate (%)	12.7	14.3	12.8	11.1	9.3
Labor Force Participation Rate (%)	58.9	58.3	59.3	60.9	60.5

(1) End of year population.
(2) Labor force statistics reflect annual averages.

Source: Central Statistical Office

The following table breaks down the employment labor force per sector of economic activity:

Employed Labor Force by Economic Sector

	Year ended December 31,		
	1999	**2000**[(1)]	**2001**
Agriculture, Forestry & Fishing	21,360	22,710	23,610
Mining and Quarrying	300	300	315
Manufacturing	7,305	7,880	8,170
Electricity & Water	1,025	1,090	1,135
Construction	4,580	4,860	5,055
Trade, Restaurant & Hotels	17,775	19,725	19,965
Transport	4,230	4,510	4,685
Financing & Real Estate	2,940	3,165	3,285
Public Administration	4,925	5,300	5,500
Education, Health & Other Services	13,095	14,335	14,815
Activities not classified elsewhere	220	235	245
Total, All Sectors	77,755	83,660	86,780

(1) Figures estimated as there was no survey in 2000.

Source: Central Statistical Office

Pensions

Belize has a pension plan for public sector workers and a pension fund for private sector workers. The Government Pension Plan is a contributory plan in which the government allocates a portion of the budget to retirees. The retirement age under this plan is 55. The Social Security Pension Fund is a contributory retirement fund for private sector workers managed by the Belize Social Security Board. Retirement benefits become available at the age of 65.

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 comprises:
  - — net exports of goods and services (the difference in value of exports minus imports);
  - — net income payments;
  - — net 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 2001, the balance of payments recorded a deficit of U.S.$10.5 million after recording a surplus of U.S.$51.7 million in 2000. The 2001 balance of payments deficit was largely due to a widening current account deficit and a decline in financial inflows. In 2001, the current account deficit widened by 11.8% to U.S.$169.5 million from a deficit of U.S.$151.6 million in 2000. Belize has run a current account deficit for each of the past five years, though the amount of such deficit increased significantly in 2000 due to a widening merchandise trade deficit that began in 2000 and continued in 2001.

The following table shows Belize's balance of payments and international reserves for the five years ended December 31, 2001:

Balance of Payments

	Year ended December 31,				
	1997	1998	1999	2000	2001
	(in millions of US$)				
Current Account					
Goods Balance					
Exports[1]	US$200.0	US$194.4	US$ 263.6	US$ 288.4	US$269.1
Imports[2]	280.8	294.1	366.1	461.6	460.6
Total	(80.8)	(99.7)	(102.5)	(173.2)	(191.5)
Services Balance					
Transport	(30.2)	(30.6)	(35.1)	(44.0)	(41.8)
Travel	78.7	79.8	69.4	77.3	81.6
Other Services	3.7	0.5	(1.5)	(15.9)	(0.5)
Total	52.1	49.5	32.9	17.4	38.5
Goods and Services Balance	(28.8)	(50.2)	(69.6)	(155.8)	(153.0)
Income					
Compensation of Employees	(1.9)	(1.7)	(4.6)	(7.4)	(9.8)
Investment Income	(21.6)	(27.5)	(37.1)	(47.2)	(55.3)
Total	(23.4)	(29.2)	(41.7)	(54.5)	(65.1)
Transfers					
Official Transfers	9.8	9.0	7.3	8.2	8.9
Private Transfers	25.9	29.5	31.0	50.5	39.7
Total	35.6	38.5	38.3	58.7	48.5
Total Current Account	(16.6)	(40.9)	(73.1)	(151.6)	(169.5)
Capital Transfers	(3.4)	(2.5)	2.7	1.6	0.9
Financial Account					
Foreign Direct Investment	8.1	13.5	49.8	19.4	40.3
Portfolio Investment	10.1	12.5	38.5	113.2	(18.0)
Other Investment	8.4	(6.5)	8.1	71.7	121.3
Total	26.6	19.6	96.4	204.2	143.7
Total Capital And Financial Account	23.2	17.1	99.1	205.8	144.6
Errors and Omissions	(5.6)	8.4	1.3	(2.5)	14.4
Overall Balance of Payments	1.0	(15.4)	27.3	51.7	(10.5)
Increase/(Decrease) in Reserves[3]	1.0	(15.4)	27.3	51.7	(10.5)
Gross International Reserves [3]	59.3	43.9	71.1	122.8	112.3

(1) Based on recommendations contained in the IMF's Balance of Payments Manual, exported goods include free-zone exports and goods procured in ports.

(2) 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.

(3) Official International Reserves held by or for the account of the Central Bank of Belize.

Source: Central Bank of Belize

Overview of Current Account

The chief components of the current account within the balance of payments consists of the goods balance, the services balance, the income account and transfers.

Belize historically has had a deficit in its goods balance which has been offset in part by surpluses in its services balance. The deficit in the goods balance increased by 10.6% to U.S.$191.5 million in 2001 from U.S.$173.2 million in 2000, reflecting a relatively stable level of import values and a declining level of export values. For the purposes of this paragraph, (1) exports include exports to 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". The value of exports fell by 6.7% to U.S.$269.1 million in 2001 from U.S.$288.4 million in 2000, while imports fell by only 0.2% to U.S.$460.6 million in 2001 from U.S.$461.6 million in 2000.

The decline in export values in 2001 as compared to 2000 is largely a result of crop damage caused by Hurricane Keith, Hurricane Iris and Tropical Storm Chantal and a drop in shrimp prices caused by the September 11 terrorist attacks, which had a negative impact on the restaurant market in the U.S., the sole export market for Belizean shrimp. Although Hurricane Keith occurred in 2000, it continued to have a negative impact on crop production in 2001. The relatively high level of import values in 2000 and 2001 in comparison to 1999 (imports rose by 26.1% to U.S.$461.6 million in 2000 from U.S.$366.1 million in 1999) reflects the higher acquisition cost of fuels and increased imports used for various infrastructure and housing construction projects and other capital investment. Hurricane repairs were another factor that pushed construction activities upward and also increased the level of food imports to the extent necessary to offset the loss of food crops and livestock. See "Belize—Infrastructure", "The Belizean Economy—General" and "The Belizean Economy—Principal Sectors of the Economy".

The surplus in the services balance increased by 121.3% to U.S.$38.5 million in 2001 from U.S.$17.4 million in 2000. The primary reason for the increase in the surplus of the services balance was that the net outflow in the other services account decreased 96.9% to U.S.$0.5 million in 2001 from a net outflow of U.S.$15.9 million in 2000, which reflected an increase in services inflows generated by general services (legal, accounting, business, etc.) provided by Belizeans to non-residents as well as services provided by Belizeans to foreign embassies, foreign military personnel and international agency personnel located in Belize. The increase in the surplus of the services balance also reflects a lower volume of international trade, which resulted in a 0.9% decrease in transport and insurance costs, and an increase in revenues from tourism. Revenues from business and tourist travel, net of amounts spent by Belizeans traveling abroad, increased by 5.6% to U.S.$81.6 million in 2001 from U.S.$77.3 million in 2000.

The income account measures income flows into and out of Belize, including the payment of interest on external indebtedness. There was a net outflow of total income in 2001 that increased by 19.4% to U.S.$65.1 million in 2001 from a net outflow of total income of U.S.$54.5 million in 2000. This increase resulted primarily from an increase in outflows of investment income and compensation of employees, which includes the wages of seasonal and border workers, and accounted for U.S.$55.3 million and U.S.$9.8 million of total income outflows, respectively, in 2001. Net outflows from investment income rose by 17.2% to U.S.$55.3 million in 2001 from U.S.$47.2 million in 2000 due mainly to dividend repatriation and interest payments by the Central Bank, the central government and the private sector on foreign loans and bonds. Outflows from compensation of employees increased by 32.4% to U.S.$9.8 million in 2001 from U.S.$7.4 million in 2000 due to an increased number of such persons working in Belize.

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 2001 of

U.S.$48.5 million that represented a decrease of 17.4% as compared to the net inflow of transfers of U.S.$58.7 million in 2000. This decrease in net transfer inflows resulted from a 21.4% reduction in private transfers, while official transfers increased by 8.5%. Private transfers include both transfers by Belizeans living abroad and payments made by foreign insurers to residents of Belize. The drop in net inflow of private transfers was primarily due to lower payouts in 2001 compared to 2000 for insurance claims relating to Hurricane Keith.

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 reflects primarily 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) and other investment (primarily commercial bank loans and holdings of foreign currency). Belize attracted significant inflows from financial transactions and direct foreign investment and direct investment from 1997 through 2001. During this period, Belize's capital and financial account registered annual surpluses.

The greatest single change in Belize's balance of payments in 2001 compared to 2000 was the significant decrease in net inflows in the financial account from financing transactions. Net inflows recorded in the financial account decreased by 29.6% to U.S.$143.7 million in 2001 from U.S.$204.2 million in 2000. Foreign direct investment rose by 107.7% to U.S.$40.3 million in 2001 from U.S.$19.4 million in 2000, primarily as the result of the privatization of Belize Water and Sewage Ltd and foreign investment in hotel development. Other investment inflows rose by 69.2% to U.S.$121.3 million from U.S.$71.7 million in 2000, primarily due to public and private sector loans. However, these increases were not sufficient to offset the decline in portfolio investment inflow, which fell to a U.S.$18.0 million net outflow in 2001 from a U.S.$113.2 million net inflow in 2000. This decline in portfolio investments reflects an absence of external borrowings either from the private sector or the public sector and payments made by Belizean mortgagors under mortgages assigned to an offshore entity by the DFC in connection with a mortgage-backed financing. The decrease in inflows from the financial account, combined with the widening current account deficit also impacted gross international reserves, which decreased by 8.6% to U.S.$112.3 million at December 31, 2001, from U.S.$122.8 million at December 31, 2000.

The 29.6% decline in inflows from capital and financial transactions in 2001 (*i.e.,* those recorded in the capital and financial account) contrasts with the 107.7% increase in such inflows in 2000 to U.S.$205.8 million from U.S.$99.1 million in 1999. This increase was primarily a result of an increase in the financial account. The increase in the financial account in 2000 compared to 1999 was primarily a result of an increase in portfolio investment and other investment, offset in part by a decline in foreign direct investment. Other investment increased by 785.2% to U.S.$71.7 million in 2000 from U.S.$8.1 million in 1999 due to inflows from loans to the public and private sector. Portfolio investment inflows also increased by 194.0% in 2000 to U.S.$113.2 million from U.S.$38.5 million in 1999, reflecting the proceeds of two bond issuances by Belize and the proceeds of mortgaged-backed financings undertaken by the DFC and the Belize Social Security Board. Foreign direct investment fell 61.0% in 2000 to U.S.$19.4 million from U.S.$49.8 million in 1999. This was primarily due to the fact that no privatizations were concluded in 2000. See "Public Debt—External Public Sector Debt", "Public Finance—Public Sector Budget" and "The Belizean Economy—Privatization".

Foreign Trade

Belize has an open economy, with total merchandise trade representing 90.6% of GDP in 2001, of which imports represented 57.2%.

Total merchandise trade (exports plus imports) between Belize and its foreign trade partners in 2001 fell by 2.7% to U.S.$729.7 million, as compared to U.S.$750.0 million in 2000. The merchandise trade deficit rose by 10.6% in 2001 to U.S.$191.5 million, as compared to U.S.$173.2 million in 2000, due largely to a 6.7% decrease in value of exports. The drop in exports was primarily due to crop damage caused by Hurricane Keith, Hurricane Iris and tropical storm Chantal, as well as a drop in shrimp prices caused by the September 11 terrorist attacks.

Import levels remained stable in 2001 from 2000, though the value of imports increased by 26.1% in 2000 compared to 1999 mainly due to increased government expenditure, reconstruction costs incurred as a result of Hurricane Keith and the rising cost of fuel imports.

The following table shows the performance of merchandise trade for the five years ended December 31, 2001:

Merchandise Trade

Year ended December 31,	Imports	% Change	Exports	% Change	Trade Surplus (Deficit)
	(in millions of US$, except percentages)				
1997	US$280.8	22.4%	US$200.0	16.8%	US$ (80.8)
1998	294.1	4.7	194.4	(2.8)	(99.7)
1999	366.1	24.5	263.6	35.6	(102.5)
2000	461.6	26.1	288.4	9.4	(173.2)
2001	460.6	(0.2)	269.1	(6.7)	(191.5)

(1) Exported goods include exports to the commercial free zone and goods procured in ports.

Source: Central Bank of Belize; Central Statistical Office

Trading Partners

The United States and the United Kingdom are Belize's main trading partners. The United States has been the largest consumer of Belizean exports over the past five years and in 2001 purchased 53.8% of all Belizean exports. Accordingly, any downturn in the U.S. economy could have a negative impact on Belizean export values. The United States has also been the primary source of all Belizean imports for each of the past five years and was the source of 40.3% of Belizean imports in 2001. As a result, any rise or fall in the U.S. export price index could result in an increase or decrease in prices in Belize.

Exports

Exports of agricultural and agro-based manufacturing products represented the most significant Belizean exports between 1997 and 2000. Total exports during 2001 decreased by 6.7% to U.S.$269.1 million, compared to U.S.$288.4 million in 2000, primarily due to crop damage (particularly banana, sugar and citrus) caused by Hurricane Iris, and Tropical Storm Chantal and a drop in farmed shrimp prices following the September 11 terrorist attacks.

The following table shows Belize's value of exports by sector for the five years ended December 31, 2001:

Value of Exports (FOB)

	Year ended December 31,				
	1997	1998	1999	2000	2001
	(in millions of US$)				
Agriculture/Agro Manufacturing					
Sugar	US$ 46.0	US$ 44.5	US$ 43.3	US$ 37.1	US$ 29.7
Citrus Products	35.9	30.7	36.9	59.4	47.6
Molasses	3.3	1.1	0.2	0.2	0.8
Banana	26.0	24.6	28.4	32.9	21.4
Marine	17.8	21.7	27.8	33.8	31.9
Non-Traditional Exports	8.8	10.2	11.3	14.5	13.4
Total	137.8	132.8	147.9	177.9	144.8
Manufacturing					
Garments	18.9	19.7	19.7	19.9	15.2
Timber	2.6	2.7	2.1	2.4	1.2
Total	21.5	22.4	21.8	22.3	16.4
Total Domestic Exports	159.3	155.2	169.7	200.2	161.2
Commercial Free Zone Sales(1)	23.3	23.4	77.5	72.9	95.6
Re-Exports(2)	17.4	15.8	16.4	15.3	12.3
Total Exports	US$200.0	US$194.4	US$263.6	US$288.4	US$269.1

(1) Reflects goods that are imported into the commercial free zone and sold to non-residents.
(2) Reflects goods that are imported into Belize and exported to other countries.

Source: Central Statistical Office

The following table shows the destination of Belizean exports for the five years ended December 31, 2001:

Exports (FOB) by Destination (1)

	Year ended December 31,									
	1997		1998		1999		2000		2001	
	(in millions of US$, except percentages)									
USA	US$ 66.8	41.9%	US$ 68.8	44.3%	US$ 71.1	41.9%	US$101.1	50.5%	US$ 86.7	53.8%
United Kingdom	66.7	41.9	36.5	23.5	50.7	29.9	58.1	29.0	37.1	23.0
Mexico	5.6	3.5	5.7	3.7	6.1	3.6	2.0	1.0	1.6	1.0
CARICOM	4.5	2.8	6.2	4.0	9.2	5.4	8.4	4.2	10.3	6.4
Other Countries	15.7	9.9	38.0	24.5	32.6	19.2	30.6	15.3	25.5	15.8
Total	US$159.3	100.0%	US$155.2	100.0%	US$169.7	100.0%	US$200.2	100.0%	US$161.2	100.0%

(1) Excludes commercial free zone sales.

Source: Central Statistical Office

The Belizean sugar and banana industries and, less significantly, citrus product suppliers currently enjoy preferential trade arrangements with respect to exports to the European Union pursuant to the Cotonou Agreement. The future of these preferential trade arrangements is important to Belize, as the EU is the only region with which Belize has consistently maintained a trade surplus. The Cotonou Agreement also provides guaranteed access to European markets for certain maximum amounts of Belizean sugar and banana exports.

The special arrangements for the importation of bananas provided by the Cotonou Agreement and its predecessor, the Lomé IV Convention, have been challenged by the United States and four Latin American banana producers. The WTO has ruled that these preferential access arrangements for ACP bananas unfairly restricts banana-producing Central and Latin American countries' access to the European market. In April 2001, the United States and the European Union announced an agreement by which the special banana arrangements would be gradually phased out by 2006. See "Belize—International Relationships—Cotonou Agreement".

The Belizean banana industry has taken steps to improve field productivity and decrease production costs to enhance its competitiveness in anticipation of the phase-out of the special arrangements under the Cotonou Agreement. The Belizean banana industry accounted for approximately 16.4% of domestic export earnings in 2000. Belize has already commenced initiatives designed to improve the competitiveness of Belizean bananas. See "The Belizean Economy—Principal Sectors of the Economy—Agriculture-Bananas".

Imports

In 2001, major imports into Belize consisted primarily of:

- machinery and transport equipment;
- fuel and lubricants;
- manufactured goods; and
- food and livestock.

The following table shows the value of Belize's gross imports by end-users for the five years ended December 31, 2001:

Value of Gross Imports (1)

	Year ended December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
	(in millions of US$)				
Consumer Goods					
Food & Beverages	US$ 39.6	US$ 40.0	US$ 45.5	US$ 44.7	US$ 45.9
Transport Equipment(2)	2.9	2.8	3.4	3.8	4.8
Durables	7.0	8.7	10.9	11.7	12.3
Semi-Durables	19.7	21.1	23.1	24.9	24.8
Non-Durables	19.8	21.3	23.6	24.3	25.5
Total	88.9	93.9	106.6	109.5	113.3
Intermediate Goods					
Agricultural Raw Materials	5.7	6.0	5.6	6.4	7.0
Industrial Supplies	83.4	90.7	92.9	160.4	146.7
Fuels & Lubricants(3)	25.7	20.6	33.5	44.2	37.4
of which: Electricity	1.9	1.2	3.6	7.5	9.0
Parts & Accessories	23.2	20.7	23.5	29.8	28.1
Total	138.0	138.1	155.5	240.8	219.2
Capital Goods					
Transport Equipment(2)	10.4	10.3	18.6	22.0	20.8
Other Capital Goods	34.2	34.1	48.5	64.5	56.3
Total	44.5	44.4	67.0	86.5	77.1
Other Goods N.E.C.(4)					
Fuel(3)	11.6	12.3	21.9	0.6	1.0
Passenger Motor Cars	4.9	6.0	10.3	10.6	12.7
Other Goods	26.1	32.5	8.7	6.1	12.6
Total	42.6	50.7	40.9	17.3	26.3
Total Gross Imports	US$326.8	US$341.9	US$410.9	US$525.1	US$509.4
of which commercial free zone direct imports	US$ 12.7	US$ 14.7	US$ 41.0	US$ 71.0	US$ 73.4

(1) Imports are cif, 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 includes 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.

Source: Central Statistical Office

The total gross imports (cif) decreased by 3.0% to U.S.$509.4 million in 2001 from U.S.$525.1 million in 2000. The fall in consumer goods imports (cif) during 2001 was prompted by the contraction in the imports of capital and intermediate goods, which offset the rise in the imports of consumer and other goods. Imports of capital goods and intermediate goods declined by 10.9% and 9.0% to U.S.$77.1 million and U.S.$219.2 million, respectively, in 2001 compared to 2000, while imports of consumer goods rose by 3.5% to U.S.$113.3 million in 2001 compared to U.S.$109.5 million in 2000 and that of other goods went up by 52.0% to U.S.$26.3 million in 2001 compared to U.S.$17.3 million in 2000.

The imports of capital goods reverted to normal levels in 2001 after a peak in 2000 because of the on-time imports of brewery equipment and other capital goods. The value of fuel imports also declined in 2001 due to reductions in average acquisition costs, despite an increase in import volume of 7.8% to 56.3 million gallons. Import volume of gasoline and diesel, for example, went up by 0.7 million and 3.4 million gallons, respectively, while the average unit price of gasoline fell from U.S.$1.20 to U.S.$1.01 per gallon and that of diesel fell from U.S.$1.09 to U.S.$1.02 per gallon.

The following table shows the origin of Belize's imports for the five years ended December 31, 2001:

Imports by Origin (1) (FOB)

	Year ended December 31,									
	1997		1998		1999		2000		2001	
	(in millions of US$, except percentages)									
USA	US$141.1	50.2%	US$137.2	46.6%	US$168.2	45.9%	US$194.8	42.2%	US$185.8	40.3%
Mexico	36.4	13.0	31.2	10.6	42.8	11.7	42.6	9.2	44.1	9.6
United Kingdom	14.6	5.2	11.8	4.0	13.5	3.7	10.4	2.3	10.6	2.3
CARICOM	10.2	3.6	9.3	3.2	11.5	3.1	12.4	2.7	19.7	4.3
Other countries	67.4	24.0	91.7	31.2	93.2	25.5	138.2	29.9	133.5	29.0
Imports to commercial free zone	11.1	4.0	12.9	4.4	36.9	10.1	63.2	13.7	66.9	14.5
Total	US$280.8	100.0%	US$294.1	100.0%	US$366.1	100.0%	US$461.6	100.0%	US$460.6	100.0%

(1) Excludes imports that are sold in the commercial free zone.

Source: Central Statistical Office

Commercial Free Zone

The commercial free zone of Belize is situated at the northern border of Belize and the southeastern border of Mexico. It is comprised of approximately 295 acres of land of which 80 acres are in various stages of development. The commercial free zone was initially geared toward the retail sale of fuel to Mexican clients living in the adjoining border city of Chetumal, which has over 250,000 inhabitants. In January, 2001 there were 205 companies operating in the commercial free zone. Although fuel sales represented approximately 21.4% of all commercial free zone sales in 2001, liquor, perfume, cosmetics, cigarettes, apparel, footwear, hardware, tins, electronics, toys and grocery items may also be purchased in the commercial free zone.

Belizean customs officials deem shipments of products from Belize to the commercial free zone as re-exports. The value of the commercial free zone gross sales in 2001 was approximately U.S.$102.7 million as compared to approximately U.S.$33.0 million in 1997. Belize estimates that approximately 3,500 Mexican vehicles enter the commercial free zone daily to take advantage of duty-free fuel. Belize also estimates that approximately 10 to 12 thousand Mexicans enter the commercial free zone daily to shop in retail establishments.

The greatest benefit Belize derives from the commercial free zone is in the form of employment. As Belize purchases the goods sold in the commercial free zone abroad, commercial free zone sales do not represent a significant source of net foreign exchange earnings for Belize. As of December 31, 2001, approximately 1,200 Belizeans were employed in the commercial free zone, with an additional significant amount of indirect employment created for persons providing ancillary services. The commercial free zone is governed by the Commercial Free Zone Act of 1994 and related regulations.

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 and create employment.

No import licenses are required for any imports by an export processing zone business into an export free zone. All imports into an export processing zone, including capital equipment, service and utility vehicles, intermediate goods and supplies, and raw material are exempt from all customs, tariffs, and all taxes. Quotas or imports prohibition 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 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. All exports out of an export processing zone are exempt from all applicable 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 free zone business are also exempt from taxes.

International Reserves

Net official international reserves held by or for the account of the Central Bank of Belize decreased to U.S.$110.8 million at December 31, 2001 from U.S.$122.0 million at December 31, 2000. Gross official international reserves at December 31, 2001, were U.S.$112.3 million, or approximately 13 weeks of merchandise imports. The decrease in net international reserves in 2001 was due to a widening current account deficit that was not offset by net capital inflows. See "Public Debt—External Public Sector Debt" and "Public Finance—Public Sector Budget". In addition, gross international reserves held by or for the account of the Central Bank of Belize decreased to U.S.$115.7 million at May 31, 2002 from U.S.$147.2 million at May 31, 2001.

The following table shows the official international reserves for the dates indicated:

International Reserves

	Year ended December 31,				
	1997	1998	1999	2000	2001
Central Bank of Belize					
Foreign Exchange Assets	US$47.5	US$31.9	US$57.2	US$107.6	US$ 97.2
IMF Reserve Tranche	3.9	4.1	5.9	5.5	5.3
SDRs (1)	1.0	1.2	1.2	1.6	1.7
Total	52.6	37.2	64.3	114.7	104.2
Central Government	6.9	6.7	6.9	8.1	8.1
Gross International Reserves	59.3	43.9	71.1	122.8	112.3
Foreign Liabilities	3.6	1.6	1.0	0.8	1.5
CARICOM	0.5	0.1	0.2	0.1	0.3
Other	3.1	1.5	0.8	0.7	1.2
Net International Reserves	US$55.7	US$42.3	US$70.1	US$122.0	US$110.8

(1) 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

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, 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 the previous fiscal year.

Budget Policy

Revenue

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. Non-tax revenues are a less significant source of current revenue and include revenues from licenses, rents and royalties and fees. Capital revenue comprises revenues from sales of specific fixed assets. For the last four years, the principal component of Belize's capital revenues has been the proceeds of sales of privatized companies.

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.$10.3 million in grants in fiscal year 2001/02, as compared with U.S.$11.9 million in fiscal year 2000/01.

In 2001, the largest providers of grants were:

- the United Kingdom (U.S.$1.35 million);
- the Republic of China (Taiwan) (U.S.$1.0 million); and
- the United Nation Children's Fund (UNICEF) (U.S.$350 thousand).

Expenditure

The budget also distinguishes between current expenditure and capital expenditure. Current expenditures include wages and salaries, 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. Capital III projects tend to be larger and require greater amounts of financing than Capital II projects. In fiscal years 2000/01 and 2001/02, a significant portion of capital expenditure was allocated to the Emergency Relief Fund, or ERF, which represents, essentially, the reconstruction works undertaken after Hurricane Keith. 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.

Deficits and Surpluses

The government has incurred an overall budget deficit for each of the five fiscal years 1997/98 through 2001/02, during which period the overall budget deficit (including grants) averaged 3.7% of GDP. The government's overall budget deficit (including grants) increased from U.S.$8.2 million in fiscal year 1997/98 to U.S.$44.9 million in fiscal year 2001/02. This deficit is mainly the result of capital expenditures, which have grown steadily over the period, as the government has increased its implementation rate of public projects. ERF costs have also been a major contributor to the expanding overall budget deficits posted in fiscal years 2001/02 and 2000/01. ERF expenditures represented 19.5% and 22.7% of total capital expenditure in fiscal years 2001/02 and 2000/01, respectively. However, ERF expenditures are budgeted to fall to 5.8% of total capital expenditure in fiscal year 2002/03 as hurricane reconstruction projects are completed. The budgeted decline in ERF expenditure is the primary reason that the overall deficit is budgeted to decrease to 3.5% of GDP in fiscal year 2002/03. For fiscal year 2001/02, this deficit amounted to 5.6% of GDP, as compared to a deficit amounting to 6.2% of GDP in fiscal year 2000/01.

By contrast, the government has posted a current balance surplus for each of the five fiscal years 1997/8 through 2001/02, during which period the annual current surplus averaged 2.9% of GDP.

Consolidated Fund

Belize's Constitution recognizes the existence of a consolidated 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 which are established for the repayment of any debt) must be charged to the consolidated fund. Payments of principal and interest on the notes will be paid from the consolidated 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, a 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 Caribbean Development Bank also review the government's public finances.

The following table shows Belize's fiscal results for fiscal year 1997/98 through fiscal year 2001/02 and the fiscal year 2002/03 budget:

Central Government Revenue and Expenditure

	Year ended March 31,					
	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03*
	(in millions of US$, except percentages)					
Current Revenue:						
Tax Revenue						
Income and Profits	US$ 27.9	US$ 32.0	US$ 32.3	US$ 38.2	US$38.6	US$42.7
Property	0.9	0.8	1.1	1.1	1.3	2.7
Goods and Services	49.0	40.0	41.0	50.9	54.3	58.7
Int'l Trade	47.5	55.2	53.2	58.2	69.2	72.3
Other Taxes	3.3	4.4	0.0	0.0	0.0	2.3
Total Tax Revenue	128.6	132.4	127.6	148.4	163.4	178.7
Non-Tax Revenue[1]	15.4	19.6	41.2	21.1	21.5	21.5
Total Current Revenue	144.0	152.0	168.8	169.5	184.9	200.2
Current Expenditure:						
Wages and Salaries	65.3	70.1	74.3	75.8	81.3	84.9
Pensions	8.5	8.9	10.5	8.9	11.8	11.2
Goods and Services	25.8	26.5	31.2	30.4	32.2	31.1
Interest Payments on Debt	12.2	12.3	15.1	20.8	28.8	30.6
Subsidies and Current Transfers	14.6	14.6	14.5	12.8	12.5	11.5
Total Current Expenditure	126.4	132.4	145.6	148.7	166.6	169.3
Current Balance	17.6	19.6	23.2	20.8	18.3	30.9
As percent of GDP	2.9	3.1	3.4	2.7	2.3	3.6[4]
Capital Revenue	8.5	22.3	40.2	35.8	26.6	15.3
Capital Expenditure:						
Capital II Expenditure	24.4	30.4	54.9	27.2	33.5	33.5
Capital III Expenditure	12.4	23.8	40.7	89.0	66.6	52.7
of which ERF Expenditure[2]	0.0	0.0	0.0	26.4	19.5	5.0
Capital Transfers [3]	1.8	4.0	0.0	0.0	0.0	0.0
Total Capital Expenditure	38.6	58.2	95.6	116.2	100.1	86.2
Overall Balance (before Grants)	(12.5)	(16.3)	(32.2)	(59.6)	(55.2)	(40.0)
Grants	4.3	9.3	6.8	11.9	10.3	10.0
Overall Balance (after Grants)	(8.2)	(7.0)	(25.4)	(47.7)	(44.9)	(30.0)
As percent of GDP	(1.3)	(1.1)	(3.7)	(6.2)	(5.6)	(3.5)[4]
Overall Balance excluding ERF[2]	(8.2)	(7.0)	(25.4)	(21.3)	(25.4)	(25.0)
As percent of GDP	(1.3)	(1.1)	(3.7)	(2.8)	(3.2)	(2.9)[4]
Financing:						
Domestic Financing:						
Central Bank	(2.2)	5.3	(14.7)	(51.1)	11.9	27.9
Commercial Banks	10.7	(0.1)	14.0	(0.8)	(1.8)	0.0
Non-Bank	(0.1)	0.6	(7.1)	0.4	(0.9)	1.0
Total Domestic Financing	8.4	5.8	(7.8)	(51.5)	9.3	28.9
External Financing:						
Disbursements	18.0	27.8	48.8	128.7	73.4	47.7
Amortization	(16.6)	(14.8)	(15.4)	(27.9)	(31.1)	(46.6)
Sinking Fund and JCF[5]	0.0	0.0	0.0	(1.4)	(7.0)	0.0
Total External Financing	1.4	13.0	33.4	99.4	35.3	$ 1.1
Other	(1.6)	(11.7)	(0.2)	(0.2)	0.4	0.0
Total Financing	US$ 8.2	US$ 7.1	US$ 25.4	US$ 47.7	US$44.9	US$30.0

* Budget

(footnotes continue on next page)

(1) Includes revenues from licenses, rents and royalties and fees.
(2) ERF refers to the Emergency Relief Fund, essentially hurricane reconstruction costs.
(3) Transfers to state-owned enterprises.
(4) Based on a projected GDP for calendar year 2002.
(5) The sinking fund represents amounts, usually held in foreign financial institutions, set aside for the repayment of specific liabilities. The JCF refers to the Joint Consolidated Fund, which represents amounts required to be set aside to cover deposit accounts that the public may have with the Belizean treasury.

Source: Ministry of Budget Planning

Fiscal Year 2001/02 Revenue and Expenditure

Overview

Belize posted a fiscal deficit of U.S.$44.9 million in fiscal year 2001/2002, or 5.6% of GDP, as compared to a fiscal deficit of U.S.$47.7 million in fiscal year 2000/2001, or 6.2% of GDP, a reflection in part of the government's current policy of fiscally stimulated economic expansion and the costs of hurricane reconstruction. In fiscal year 2001/2002 and fiscal year 2000/2001, expenditures relating to the ERF accounted for 43.4% and 55.3%, respectively, of the overall deficit.

The overall deficit of U.S.$44.9 million in fiscal year 2001/02 was financed primarily from external sources, as disbursements of foreign source financings of U.S.$73.4 million exceeded amortization payments on such financings of U.S.$31.1 million. Financing from the domestic market remained less significant than external source financing due to less competitive local interest rates.

Revenue

Total revenue and grants for fiscal year 2001/02 was U.S.$221.8 million, or 27.6% of GDP, a 2.1% increase over total revenue collected in fiscal year 2000/01.

Current revenue rose 9.1%, to U.S.$184.9 million or 23.0% of GDP, in fiscal year 2001/02 from U.S.$169.5 million, or 21.9%, of GDP in fiscal year 2000/01. The increase in current revenue was primarily due to an increase in tax revenue, especially tax revenue generated in connection with international trade and transactions. Any stimulus to the economy in Belize tends to have an immediate impact on the level of imports, which in turns raises the level of tax revenue derived from customs duties. All the other major categories of tax revenue also recorded increases during fiscal year 2001/02, primarily as a result of increased economic activity and 1999 tax reforms designed to broaden the tax base, simplify the determination of tax liabilities, and improve tax collections. See "—Tax Reform". Increased economic activity and tax reform were also the primary reason for the 16.3% increase in tax revenues in fiscal year 2000/01 to U.S.$148.4 million from U.S.$127.6 million in fiscal year 1999/00.

Capital revenue fell by 25.7% to U.S.$26.6 million, or 3.3% of GDP, in fiscal year 2001/02 from U.S.$35.8 million, or 4.6% of GDP, in fiscal year 2000/01. Belize records the revenues from privatization transactions as capital revenue. The capital revenues posted in fiscal year 2001/02, fiscal year 2000/01 and fiscal year 1999/00 primarily represent proceeds from the privatizations of the Belize Port Authority, Belize Water Services Ltd. and Belize Electricity Ltd., respectively.

Expenditures

Total expenditure for fiscal year 2001/02 was U.S.$266.7 million, or 33.1% of GDP. This represented a 0.7% increase over fiscal year 2000/01. Current expenditure accounted for U.S.$166.6 million, or 62.5% of total expenditure in fiscal year 2001/02, while capital expenditure accounted for U.S.$100.1 million, or 37.5% of total expenditure in fiscal year 2001/02.

Current expenditure in fiscal year 2001/02 totalled U.S.$166.6 million, an increase of 12.0% from U.S.$148.7 million in fiscal year 2000/01 primarily as a result of higher outlays on wages and salaries, which totalled U.S.$81.3 million and interest payments, which totalled U.S.$28.8 million. Though all other major categories of current expenditures increased marginally in fiscal year 2001/02 when compared to the previous fiscal year, the largest component of current expenditure was wages and salaries, which represented 30.5% of Belize's total expenditures in fiscal year 2001/02, compared to 28.6% in fiscal year 2000/01, 30.8% in fiscal year 1999/00, 36.8% in fiscal year 1998/99 and 39.6% in fiscal year 1997/98. Wages and salaries consumed 36.7% of total revenue and grants in 2001/02 compared to 34.9% in fiscal year 2000/01, 34.4% in fiscal year 1999/00 and 38.2% in fiscal year 1998/99. Belize's expenditures on wages and salaries tend to be relatively high in relation to GDP given the need to maintain full sovereign government operations, and to deliver government services, in a small country with a low population density.

Interest expenditure increased to U.S.$28.8, or 10.8% of total expenditure, in fiscal year 2001/02 compared to U.S.$20.8 million, or 7.9% of total expenditures, in fiscal year 2000/01. The increase in interest expenditure from 2000/01 reflects the increase in public indebtedness. Interest expenditure represented 6.3% of Belize's expenditures in fiscal year 1999/00, 6.5% in fiscal year 1998/99 and 7.4% in 1997/98. Interest expenditure consumed 13.0% of total revenue in fiscal year 2001/02 compared to 9.6% in fiscal year 2000/01, 7.0% in 1999/00, 6.7% in 98/99 and 7.8% in 1997/98.

In fiscal year 2001/02, capital expenditures decreased 13.9% in 2001 to U.S.$100.1 million, or 12.4% of GDP, from U.S.$116.2 million, or 15.0% of GDP, in 2000. This decrease was primarily the result of a decline in ERF expenditures, which declined to U.S.$19.5 million in 2001 from U.S.$26.4 million in 2000. There was also a decline in Capital III expenditures of 25.2% to U.S.$66.6 million in 2001 from U.S.$89.0 million in 2000.

Fiscal Year 2002/03 Budget

The fiscal year 2002/03 budget is consistent with Belize's overall macroeconomic program, which has as its primary goals the promotion of sustained economic growth and poverty reduction. The overall deficit for fiscal year 2002/03 is budgeted to decrease to U.S.$30.0 million, or 3.5% of GDP, a 33.2% decline from the U.S.$44.9 million deficit, or 5.6% of GDP, posted in fiscal year 2001/02. Budgeted revenue for fiscal year 2002/03 totals U.S.$225.5 million. Belize projects that approximately 79.2% of total revenue in fiscal year 2002/03 will be received from tax revenue which is budgeted to increase by 9.4% over fiscal year 2001/02, primarily as a result of an expected increase in revenue in each major tax category that is expected as a result of an expected increase in economic activity, especially export activity.

Budgeted expenditure for fiscal year 2002/03 totals U.S.$255.5 million, a decrease of 4.2% from fiscal year 2001/02 due largely to a budgeted 74.4% decrease in ERF expenditures which are expected to decline as reconstruction projects undertaken in connection with Hurricane Keith are completed. The fiscal year 2002/03 expenditure budget is comprised of U.S.$169.3 million for current expenditure, and U.S.$86.2 million for capital expenditure, of which U.S.$33.5 million is for Capital II expenditure and U.S.$52.7 million is for Capital III expenditure.

Of the current expenditure budget, U.S.$84.9 million is allocated to wages and salaries and U.S.$30.6 million is allocated to interest expenditure.

The budgeted fiscal year 2002/03 deficit of U.S.$30.0 million is expected to be financed primarily by domestic sources. Foreign source financings are expected to be fiscally neutral in fiscal year in 2002/03 with budgeted disbursements of U.S.$47.7 million exceeding budgeted amortizations of U.S.$46.6 million by only U.S.$1.1 million.

Tax Reform

In 1999, Belize introduced a number of reforms the objective of which is to simplify the calculation of tax liability, reduce overall tax rates, broaden the tax base, improve the effectiveness of tax administration and tax collection, and control tax evasion. Belize believes that these reforms have contributed to increased tax revenues in both fiscal year 2001/02 and fiscal year 2000/01.

Individual Income Tax

Prior to 1999, Belize taxed individual income at a graduated marginal rate ranging from 15% to 45%. A number of deductions were available. In 1999, a flat tax and income threshold replaced the graduated rate structure. As a result, all individual income in Belize in excess of Bz.$20,000 per year is taxed at a rate of 25%.

Business Tax

As a result of the 1999 reforms, all businesses in Belize are now taxed on the basis of gross receipts rather than profits. The rates vary according to type of business. While the gross receipts of most categories of business activities are taxed at a rate of 1.25%, the rates can go as high as 10.0% for licensed financial institutions, 19.0% for telecommunications businesses and 25.0% for the provision, by non-residents, of management or technical services. The gross receipts from professional activities are fixed at a rate of 4.0%.

Sales Tax

The 1999 reforms abolished the 15.0% value added tax or VAT, and replaced it with an 8.0% tax on the sale of all goods, whether produced locally or imported into the country. The sales tax applies to a variety of goods that were previously exempt under the VAT regime. Also, unlike the VAT, the sales tax also applies to the provision of services. Sales of alcohol, tobacco and fuel are taxed at a rate of 12.0%.

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 CIF, value of the import. In 2000, Belize implemented the fourth and final stage of the CARICOM Common External Tariff, which sets duties within a range of 0.0% to 20.0%. In late 2000, Belize abolished the discretionary authority of the Ministry of Finance to waive import duties.

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 affected by the creation of CARICOM. Most revenues generated by the revenue replacement duty result from the tax being applied to petroleum imports.

Environmental Tax

In April 1, 2000, Belize introduced a 1.0% tax on the CIF value of all imports deemed to be environmentally sensitive. Proceeds of the tax are designated for solid waste disposal projects and are shared among the central government and municipalities.

Social Tax

In 2001, Belize introduced a tax of 10% on all fuels and spirits, and a tax of 1.5% on all other goods, imported into Belize and resold in the commercial free zone. Proceeds of the tax are designated for spending on social programs.

Anti-Land Speculation Tax

In 2001, Belize introduced a tax of 5.0% on the unimproved value of all tracts of land larger than 300 acres determined by the Ministry of Natural Resources as being held idle. The goal of the tax is to encourage the productive use of land.

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 also may 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. Although no specific law restricts the amount of public sector debt that Belize may incur, Belize's current policy is to limit the maximum amount of external public sector debt to approximately 60% of the GDP. Since achieving full independence from the United Kingdom on September 21, 1981, the government has never defaulted on any of its external or domestic debt obligations. There is no constitutional prohibition on government default with respect to any public sector debt.

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

Belize's central government domestic public sector debt consists of overdrafts, treasury bills, treasury notes, defense bonds, debentures and loans as well as obligations to the Belizean Social Security System. The remaining public sector debt consists of debt incurred by the financial public sector, such as the Central Bank and the DFC, and debt incurred by the non-financial public sector, such as the Belize Airport Authority. The government is limited by statute to incurring overdrafts up to a maximum aggregate amount of Bz.$50.0 million, or 20.0% of current revenue, whichever is greater. In addition, the government's issuance of treasury bills and treasury notes is limited by statute to maximum aggregate amounts of Bz.$70.0 million and Bz.$25.0 million, respectively. Outstanding balances of overdrafts, treasury bills and treasury notes are rolled over, with maximum outstanding balances not exceeding the permitted statutory limits.

The following table shows domestic public sector debt for the five years ended December 31, 2001:

Domestic Public Sector Debt

	As of December 31,				
	1997	1998	1999	2000	2001
	(in millions of US$)				
Central Government(1)	US$ 86.0	US$ 90.0	US$ 85.8	US$ 88.0(2)	US$105.7(2)
Non-Financial Public Sector	31.8	27.9	35.7	20.9	16.5
Financial Public Sector DFC(2)	5.8	6.9	7.0	56.8	58.5
Total Domestic Public Sector Debt	US$123.6	US$124.8	US$128.5	US$165.7	US$180.7

(1) As of December 31, 2001 (1) treasury bills represented U.S.$35.0 million, or 33.1%, of total central government domestic debt, (2) overdrafts represented U.S.$32.8 million, or 31.0%, of total central government domestic debt, and (3) treasury notes represented U.S.$12.0 million, or 11.4%, of total central government domestic debt.

(2) During 2000, the Central Bank made three loans to the DFC in an aggregate principal amount of U.S.$42.0 million to finance the DFC's lending operations. The Central Bank funded these loans through external debt obtained from commercial banks, including: (1) a U.S.$32.0 million loan from the International Bank of Miami, (2) a U.S.$5.0 million loan from Citicorp Merchant Bank Ltd. and (3) a U.S.$5.0 million loan from Citibank Trinidad & Tobago. The loans the DFC obtained from the Central Bank have been reflected as public sector domestic debt of the DFC, and the loans the Central Bank obtained from the commercial banks have been reflected as public sector external debt of the Central Bank. See "—Domestic Public Sector Debt—General" and "—External Public Sector Debt".

Source: Central Bank of Belize

As of December 31, 2001, Belize's domestic public sector debt was U.S.$180.7 million, or 17.5% of GDP, as compared to U.S.$165.7 million, or 16.0% of GDP, as of December 31, 2000. In calculating these percentages, a U.S.$42.0 million and U.S.$39.5 million aggregate principal amount of domestic public sector debt were deducted from the domestic public sector debt total as of December 31, 2001 and the domestic public sector debt total as of December 31, 2000, respectively. Such U.S.$42.0 million and U.S.$39.5 million amounts are instead reflected as public sector external debt of the Central Bank. See "Prospectus Summary—Summary of Economic Information." This increase was attributable to factors including:

- the conversion of a U.S.$8.6 million external public sector debt owed to the United States Government into domestic public sector debt as the United States has allowed Belize to repay the debt in Belizean dollars through the deposit of amortization payments into a deposit account held with the government in Belize. This arrangement between the United States and Belize is treated as a "debt for nature swap" because (1) Belizean non-government organizations will be allowed to draw and apply funds from such account to the conservation and preservation of tropical rain forests in Southern Belize, and (2) such organizations will not be required to reimburse any amount withdrawn from the account; and
- a U.S.$9.8 million net increase in overdraft financing, which exceeded amortization payments of U.S.$0.7 million.

During 2001, the amount of overdraft financing received by Belize from the Central Bank increased by 45.5% to U.S.$32.7 million, or 19.3% of current revenue, as compared to U.S.$22.5 million, or 15.9% of current revenue, in 2000. As of March 31, 2002, the total outstanding amount of overdraft financing was U.S.$26.9 million, or 14.6% of current revenue. In addition, Belize sold treasury bills in 2001 in the amount of U.S.$2.5 million in the secondary market, U.S.$0.9 million of which were purchased by commercial banks and U.S.$1.7 million of which were purchased by other organizations and individuals. Belize uses these financial instruments to fund current expenditures. Any incurrence of domestic public sector debt is guaranteed by the central government.

The DFC domestic debt rose to U.S.$56.8 million in 2000 from U.S.$7.0 million in 1999. During 2000, the DFC obtained a U.S.$12.4 million loan from the Belize Social Security Board and three loans in an aggregate principal amount of U.S.$42.0 million from the Central Bank. The loans which the Central Bank granted to the DFC consisted of: (1) a U.S.$25.0 million loan payable in a lump sum in 2007, (2) two loans in the aggregate principal amount of U.S.$10.0 million payable in semi-annual installments beginning November 2001 and ending May 2005 and (3) a U.S.$7.0 million loan payable in a lump sum in 2012. The DFC used the proceeds of these loans to fund (1) its lending operations principally to the agriculture, transportation and construction sectors (2) its housing and educational loans and (3) Hurricane Keith reconstruction projects. The DFC domestic debt decreased by 27.9% to U.S.$42.2 million as of April 30, 2002 from U.S.$58.5 million as of December 31, 2001, as the DFC repaid domestic debt in the aggregate principal amount of U.S.$16.3 million from the proceeds of the mortgage-backed financing transaction it completed during 2002.

Domestic Public Sector Debt Amortization

During 2001, the aggregate amount of principal payments of domestic public sector debt to commercial banks and the DFC totalled U.S.$0.5 million. The government made these payments to (1) Belize Bank Limited, with respect to loans incurred for land purchases and (2) the DFC, in connection with debt restructuring loans.

The following table shows the amortization schedule for domestic public sector debt that was outstanding as of December 31, 2001 for the five years ended December 31, 2006:

Domestic Public Sector Debt Amortization Schedule

	As of and for the year ended December 31,				
	2002	**2003**	**2004**	**2005**	**2006**
	(in millions of US$)				
Central Government[1]	US$4.1	US$0.9	US$0.9	US$ 6.1	US$1.1
Non-Financial Public Sector	0.3	0.3	0.3	0.2	0.2
Financial Public Sector DFC	3.5	3.9	4.0	4.1	1.8
Total Domestic Public Sector	US$7.9	US$5.1	US$5.2	US$10.4	US$3.1

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

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 to finance the military. These bonds are payable within ten years, while the remaining domestic public sector debt, other than overdrafts, treasury bills and treasury notes, will mature within 14 years. Outstanding balances of overdrafts, treasury bills and treasury notes are rolled over. Treasury bills and treasury notes mature within 90 days.

Domestic Public Sector Debt Interest

The following table shows the interest schedule for domestic public sector debt that was outstanding as of December 31, 2001 for the five years ended December 31, 2006:

Domestic Public Sector Debt Interest Schedule

	As of and for the year ended December 31,				
	2002	2003	2004	2005	2006
	(in millions of US$)				
Central Government[(1)]	US$4.9	US$4.7	US$4.5	US$4.5	US$4.1
Non-Financial Public Sector	0.2	0.1	0.1	0.1	0.1
Financial Public Sector DFC	3.7	3.5	3.2	2.8	2.6
Total Domestic Public Sector	US$8.8	US$8.3	US$7.8	US$7.4	US$6.8

(1) Does not include interest payments with respect to overdrafts, as it may not be possible to anticipate the amount of overdraft that the central government will incur in future years. The interest rate on overdrafts is calculated on a monthly basis and is currently 11%.

Source: Central Bank of Belize

During 2001, Belize made aggregate interest payments of U.S.$8.1 million on its domestic public sector debt as follows:

- approximately U.S.$3.2 million interest payment associated with overdraft balances;
- a U.S.$2.7 million interest payment on treasury bills and a U.S.$1.1 million interest payment on treasury notes;
- a U.S.$0.7 million interest payment on defense bonds; and
- an aggregate of approximately U.S.$0.4 million interest payments on several small loans.

Belize is subject to the payment of fixed interest rates ranging from 6.0% to 11.0% on its domestic public sector debt. None of Belize's domestic debt is subject to any variable interest rate.

External Public Sector Debt

General

As of December 31, 2001, Belize's external public sector debt was U.S.$475.0 million, or 59.0% of GDP, as compared to U.S.$423.6 million, or 54.8% of GDP, in 2000. As of December 31, 2001 the central government's share of external public sector debt was U.S.$337.7 million, or 71.1% of total external public sector debt, the non-financial public sector's share of external public sector debt was U.S.$19.8 million, or 4.2% of total external public sector debt and the financial public sector's share of external public sector debt was U.S.$117.5 million, or 24.7% of total external public sector debt.

The following table shows Belize's external debt by creditor category for the five years ended December 31, 2001:

External Public Sector Debt by Creditor(1)

	As of December 31,				
	1997	1998	1999	2000	2001
	(in millions of US$)				
CENTRAL GOVERNMENT					
Multilateral:	US$ 59.3	US$ 63.9	US$ 68.4	US$ 79.9	US$ 94.4
Caribbean Development Bank(1)	17.1	21.2	24.2	25.4	18.2
European Economic Community	10.2	10.6	9.0	7.9	7.6
Int'l Bank for Reconstruction Dev.	29.1	28.2	27.6	27.6	31.1
Int'l Fund for Agricultural Dev.	1.0	0.9	0.9	1.0	1.1
OPEC Fund for International Dev.	1.5	1.9	1.8	1.9	2.1
Inter-American Development Bank	0.4	1.1	4.9	16.1	34.3
Bilateral:	80.9	81.4	95.0	99.0	95.7
Government of United Kingdom	19.6	19.6	17.1	13.4	11.0
Government of Trinidad and Tobago	0.0	0.0	0.0	0.0	0.0
Government of United States of America(2)	19.7	18.4	17.1	15.6	5.9
People's Republic of China	0.3	0.2	0.2	0.2	0.1
Republic of China	32.9	34.0	51.7	61.7	71.3
Fondo de Inversiones de Venezuela	3.0	3.5	3.0	2.4	2.0
Government of Spain	1.9	1.6	1.1	0.7	0.4
Government of Kuwait	3.5	4.1	4.8	5.0	5.0
Commercial Bank:	17.9	28.4	31.0	115.7	130.7
Deutsche Bank of Germany	0.0	0.0	0.0	3.3	2.6
Citicorp Merchant Bank Ltd.	10.0	10.0	10.0	10.0	8.6
Citibank of Trinidad(3)	0.0	12.0	12.0	12.0	11.1
Provident Bank & Trust	0.0	0.5	5.0	11.3	11.3
Instituto Nazionale di Credito	7.9	5.9	4.0	2.0	0.0
Salomon Smith Barney(4)	0.0	0.0	0.0	26.0	26.0
Royal Merchant Bank(5)(6)	0.0	0.0	0.0	48.9	45.9
Allfirst Bank of Maryland	0.0	0.0	0.0	2.2	3.2
International Bank of Miami	0.0	0.0	0.0	0.0	22.0
Suppliers Credit	12.5	7.0	6.9	17.2	16.9
Total	170.6	180.7	201.3	311.8	337.7
NON-FINANCIAL PUBLIC SECTOR					
Multilateral:	25.1	34.0	4.3	5.8	2.6
Caribbean Development Bank(1)	11.4	18.0	4.3	5.8	2.6
Commonwealth Development Corp.	0.2	0.0	0.0	0.0	0.0
European Investment Bank	2.1	3.3	0.0	0.0	0.0
Int'l. Bank for Reconstruction Dev.	11.4	12.7	0.0	0.0	0.0
Bilateral:	3.5	3.4	2.8	5.2	4.9
Government of Kuwait	2.8	2.9	2.8	5.2	4.9
Republic of China	0.7	0.5	0.0	0.0	0.0
Commercial Bank:	5.7	5.4	5.0	4.5	12.3
CIBC Bank & Trust Co.	5.7	5.4	5.0	4.5	4.0
KBC Bank	0.0	0.0	0.0	0.0	8.3
Suppliers Credit:	1.2	1.1	0.0	4.3	0.0
Total	35.5	43.9	12.1	19.8	19.8
FINANCIAL PUBLIC SECTOR					
Multilateral:	17.0	19.4	23.3	25.5	25.9
Caribbean Development Bank	15.6	17.2	21.2	22.6	23.3
European Economic Community	1.4	2.2	2.1	2.9	2.6
Bilateral:	3.9	3.1	2.3	1.8	1.6
Government of United States of America	2.3	2.2	2.0	1.8	1.6
Republic of China	1.6	0.9	0.3	0.0	0.0
Commercial Bank:	13.7	13.6	13.5	64.7	90.0
Paine Webber Real Estate Securities	1.7	1.6	1.5	1.4	1.3
Citicorp Merchant Bank Ltd.(9)	0.0	0.0	0.0	5.0	4.4
Citibank Trinidad & Tobago(7)(9)	12.0	12.0	12.0	14.0	10.4
International Bank of Miami	0.0	0.0	0.0	32.0	52.0
Deutsche Bank of Germany	0.0	0.0	0.0	7.3	12.9
Provident Bank & Trust	0.0	0.0	0.0	5.0	5.0
CommerzBank/New Holland(8)	0.0	0.0	0.0	0.0	4.0
Total	34.6	36.1	39.1	92.0	117.5
TOTAL PUBLIC SECTOR	US$240.7	US$260.7	US$252.5	US$423.6	US$475.0

(footnotes on next page)

(1) Effective March 31, 2002, an aggregate principal amount of U.S.$14.2 million loans consisting of (1) a portion of the loan granted by the Caribbean Development Bank to the central government, (2) a portion of the loan granted by the Caribbean Development Bank to the non-financial public sector, and (3) the entire balance of a loan granted by Amtrade of Georgia to the Water and Sewage Authority prior to its privatization, were reclassified as private sector debt. However, the central government remains contingently liable for the repayment of the reclassified debt.
(2) U.S.$8.6 million of debt reduction from 2000 to 2001, which reflects the implementation of the debt for nature swap agreement between the United States and Belize.
(3) Relates to a U.S.$10 million 9.75% bond arranged by Citibank Trinidad & Tobago, payable in 2007.
(4) Relates to a U.S.$31.0 million 10.347% bond arranged by Salomon Smith Barney, payable in a lump sum in 2005.
(5) This disbursement was net of U.S.$11.1 million, which is the amount used to establish a related sinking fund.
(6) Relates to a U.S.$60.0 million 9.5% bond arranged by the Royal Merchant Bank, payable in a lump sum in 2010.
(7) Includes a U.S.$12.0 million bond arranged by Citibank Trinidad & Tobago, subject to an interest rate of 11.75% payable in July 2003.
(8) The loans by KBC Bank, for dredging, and CommerzBank/New Holland, for soybean production, were assumed by the Port Authority and DFC, respectively.
(9) The Central Bank used (1) all the proceeds from the commercial loans it received from Citicorp Merchant Bank Ltd. and the International Bank of Miami and (2) a U.S.$5.0 million portion of the aggregate proceeds it received from Citibank Trinidad & Tobago to finance the DFC's lending operations. The aggregate principal amount of these loans was U.S.$42.0 million.

Source: Central Bank of Belize

The following table shows Belize's external public sector debt by creditor as of the five years ended December 31, 2001:

External Public Sector Debt by Creditor

	As of December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
			(in millions of US$)		
Multilateral	US$101.4	117.3	US$ 96.0	US$111.2	US$122.9
Bilateral	88.3	87.9	100.1	106.0	102.2
Commercial Banks	37.3	47.4	49.5	184.9	233.0
Suppliers Credit	13.7	8.1	6.9	21.5	16.9
Total External Public Sector Debt	US$240.7	US$260.7	US$252.5	US$423.6	US$475.0

Source: Central Bank of Belize

During 2001, U.S.$8.6 million of external public sector debt was converted to domestic public sector debt as part of the debt for nature swap arrangement between the United States and Belize.

During 2001, external public sector debt disbursements totalled approximately U.S.$110 million, while external public sector debt principal payments totalled U.S.$35.2 million. Approximately 71.1% of total disbursements in 2001 were made to the central government and the remaining 28.9% were disbursed to the financial and non-financial public sectors. The disbursements made to the central government included:

- U.S.$31.8 million from commercial creditors, including U.S.$27.2 million from the International Bank of Miami, to fund various investment projects in the country, such as financing for the DFC and the Belize Tourism Village;
- U.S.$25.4 million from multilateral agencies, including U.S.$18.3 million from the IDB, which was designated for infrastructure projects, such as the construction of the Southern Highway as well as hurricane rehabilitation works; and
- U.S.$13.0 million from bilateral agencies, principally Taiwan, which extended a U.S.$12.5 million loan for housing projects.

During 2001, the loan disbursements to the Belizean financial public sector consisted of loans to the DFC as follows:

- U.S.$20 million from the International Bank of Miami for financial support;
- U.S.$5.8 million from Deutsche Bank of Germany for the La Democracia project;
- U.S.$4.0 million from Commerzbank for a soya bean project; and
- U.S.$1.6 million from the Caribbean Development Bank for various loans.

Loans to the non-financial public sector were provided to the Port Authority, with KBC Bank advancing approximately U.S.$8.4 million for dredging works.

The amount of external public sector debt rose by 67.8% to U.S.$423.6 million in 2000 from U.S.$252.5 million in 1999 principally due to:

- an increase of 273.5% in the aggregate principal amount of loans obtained from commercial banks to U.S.$184.9 million in 2000 from U.S.$49.5 million in 1999. During 2000, commercial banks granted the following major financings to the central government: (1) a U.S.$60 million 9.5% bond arranged by the Royal Merchant Bank to finance hurricane reconstruction and counterpart funding; (2) a U.S.$31 million 10.3% bond arranged by Salomon Smith Barney to finance housing development and tourism infrastructure projects; and (3) a U.S.$5.5 million loan obtained from Provident Bank & Trust to finance computer purchases. In addition, during 2000, commercial banks granted the following loans to the Central Bank: (1) a U.S.$32.0 million loan by the International Bank of Miami to finance the DFC's lending operations**,** and (2) loans in the aggregate principal amount of U.S.$10.0 million by Citicorp Merchant Bank and Citibank Trinidad & Tobago also to finance the DFC's lending operations. Finally, Amtrade of Georgia granted a U.S.$4.3 million loan to the Water and Sewage Authority prior to its privatization;
- an increase of 15.8% in the aggregate principal amount of multilateral loans to U.S.$111.2 million in 2000 from U.S.$96.0 million in 1999 principally as a result of (1) funding in the principal amount of U.S.$8.5 million granted by the IDB to the central government to finance highway and Hurricane Keith reconstruction projects and (2) funding in the aggregate principal amount of U.S.$3.4 granted by the Caribbean Development Bank and the Inter-American Development Bank to the central government to finance hurricane preparedness projects as well as road, municipal drainage and rural electrification projects**;** and
- an increase of 5.9% in the aggregate principal amount of bilateral loans to U.S.$106.0 million in 2000 from U.S.$100.1 million in 1999 principally as a result of funding in the principal amount of U.S.$10.0 million that the Republic of China provided to the central government for housing and highway reconstruction projects. This increase was offset in part by aggregate principal payments of U.S.$5.2 million that the government made to the United Kingdom and the United States with respect to bilateral loans.

In addition, the aggregate amount of funding provided to the government by credit suppliers increased by 211.6% to U.S.$21.5 million in 2000 from U.S.$6.9 million in 1999. The government used these funds to finance equipment purchases.

The amount of external public sector debt financed by commercial banks increased to 49.0% in 2001 from 43.6% in 2000. In contrast, the amount of external public sector debt financed by multilateral agencies remained steady at approximately 26% in both years. The amount of external public sector debt financed by bilateral sources decreased to 21.5% of external public sector debt in 2001 from 25.0% in 2000.

External Public Sector Debt Amortization

Principal and interest payments of external public sector debt in 2001 totalled U.S.$65.3 million. The debt service ratio, that is, the ratio of principal and interest payments to GDP was 8.1% in 2001 as compared to 7.0% in 2000.

The following table shows the amortization schedule for external public sector debt outstanding as of December 31, 2001 for the five years ended December 31, 2006:

External Public Sector Debt Principal Amortization Schedule

	As of December 31,				
	2002	2003	2004	2005	2006
	(in millions of US$)				
Multilateral	US$ 5.1	US$ 8.0	US$ 10.0	US$12.6	US$14.7
Bilateral	8.0	8.2	11.8	11.5	11.5
Commercial Banks	36.0	19.1	16.5	42.1	14.3
Suppliers Credit	3.9	6.4	6.1	5.5	3.3
Total	US$53.0	US$41.7	U.S.$44.4	US$71.7	US$43.8

Source: Central Bank of Belize

During 2001, the government's principal payments of external public sector debt were slightly lower than those made in 2000. In 2001, principal payments totalled U.S.$27.2 million, and were distributed as follows:

- Approximately U.S.$16.8 million to commercial creditors, the largest being a U.S.$5.2 million principal payment to the International Bank of Miami and a U.S.$3.1 million principal payment to the Royal Merchant Bank;
- U.S.$7.3 million for bilateral loans, including a U.S.$2.9 million principal payment to Taiwan, a U.S.$2.1 million principal payment to the United Kingdom and a U.S.$1.2 million principal payment to the United States; and
- U.S.$3.1 million to multilateral agencies such as the IBRD, the Caribbean Development Bank, and the OPEC fund.

The financial public sector made principal payments during 2001 in the aggregate amount of U.S.$5.7 million, which were distributed as follows:

- U.S.$4.3 million to commercial creditors;
- U.S.$1.2 million to multilateral agencies; and
- U.S.$0.2 million to bilateral agencies.

During 2001, principal payments by the non-financial public sector more than doubled to U.S.$2.4 million.

The following table shows the maturity structure for external public sector debt outstanding as of December 31, 2001:

Total External Public Sector Debt Maturity Structure

	Less than 1 year	1-5 years	5-10 years	10 years & over	Total
			(in millions of US$)		
Multilateral	0	US$ 3.2	US$ 21.0	US$ 98.7	US$122.9
Bilateral	0	2.4	23.9	75.9	102.2
Commercial Banks	22.0	61.0	93.7	56.3	233.0
Suppliers Credit	0	15.5	1.4	n/a	16.9
Total	US$22.0	US$82.1	US$140.0	US$230.9	US$475.0

Source: Central Bank of Belize

External Public Sector Debt Interest

External public sector debt interest payments increased to U.S.$30.1 million in 2001 from U.S.$19.6 million in 2000. The central government made approximately 70% of the external public sector debt interest payments in 2001. During 2001, a substantial portion of the government's interest payments were made to commercial banks, including the Royal Merchant Bank (U.S.$5.6 million), Salomon Smith Barney (U.S.$2.7 million), Citibank of Trinidad (U.S.$1.2 million), and Provident Bank and Citicorp Merchant Bank (U.S.$1.0 million each). Other central government payments to multilateral and bilateral agencies totaled U.S.$4.0 million and U.S.$3.8 million, respectively. Interest payments by the financial public sector amounted to U.S.$7.9 million, approximately 84% of which related to commercial loans.

The following table shows the interest schedule for external public sector debt outstanding as of December 31, 2001 for the five years ended December 31, 2006:

External Public Sector Debt Interest Schedule

	As of December 31,				
	2002	2003	2004	2005	2006
			(in millions of US$)		
Multilateral	US$ 5.5	US$ 9.2	US$10.7	US$11.4	US$11.4
Bilateral	3.5	4.7	5.0	4.7	4.3
Commercial Banks	16.0	18.0	16.6	14.2	12.1
Suppliers Credit	1.2	1.4	1.0	0.6	0.3
Total	US$26.2	US$33.3	US$33.3	US$30.9	US$28.1

Source: Central Bank of Belize

Currency of External Public Sector Debt

The following table shows the government's external public sector debt by currency of denomination for the five years ended December 31, 2001:

Currency Composition of External Public Sector Debt

	As of December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
	(as percent of external public sector debt by currency)				
U.S. Dollars	79.1%	80.2%	82.9%	83.1%	87.3%
Euro	6.7	7.0	5.8	4.3	5.2
Pound Sterling	10.0	8.3	6.4	3.1	2.2
Kuwaiti Dinars	2.7	3.1	3.6	2.3	1.9
Others	1.5	1.4	1.3	7.3	3.4

Source: Central Bank of Belize

Depreciation of the Euro and Pound Sterling against the U.S. dollar led to negative valuation adjustments of U.S.$0.7 million during 2001 with the outstanding value of the Pound Sterling and Euro denominated loans declining by U.S.$0.25 million and U.S.$0.4 million, respectively. At December 31, 2001, 87.3% of external public sector debt was denominated in U.S. dollars, 5.2% was denominated in Euros, 2.2% was denominated in Pound Sterling, and 1.9% was denominated in Kuwait Dinars.

Central Government Contingent External Liabilities

As of December 31, 2001, the aggregate principal amount of publicly guaranteed external public sector debt guaranteed by the central government was U.S.$147.4 million, of which U.S.$112.6 million related to DFC mortgage-backed financings, and the remaining U.S.$34.8 million related to liabilities of the electricity and water entities privatized by the government in 1999 and 2001, respectively.

The DFC uses mortgage-backed financings to assign packages of mortgage loans to fund its lending activities. On April 22, 2002, the DFC completed another mortgage-backed financing. Pursuant to the transaction, Belize Mortgage Company 2002-1, a special purpose company, issued Class A Bonds in the aggregate principal amount of U.S.$40.0 million, subject to a fixed interest rate of 8.5% and due 2012, and Class B Bonds in the aggregate principal amount of U.S.$4.5 million, subject to a fixed interest rate of 12.0% and due 2012. The Belizean government has guaranteed the availability and convertibility of foreign exchange reserves as required for the repayment of these bonds. To date, the government has not been required to make any payment under these or any other guarantees.

The following table shows the government's guarantees for the three years ended December 31, 2001:

Central Government Guaranteed Debt

	Year ended December 31,		
	1999	**2000**	**2001**
	(in millions of US$)		
Debt for Privatized Entities	US$32.0	US$ 30.5	US$ 34.8
Debt relating to DFC Mortgage-Backed Financings	33.6	73.2	112.6
Total	US$65.6	US$103.7	US$147.4

Source: Central Bank of Belize

Debt Service Indicators and Disbursed Debt

External public sector debt as a percent of GDP rose to 59.0% at December 31, 2001 from 54.8% at December 31, 2000, reflecting increased borrowing over external public sector debt amortizations. Total external public sector debt as a percent of exports of goods and services increased to 107.1% at December 31, 2001 from 94.5% at December 31, 2000. External public sector debt service payments as a percent of exports of goods and services increased to 14.7% during 2001 from 12.1% during 2000.

The following table shows public sector debt indicators for the five years ended December 31, 2001:

Debt Indicators

	As of the year ended December 31,				
	1997	1998	1999	2000	2001
	(in millions of US$, except percentages)				
External Public Sector Debt Service					
Principal	US$ 20.4	US$ 20.7	US$ 19.3	US$ 34.7	US$ 35.2
Interest	10.2	13.3	14.5	19.6	30.1
Total	US$ 30.6	US$ 34.0	US$ 33.8	US$ 54.3	US$ 65.3
Exports of Goods and Services	US$340.5	US$339.9	US$417.3	US$448.3	US$443.7
Interest on External Public Sector Debt/ Exports of Goods and Services (%)	3.0%	3.9%	3.5%	4.4%	6.8%
External Public Sector Debt Outstanding/ Exports of Goods & Services (%)[1]	70.7	76.7	60.5	94.5	107.1
External Public Sector Debt/GDP (%)	39.0	41.4	36.7	54.8	59.0
Domestic Public Sector Debt/GDP (%)	20.0	19.8	18.7	16.0[2]	17.5[3]
Total Public Sector Debt/GDP (%)	59.0%	61.2%	55.4%	70.8%[2]	76.6%[3]

(1) Exports of goods and service.

(2) A U.S.$42.0 million aggregate principal amount of public sector domestic debt payable by the DFC to the Central Bank was deducted from each of total public sector domestic debt and total public sector debt when calculating the total public sector domestic debt to GDP ratio and the total public sector debt to GDP ratio, respectively. The Central Bank funded such U.S.$42.0 million domestic debt through borrowings obtained from commercial banks during 2000, and these borrowings had been reflected as public sector external debt of the Central Bank. See "—Domestic Public Sector Debt" and "—External Public Sector Debt".

(3) A U.S.$39.5 million aggregate principal amount of public sector domestic debt payable by the DFC to the Central Bank was deducted from each of total public sector domestic debt and total public sector debt when calculating the total public sector domestic debt to GDP ratio and the total public sector debt to GDP ratio, respectively. Such U.S.$39.5 million domestic debt was part of several loans in the aggregate principal amount of U.S.$42.0 million that the Central Bank made to the DFC during 2000. As of December 31, 2001, the DFC had made aggregate principal payments of U.S.$2.5 million to the Central Bank under such loans. The Central Bank funded the DFC loans through borrowings from commercial banks which were reflected as external debt of the Central Bank. See "—Domestic Public Sector Debt" and "—External Public Sector Debt".

Source: Central Bank of Belize

During 2001, Belize's total public sector debt increased to U.S.$655.7 million from U.S.$589.3 million as of December 31, 2000, an increase of 11.3%.

The following table sets forth the amounts of debt service payments for public sector debt for the years from 2001 through 2006:

Debt Service Payments

	Year ended December 31,					
	2001	2002	2003	2004	2005	2006
			(in millions of US$)			
Domestic Public Sector Debt						
Outstanding	US$180.7	US$126.5	US$122.2	US$117.7	US$113.1	US$105.8
Principal Repayments	4.4	7.9	5.1	5.2	10.4	3.1
Interest Payments	11.9	8.8	8.3	7.8	7.4	6.8
Total Debt Service	16.3	16.7	13.4	13.0	17.8	9.9
External Public Sector Debt						
Outstanding	475.0	471.6	487.9	476.6	427.1	391.8
Principal Repayments	35.2	53.0	41.7	44.4	71.7	43.8
Interest Payments	30.1	26.2	33.3	33.3	30.9	28.1
Total Debt Service	65.3	79.2	75.0	77.7	102.6	71.9
Total						
Outstanding	655.7	598.1	610.1	594.3	540.2	497.6
Principal Repayments	39.6	60.9	46.8	49.6	82.1	46.9
Interest Payments	42.0	35.0	41.6	41.1	38.3	34.9
Total Debt Service	US$ 81.6	US$ 95.9	US$ 88.4	US$ 90.7	US$120.4	US$ 81.8

Source: Ministry of Finance; Central Bank of Belize

Payment History

Belize has never defaulted on, or restructured the repayment of, any of its external or domestic public sector debt obligations.

THE MONETARY SYSTEM

The Central Bank of Belize

The Central Bank of Belize, or the Central Bank, was established pursuant to the Central Bank Act of 1982, or the Bank Act. The Central Bank has a statutory obligation under the Bank Act to foster monetary stability and promote credit and exchange conditions conducive to economic growth within the context of the government's economic policy. The 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 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.

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

- maintain the value and convertibility of the currency;
- manage and maintain international reserves; and
- act as the financial agent of the government.

The operations of the Central Bank are overseen by its board of directors, which currently consists of seven appointed members, which is the maximum allowable. The Board establishes the monetary, exchange and credit policies that are implemented by the Central Bank. There are three *ex oficio* Board members consisting of (1) the Governor of the Central Bank, (2) the Financial Secretary of the Ministry of Finance, each of whom is appointed by the Governor General upon the advice of the Prime Minister, and (3) the Deputy Governor of the Central Bank who is appointed by the Prime Minister. In addition, the Minister of Finance appoints at least three, but no more than four, members to the Board. Currently, four of the seven board members have been appointed by the Minister of Finance. Normally, at least one of the Board's members will have a legal background.

From the Central Bank's inception in 1982, Belize has used Central Bank financing as a short-term mechanism to finance government deficits. Pursuant to the Bank Act, the Central Bank may provide financing to the government provided that such financing does not exceed the greater of Bz.$50 million or 20% of current revenue collected in the prior fiscal year. Any Central Bank loans made to the government must be repaid within three months of the fiscal year end. During the first quarter of 2001, advances to the government averaged approximately Bz.$43.6 million with a low of Bz.$42.5 million in February 2001. Financings increased in the ensuing months to peak at Bz.$66.8 million in October of 2001 and resulted in an average of Bz.$65.0 million or 19.2% of current revenue during fiscal year 2000/01, which was below the upper threshold of 20% of current revenue collected in the prior fiscal year, or Bz.$67.7 million. Central Bank financings to the government decreased to Bz.$53.8 million as of March 31, 2002.

The Central Bank has worked with the CDB, IDB, IMF, and the World Bank to bring about other improvements in the banking system. The Central Bank has received technical and financial assistance from multilateral agencies to assist the development of Belize's infrastructure, among other things. See "Belize—Infrastructure—Roads". In addition, the Central Bank has 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, or

BFIA, regulations. Its recent work with the multilateral agencies has generally focused on the following objectives:

- improving the supervision of the Central Bank over the banking system;
- providing technical assistance and general training of Central Bank staff; and
- providing educational assistance with respect to economic outlook strategies.

In recent years, the Central Bank has given particular attention to the development and implementation of monetary policies aimed at achieving Belize's inflation objectives and maintaining long-term stability in the foreign exchange market. As the banking supervisory authority, the Central Bank is also required to ensure the soundness and development of the financial system pursuant to the BFIA.

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 Bank Act empowers the Central Bank to implement certain monetary policy tools that include (1) setting the rates that commercial banks pay to depositors or charge to borrowers, (2) adjusting the reserve requirements of the commercial banks, and (3) directing the investment of commercial banks through lending policy controls. Prior to 1995, the Central Bank set the deposit rate in order to safeguard the interests of depositors. Since then, 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 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 adjust the reserve requirements in order to manage credit and liquidity so as to keep demand for foreign exchange at a manageable level.

One of the principal challenges confronting the Central Bank is lowering domestic interest rates. Interest rates have been affected to some extent by the limited monetary policy tools available to the Central Bank due to Belize's comparatively small economy and fixed foreign exchange regime. Lending rates decreased from 15.8% in 2000 to 15.4% in 2001 primarily as a result of the competition generated from an active mortgage lending market. From 1994 to 1998, mortgage rates ranged between 13.6% and 15.7%. After 1998, a substantial increase in funds from the Belize Social Security Fund was used to finance mortgages. Institutions also engaged in the packaging and selling of mortgage loans in order to satisfy the demand for new mortgages. In addition, the DFC, the government-owned development bank, purchased and assigned mortgage loans as part of mortgage-backed financings in order to provide liquidity for its own operations. See "Belize—Infrastructure—Housing". The Central Bank has also focused on promoting the disclosure of lending rates on a bank-per-bank basis in order to foster competition among banks.

Supervision of the Financial System

The Central Bank is empowered to oversee banks and financial institutions. The Central Bank's broad oversight powers are specified in the BFIA with respect to banks and financial institutions and in the Offshore Banking Act, or OBA, with respect to offshore banks. Regulations for the BFIA and the OBA are issued by the

Central Bank and approved by the Minister of Finance. There is no need for the National Assembly to approve these regulations. In addition, the Central Bank may issue circulars describing requirements and standards.

The Central Bank is charged with monitoring compliance with its regulations and procures weekly and monthly balance sheets from banks and financial institutions and quarterly income statements, and annual financial statements within four months of such bank or financial institution's fiscal year end. In addition, domestic banks must publish their annual financial statements in a Belizean newspaper. Offshore banks must have annual financial statements readily available on-site. Banks are required to submit loan delinquency information to the Central Bank semi-annually.

The Central Bank conducts on-site inspections of commercial and offshore banks at 18-month intervals. Financial institutions are monitored periodically on:

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

Some of the Central Bank's staff receives training from the U.S. Federal Depository Insurance Corporation in nine-week courses that are usually completed over a three-year period. In addition, the Central Bank has received assistance from multilateral agencies such as the IDB 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:

- World Bank workshops focused on the discussion of recent financial issues affecting the sector; and
- IMF recommendations regarding revisions to the Offshore Banking Act that will conform to the Basle Accord.

Capital Adequacy Regulations

The Central Bank created regulations in 1996 that enhanced capital requirements for banks and financial institutions under the 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. Banks that do not comply with these criteria are required to maintain 5.0% of deposit liabilities under Tier I capital. See "—Foreign Exchange and International Reserves". These capital requirements provide a framework for assigning risk weights to on and off-balance sheet items.

Loan Loss Provisions

The Central Bank created the categories of "substandard", "doubtful" or "loss" for non-performing loans. Loans are classified as substandard when:

- they are three to six months in arrears;
- overdraft accounts show little or no activity with respect to deposits for three to six months due to the borrower's business or repayment capacity;
- they are non-performing government loans or non-performing loans fully secured by government guarantee; or
- they are a portion of a debt fully secured by marketable securities that would otherwise be classified as doubtful or loss.

Loans are classified as doubtful when:

- they are between six and 12 months in arrears, unless fully secured by marketable securities;
- overdraft accounts show little or no activity with respect to deposits for six to 12 months due to the borrower's business or repayment capacity; or
- the collection of the debt in full is highly unlikely.

Loans are classified as loss when:

- they are over 12 months in arrears, unless fully secured by marketable securities; or
- overdraft accounts show little or no activity with respect to deposits for over 12 months due to the borrower's business or repayment capacity; or
- they are considered uncollectible.

All banks and financial institutions are required by the Central Bank to maintain reserves of 1% of all loans which are not adversely classified as substandard, doubtful or loss. Loans categorized as substandard require reserve levels equal to the unsecured portion of such loans. Doubtful loans require reserves equal to 50% of such loans and loans categorized as loss require reserves equal to 100% of such loans.

The Central Bank is permitted to increase the reserve levels applicable to the Belizean financial institutions by up to two percentage points based on the performance of the economy.

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 "knowing 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 as of December 31, 2001.

The Money Laundering (Prevention) Act of 1996 was recently amended in 2002 by the Money Laundering (Prevention) Act of 2002 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, a financial intelligence unit specifically charged with the responsibility of investigating and prosecuting money laundering offenses and other financial crimes is currently being established.

Banking and Financial Institutions

As of March 31, 2002, the Belizean financial system was composed of 57 financial institutions, including:

- five commercial banks;
- four offshore banks;
- one government-owned development bank (the DFC);
- 15 credit unions;
- three building societies;
- 17 insurance companies;
- one government-owned savings bank; and
- 11 casas de cambio.

The following table shows the total assets of the financial system held by various categories of financial institutions as of December 31, 2001, unless otherwise indicated:

Number of Financial Institutions[1] in Operation and Percent of Total Assets of the Financial System

	Number of Institutions	Total Assets
	(in thousands of Bz.$)	
Commercial Banks	5	Bz$1,184,468.0
DFC	1	568,722.4
Credit Unions[2]	15	208,520.1
Insurance Companies[3]	17	54,862.0
Building Societies[4]	3	25,997.0
Government Savings Bank[5]	1	10,744.3

(1) Excludes pension funds.
(2) As of March 31, 2001.
(3) As of December 31, 2000.
(4) As of December 31, 2000 with respect to St. James National Building Society.
(5) As of March 31, 2001.

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

The following table identifies the percent of loans and deposits for the indicated financial institutions as of December 31, 2001, unless otherwise indicated:

Percent of Loans and Deposits for Financial Institutions[1]

	Loans	Loans	Deposits	Deposits
	(in thousands of Bz.$ except percentages)			
Commercial Banks	Bz.$788,542	64.4%	Bz.$989,415	97.3%
Credit Unions[2]	165,493	13.5	7,102	0.7
DFC	258,970	21.2	n/a	n/a
Building Societies[3]	10,645	0.9	12,976	1.4
Government Saving Bank	n/a	n/a	6,693	0.6

(1) Excludes offshore banks, insurance companies and pension funds. Casas de cambio are not permitted to take deposits.
(2) As of March 31, 2001.
(3) As of December 31, 2000 with respect to St. James National Building Society.

Source: 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 Carlisle Holding Limited, later acquired the Belizean subsidiary of the Royal Bank of Canada in 1987. Barclays Bank and The Bank of Nova Scotia opened local branches in 1949 and 1968, respectively. Atlantic Bank Limited, or ABL, began operations in 1971 and is locally incorporated. ABL's holding company is Sociedad Nacional de Inversiones, S.A. (SONISA), a Honduran company, and is 69% owned by foreign investors. Alliance Bank of Belize Limited, or Alliance Bank, is locally incorporated in Belize and recently began operations. Alliance Bank is 75% owned by Belizean citizens and 25% owned by foreign investors.

The following table sets forth the total gross assets of commercial banks for the periods indicated for the five years ended December 31, 2001:

Total Gross Assets of Belizean Commercial Banks

	Year ended December 31,				
	1997	1998	1999	2000	2001
	(in thousands of Bz.$, except percentages)				
Local Currency Cash	Bz$ 12,783	Bz$ 16,289	Bz$ 19,595	Bz$ 19,211	Bz$ 20,115
Balances due from Central Bank	45,892	48,562	39,415	82,239	83,160
Balances due from other Financial Institutions	523	2,743	2,306	3,058	1,394
Foreign Assets	69,569	73,838	86,311	138,724	121,401
Loans and Advances	547,327	625,616	654,904	695,441	788,542
Holdings of Central Government:					
Treasury Bills	61,916	31,868	54,848	62,862	64,575
Treasury Notes	2,000	23,269	23,269	23,269	23,269
Holdings of Other Securities	0	0	0	0	0
Other Assets	49,802	44,650	47,113	62,927	82,012
Total Gross Assets	Bz$789,812	Bz$866,835	Bz$927,761	Bz$1,087,731	Bz$1,184,468
Total Gross Assets Growth *(percentage change)*	11.1%	9.8%	7.0%	17.2%	8.9%

Source: Central Bank of Belize

The following table sets forth information regarding the allocation of commercial bank loans to each sector of the economy as of the five years ended December 31, 2001:

Commercial Bank Loans by Sector

	As of December 31,				
	1997	1998	1999	2000	2001
	(as a percent of total loans)				
Private Sector:					
Manufacturing	7.6%	4.6%	6.8%	6.4%	5.6%
Mining	0.2	0.2	0.1	0.1	0.6
Agriculture	13.4	11.1	8.5	9.4	9.4
Construction	20.5	19.0	21.8	22.1	22.5
Utilities	0.8	1.0	0.5	0.1	0.6
Retail and Wholesale	18.9	19.1	17.9	19.1	17.3
Personal loans	20.9	23.2	26.0	24.1	21.9
Transport	2.9	3.1	4.4	4.7	5.1
Other	14.8	18.2	13.5	13.0	16.2
Total private sector loans	100.0	99.5	99.5	99.1	99.2
Total public sector loans	0.0	0.5	0.5	0.9	0.8
Total loans	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Central Bank of Belize

The following table sets forth information regarding past-due loans of commercial banks for the three years ended December 31, 2001:

Past-Due Commercial Bank Loans

	1999	2000	2001
	(as a percent of total loans)		
Loans in Arrears			
Substandard	4.0%	4.3%	2.5%
Doubtful	0.3	1.2	0.7
Loss	0.9	0.6	0.8
Total	5.2%	6.1%	3.9%
Loan Loss Reserves (as a percent of past-due loans)	43.2%	44.9%	67.8%
(as a percent of total loans)	2.3	2.8	2.7

Source: Central Bank of Belize

Interest Rates

An expanding housing market and new competition from the DFC have produced falling mortgage rates since 1998 that average 14.0% as of the end of March 2002.

The weighted average lending rate of commercial banks declined from 16.3% as of December 31, 1999 to 15.8% as of December 31, 2000 and 15.4% as of December 31, 2001. By March 31, 2002, the weighted average loan rate had increased to 15.3%, primarily due to a sharp increase in personal loan rates to 18.9%.

Excessive liquidity in commercial banks in 2001 created greater downward pressure on time deposit rates. Several commercial banks refused new time deposits, which helped pressure the weighted average time deposit rate down by 1.1% over 2001. The weighted average deposit rate was reduced to 4.3% as of December 31, 2001, the lowest ever recorded at the time. That rate was further reduced to 4.1% as of March 31, 2002.

The following table sets forth information regarding interest rates for the years indicated:

Interest Rates on Commercial Bank Loans(1)

	Year ending December 31,					
	1997	1998	1999	2000	2001	2002(2)
Weighted Lending Rates						
Personal Loans	17.4%	16.8%	16.9%	16.5%	16.8%	16.7%
Commercial Loans	16.4	16.3	16.2	15.5	14.8	14.8
Mortgage Loans	15.7	15.7	15.3	14.7	14.0	14.0
Other	15.2	10.5	14.2	14.5	12.6	12.5
Weighted Lending Rates	16.6%	16.3%	16.3%	15.8%	15.4%	15.3%

(1) Includes banks authorized to offer multiple banking services. Refers to annual average or, in the case of March 2002, monthly average.
(2) Three months ending March 31.

Source: Central Bank of Belize

The following table sets forth information on interest rates applicable to deposits for the years indicated:

Interest Rates Paid on Deposits by Commercial Banks(1)

	Year ending December 31,					
	1997	**1998**	**1999**	**2000**	**2001**	**2002(2)**
Weighted Deposit Rates						
Demand	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%
Savings	5.4	5.4	5.3	5.4	5.4	5.1
Time	9.3	8.3	8.0	7.2	6.1	6.2
Weighted Deposit Rates	6.7%	6.0%	5.7%	5.0%	4.3%	4.1%

(1) Includes banks authorized to offer multiple banking services. Refers to annual average or, in the case of March 2002, monthly average.
(2) Three months ending March 31.

Source: Central Bank of Belize

Offshore Banks

The Central Bank supervises offshore banks pursuant to the Offshore Banking Act of 1996, or the Offshore Banking Act. There are four offshore banks in Belize. Offshore banks are permitted to conduct financial services from business offices in Belize only with non-residents and are not subject to taxation in Belize. Offshore banks, however, may provide financing to the Belizean commercial banks. Offshore bank activities include credit card issuance, trust services and other financial services. The Offshore Banking Act permits restricted and unrestricted licensees to do business in Belize. Class A licensees are required to maintain authorized capital in the amount of U.S.$500,000 if the licensee is a local company and U.S.$25 million if the licensee is a foreign bank. Class A licensees pay an annual licensing fee of U.S.$20,000 and are permitted to conduct business in Belize without restriction. Class B licensees are limited to transacting only such offshore banking business as is specified in its license. Class B licensees pay an annual licensing fee of U.S.$15,000 and are required to maintain authorized capital in the amount of either U.S.$200,000 if the licensee is a local company or U.S.$15 million if the licensee is a foreign bank. Offshore banks are also subject to the Money Laundering (Prevention) Act of 1996. Currently, only four offshore banks with assets in excess of U.S.$25 million are licensed to do business in Belize.

Development Finance Corporation

The DFC was established in the early 1960's as a development bank and is 100% owned by the government. The DFC's board of directors is comprised of four representatives from the private sector and three representatives from the public sector, each appointed by the Minister of Finance. The DFC is governed by the Development Finance Institution Act of 1973, which repealed the 1961 DFC Ordinance and the 1972 Transfer of Shares Ordinance.

The DFC has a statutory obligation to engage in certain activities that will expand and strengthen the economy of Belize. These activities include (1) providing financing to all sectors of the economy, particularly agriculture, fishing, education, tourism and housing, (2) purchasing, developing and engaging in commercial ventures, (3) promoting and facilitating capital investment, and (4) facilitating financial studies to guide investment. In addition, the DFC's board may sanction other activities conducive to executing the DFC's statutory obligation, subject to the approval of the Minister of Finance.

As of December 31, 2001, on the basis of total assets and loan portfolio, the DFC represented approximately 30% of the banking sector in Belize. As of December 31, 2001, 2000 and 1999:

- total assets for the DCF were Bz.$568,772,375, Bz.$378,316,588 and Bz.$143,954,416, respectively;

- total liabilities for DFC were Bz.$536,632,311, Bz.$348,095,911 and Bz.$122,748,539, respectively; and
- total capital for the DFC was Bz.$32,140,064, Bz.$30,220,597 and Bz.$21,205,877, respectively.

The DFC finances its operations with concessionary funds procured from a variety of sources that include, among others, the World Bank, the CDB and the European Development Bank. As of December 31, 2001, these borrowings totalled U.S.$1.1 million, U.S.$19.5 million and U.S.$3.6 million, respectively. These agencies place limitations on the use of funds and do not normally allow funds borrowed for one purpose to be used for another. The DFC extends loans primarily to farmers, students, homeowners, fishermen, tourism operators, and manufacturers at lower interest rates and longer terms than those generally offered by the commercial banks. The DFC also receives funds from the government as equity contributions. The government also underwrites DFC lines of credit.

In 2001, the DFC directed its credit to a number of sectors including 35.0% to the housing sector, primarily to first time home owners, 27.0% to the services sector, 13.4% to the agriculture and fishing sectors, 7.9% to tourism and 6.9% to the student loan market. The DFC's crop loan program allows for lending small amounts of money to farmers in order for them to prepare for a crop harvest. In addition, the DFC offers consultative services for new businesses.

The DFC's lending significantly increased from 1999 to 2001, increasing (net of provisioning) from approximately Bz.$84 million in 1999 to approximately Bz.$166 million in 2000 and to approximately Bz.$241 million in 2001. These increases were partly due to the dramatic increase in demand for funds due to rebuilding and other construction needs resulting from damage to housing and other property in Belize as a result of the unusually severe hurricanes and tropical storms during those years. The high mortgage rates offered by commercial banks in Belize also created demand for DFC loans. In addition, beginning in 1999, the DFC embarked on a new program for financing the construction of low income housing, which also contributed to the increases in lending and borrowing activities. As a result of this program, a high proportion of DFC loans are to the housing sector.

As part of its operations, the DFC also develops and holds housing real estate valued at approximately Bz.$86 million in 2000 and approximately Bz.$140 million in 2001. It is intended that the real estate will be sold and approximately 90% of these sales financed as mortgages by the DFC.

Similarly, the DFC's own borrowings increased from approximately Bz.$64 million in 1999, to approximately Bz.$199 million in 2000 and to approximately Bz.$391 million in 2001. These increases were primarily a result of the availability of funding through mortgaged-backed financings. The availability of this funding also contributed to the increase in the DFC's loan portfolio.

All of the DFC's loans are collateralized. A significant proportion of that collateral (approximately more than 90%) is real estate. Thus, through its financing and development activities, the DFC is increasingly exposed to price fluctuations in the local real estate market. If the Belize real estate market were to decline significantly in value, particularly the housing market, the business of the DFC would be negatively affected, and its ability to repay its debts, including its debts to the Central Government, would be adversely effected. As of April 30, 2002, the amount of this debt was U.S.$42.2 million. A significant decline in real estate values, particularly housing values, also could impact negatively the DFC's mortgage-backed transactions and could trigger the Central Government's guarantee of $112.6 million. See "Public Debt—External Public Sector Debt".

The following table sets forth the total loans of the DFC by sector, non-performing loans and loans in arrears as a percent of total loans as of December 31, 2001:

Performance of DFC Loans by Sector

	Principal Balance	30-Day Arrears	60-Day Arrears	90-Day Arrears	>90-Day Arrears	Total Arrears Value(1)	Percent of Aggregate Principal Balance of Total Loans	Non-performing Value(2)	Percent of Principal Balance
	(in thousands of Bz.$, except percentages)								
Housing	Bz.$ 90,635	Bz.$ 17.8	Bz.$ 27.8	Bz.$ 34.2	Bz.$1,396.8	Bz.$1,476	0.6%	Bz.$29,002	32.0%
Student	17,769	37.4	17.1	9.6	1,014.6	1,079	0.4	3,378	19.0
Tourism	20,560	19.4	43.2	65.6	671.3	799	0.3	5,881	28.6
Agriculture	24,254	18.8	1.8	470.6	1,631.2	2,292	0.9	3,588	14.8
Services	69,933	14.9	44.2	103.9	1,014.3	1,177	0.5	5,221	7.5
Real Estate	6,904	128.0	343.0	141.6	58.5	671	0.3	102	1.5
Others	10,745	0.9	1.5	2.5	119.6	124	0.0	269	2.5
Manufacture	5,272	140.2	17.0	n/a	269.9	427	0.2	1,050	20.0
Fishing	10,420	2.6	1.1	0.5	101.1	105	0.0	187	1.8
Financial Institutions	2,478	16.2	n/a	n/a	n/a	16	0.0	n/a	0.0
Total	Bz.$258,973	Bz.$396.2	Bz.$496.7	Bz.$828.4	Bz.$6,227.2	Bz.$8,169	3.2%	Bz.$48,680	18.8%(3)

(1) The arrears value expresses the portion of a loan that is past due in payment.

(2) The non-performing value expresses the entire value of a loan that has a portion in arrears.

(3) Percent of the aggregate principal balance of total loans.

Source: Development Finance Corporation

The performance of DFC loans in 2001 has been influenced by the recent hurricanes and tropical storms that have affected Belize, along with the events of September 11, 2001. In 2001, the value of non-performing loans represented 18.8% of the principal balance of loans, which is slightly higher than the usual range of 16% to 18% in recent years. The effects of recent hurricanes and tropical storms displaced many individuals who have incurred costs for damage repairs not covered by insurance, resulting in greater number of late payments during the rebuilding effort. Proprietors of tourism and agriculture businesses were forced to suspend operations and concentrate on rebuilding efforts in order to resume operations at pre-storm levels, leading to a greater number of late payments in these sectors as well. The tourism industry's ability to make repayments was further affected by the slowdown in tourist travel following the events of September 11, 2001. In addition, the recent decrease in crop prices following the slowdown in the global economy lead to lower repayments on DFC loans made to the agriculture sector in 2001. See "The Belizean Economy—External Factors—Hurricanes and Tropical Storms" and "The Belizean Economy—Principal Sectors of the Economy—Services Sector—Trade, Restaurant and Hotel (Including Tourism)". By contrast, in 2000 and in 1999 16.6% and 16.0% of the principal balance of DFC loans, respectively, represented non-performing loans.

The DFC has instituted a number of procedures to reduce the number of non-performing loans. These efforts include instituting new measures for reporting delayed payments and credit control. The DFC also created the position of credit controller, hired additional loan monitoring officers and established a loan recovery committee. Demands are now made on all loans that are seven days past due.

The DFC's policy on provisioning for non-performing loans includes both specific provisioning and general provisioning. In the case of non-performing loans in excess of Bz.$10,000, the DFC uses specific provisioning and conducts an appraisal of the related collateral and provisions the amount by which the value of the loan exceeds the value of the collateral. In the case of non-performing loans of less than Bz.$10,000, the DFC uses general provisioning and the entire amount of the loan is provisioned. Bad debt provisioning for the DFC in 2001, 2000 and 1999 was Bz.$2.0 million, Bz.$1.6 million and Bz.$1.6 million, respectively.

Credit Unions

Credit Unions in Belize operate under the Credit Unions Act of 1947, or the Credit Unions Act, and are regulated by the Registrar of Credit Unions. There are 15 active credit unions in Belize. The main functions of credit unions are to (1) promote thrift through member's shares and savings and (2) make loans available for personal uses such as home improvement and education.

Credit Unions invest in government securities and keep accounts with the commercial banks. Pursuant to the Credit Unions Act, credit unions charge an annual interest rate of 12.0% on loans. Dividends are earned on shares held by the members. Traditionally, members of credit unions are drawn from within groups with similar characteristics such as civil servants and church members. Credit unions will normally raise funds from members' shares and deposits. Financing may also be obtained from international agencies for special purposes such as home construction.

Building Societies

The building societies operating in Belize are governed by the Building Societies Act of 1912. Building societies are similar to credit unions and function mainly to raise funds to lend to members for home building and improvement. There are currently three building societies in Belize, two of which are active. Building societies are largely self-regulated except that the Registrar General may appoint an examiner if deemed necessary. Clients of building societies are generally potential home owners who borrow at interest rates determined by the society that range from 5.5% to 7.0%.

Insurance Companies

Insurance companies in Belize operate under the Insurance Act of 1976 and 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. It is this premium which is the major source of funding for insurance companies. Currently, 11 insurance companies do business in Belize.

Government Savings Bank

The Government Savings Bank, or GSB, established pursuant to the Savings Bank Act of 1939, or the Savings Bank Act, is operated by the Accountant General's Department of the Ministry of Finance. The GSB 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 GSB to depositors has been set at 6% by the Minister of Finance pursuant to the Savings Bank Act.

Casa de Cambios

Since April 2002, regulations have been established for the operation of *cambios* to be licensed by the Central Bank. In times when imports have risen significantly and exports have remained steady, such as during a post-hurricane rebuilding, the resulting scarcity of foreign exchange has made exchanging Belize dollars for foreign exchange in the informal market an attractive option to consumers even if they received a worse exchange rate than the fixed exchange rate of Bz.$2.00 / U.S.$1.00. Belize's recent experience with hurricanes and tropical storms, and the subsequent rise in imports, put significant pressure on the Belize dollar and resulted in informal market growth. The government decided to license *cambios* in an effort to reduce this growth while increasing the level of available foreign exchange in the financial system.

Cambios are now subject to the Exchange Control Regulations of 2001 and the Money Laundering Act and must report their financial statements to the Central Bank periodically. *Cambio* exchange rates are capped at Bz.$2.15/U.S.$1.00, with the *cambios* entitled to a service fee of 7.5%. Although *cambios* may buy or sell foreign exchange, unlike authorized commercial banks, they may not take deposits in foreign currency. Currently, 11 licensed *cambios* transact business in Belize. *Cambios* began reporting their financial statements to the Central Bank in April 2002.

OECD Report on Harmful Tax Competition

In 1998, the Organization for Economic Co-operation and Development, or the OECD, published the Report on Harmful Tax Competition. In this report, the OECD identified certain harmful tax practices and questioned all tax incentives offered in countries considered to be "offshore centers". In June 2000, the OECD issued a list of countries, including Belize, that it deemed to be tax havens or countries with harmful tax practices. The OECD requested that the countries agree to implement a list of corrective measures by April 18, 2002. In response, Belize issued a commitment on March 8, that it would address such issues in a manner agreed upon by the OECD. Belize agreed to implement a number of measures by December 31, 2005 designed to establish a process for effective exchange of information and to improve transparency regarding ownership of companies. These measures include (1) the adoption of tax information exchange agreements in criminal and civil tax matters requiring the effective exchange of information in specific tax matters upon request, (2) Belize ensuring that information on the beneficial ownership of Belizean legal entities is available to its tax or regulatory authorities, and (3) Belize agreeing that Belizean tax authorities will have access to bank information of persons and companies liable for tax in OECD countries to the extent necessary to perform its obligations under tax information exchange agreements. As a result of these and other measures agreed to by the government, the OECD removed Belize from its list on March 20, 2002.

Money Supply

Money Supply M-2 includes M-1 plus "quasi-money". Quasi-money comprises time deposits and savings deposits. The level of M-2 grew by 7.7% in 2001, with a 3.1% increase in quasi-money. This rate compares with M-2 growth of 15.0% in 2000, which reflected growth in all components of M-2. A 2.6% fall in time deposits in 2001, the first to be recorded since 1984, was partly the result of high levels of excess liquidity that led some banks to cut back on the relative share of their deposit liabilities represented by the more costly term deposits.

M-1 expanded by 18.2% in 2001, compared to an increase of 21.6% in 2000. M-1 is the narrowest measure of the money supply, representing all money that can be spent or readily converted to cash for immediate spending. M-1 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. In 2001, currency held by the public and demand deposits expanded by 9.6% and 21.2%, respectively. This increase in 2001 was primarily due to domestic imbalances with respect to increased economic activity and pressure on foreign exchange supplies in the foreign exchange market that were exacerbated by Hurricane Iris' impact on the banana industry. As was the case in the previous two years, demand deposit growth in 2001 was led by the increase in holdings by business enterprises. In 2001, the increase in demand deposits was 43.9%, compared to a 36.2% increase in 2000 and a 31.0% increase in 1999. Currency in circulation increased by 9.6% in 2001 compared to growth of 14.0% in 2000.

Against the background of declines in the rate of inflation and a reduction in the cash reserves ratio, the weighted average loan rate of the commercial banks declined steadily from 16.3% at December 31, 1999, to 15.8% at December 31, 2000 and to 15.4% at December 31, 2001 before increasing to 15.3% at March 31, 2002. See "—Interest Rates".

The following table shows liquidity and credit aggregates as of the dates indicated:

Liquidity and Credit[(1)]

	As of December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
	(in millions of US$)				
Monetary aggregates					
Currency in circulation	US$ 39.6	US$ 43.3	US$ 51.9	US$ 57.6	US$ 62.6
M1	93.0	103.1	127.6	155.1	182.4
M2	355.1	383.8	420.1	483.0	520.4
Credit by sector					
Public sector	US$ 2.6	US$ 9.4	US$ 4.2	US$ 5.6	US$ 6.5
Private sector	271.1	303.4	323.3	342.1	387.8
Total credits	US$273.7	US$312.8	US$327.5	US$347.7	US$394.3
Deposits					
Local currency	US$304.5	US$329.1	US$353.9	US$410.6	US$433.4
Foreign currency	33.0	42.2	44.0	55.0	61.3
Total deposits	US$337.5	US$371.3	US$397.9	US$465.6	US$494.7

(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. In the past, with relatively low foreign exchange reserves, an expansive fiscal policy and a market that would not respond favorably to monetary intervention on the part of the Central Bank, monetary policy tools were limited to managing bank reserve requirements, which, at the comparatively high rate of 24%, increases upward pressure on interest rates. In general, residents of Belize may use only the Belize dollar in domestic transactions. However, legislation changes now permit foreign exchange earners to pay their taxes, utility bills and other expenses in U.S. dollars. Only an authorized dealer may carry on the business of trading in foreign currency or foreign currency instruments. An authorized dealer (including commercial banks and *cambios*) must be party to any transaction involving the buying or selling of foreign currency or foreign currency instruments in return for Belizean dollars.

As of December 31, 2001, deposits in the financial system totaled U.S.$494.7 million. Private sector credits from commercial banks grew at an average annual rate of 9.4%, from U.S.$271.1 million in 1997 to U.S.$387.8 million in 2001. Aggregate deposits in commercial banks grew from U.S.$337.5 million at December 31, 1997 to U.S.$494.7 million at December 31, 2001. Foreign currency deposits in commercial banks increased from U.S.$33.0 million at December 31, 1997 to U.S.$61.3 million at December 31, 2001.

The Central Bank of Belize is responsible for administering exchange controls, which apply to the currencies of all countries. The exchange controls in effect 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. The current account has been relatively liberalized, especially since the advent of credit cards. 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.

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.

Recently, importers in sectors of the economy where exports have been relatively weak have had to either queue for foreign exchange or go to a parallel market that operates outside of Belize's financial system. An increase in this type of activity led to the adoption of exchange control legislation in December 2001 by the National Assembly which empowers the Central Bank to license *cambios* in order to regulate this activity through Belize's financial system. Nevertheless, Belize's current reserve coverage of three months of imports at December 31, 2001 corresponds to the reserve coverage benchmark recommended by multilateral agencies.

The Belize dollar comes under severe strain 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 treasury bills and treasury notes which also help to satisfy the 24% liquid asset requirement imposed by the Central Bank. Of this amount, 3% is comprised of cash reserves that the commercial banks must hold with the Central Bank. Other approved liquid assets as defined under the BFIA include vault cash and short-term foreign assets. To provide a boost to exports, the BFIA was amended to include loans to non-traditional productive sectors in the definition of approved liquid assets. New residential mortgage loans have also been included under the definition to provide additional liquidity to the housing market and further reduce mortgage rates. See "—Interest Rates". Treasury bills and treasury notes comprised approximately 23.5% of the approved liquid assets currently held by the banks. Since there is no incentive for banks to sell their holdings of approved liquid assets and thus, risk noncompliance with current reserve requirements, the Central Bank's scope for engaging in monetary intervention by purchasing treasury bills or treasury notes from the market is limited. Therefore, under the fixed exchange rate regime, the primary tool of monetary policy for the Central Bank will continue to be the adjustment of the secondary reserve and cash reserve requirements.

Capital Markets

The Central Bank facilitates a small over-the-counter market for the trading of securities. The Central Bank began facilitating the trading of securities in 1988 when Belize Telecommunications Limited, or BTL, was created with 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. The Central Bank acted as the trading intermediary of BTL until 2001. Investors in BTL now contact the company directly to trade their securities.

Most of the securities that are sold in the over-the-counter market are treasury bills and treasury notes. While there is no listing of prices in this over-the-counter market, the Central Bank matches buyers and sellers in securities that come to market. A notice is published in the Belizean newspapers describing the securities and requesting offers. If the security is a treasury bill, no interest rate is published and the rate is determined based on the bids received. If the security is a treasury note, the rate is fixed (currently at 9%). In the case of treasury bills, a committee composed of Central Bank officials, the Minister of Finance and the Secretary of Finance determines the interest rate based on the tender offers. The Central Bank notifies investors if their offers have been accepted and reports to the Accountant General.

Securities created in connection with privatizations and defense bonds are also traded in the over-the-counter market. 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 the offerors as to whether their tenders have been accepted in the same manner as in the case of treasury notes and bills. There is no regulation of the over-the-counter market.

DESCRIPTION OF THE NOTES

Belize will issue the notes under a fiscal agency agreement dated August 21, 2002 between it and JPMorgan Chase Bank, as fiscal agent, principal paying agent and registrar. Belize has filed a copy of the fiscal agency agreement and the form of notes with the SEC and at the office of the fiscal agent in New York City. We urge you to read the form of notes and the fiscal agency agreement before making your investment decision. Those documents govern your rights as a noteholder, not the following description.

General

The notes:

- will be issued in an aggregate principal amount of U.S.$125,000,000;
- will bear interest at 9.50% from August 21, 2002;
- will mature at par, including any accrued interest, on August 15, 2012;
- will pay interest semi-annually in arrears, commencing on February 15, 2003;
- will provide for payments to be made to the person in whose name the note is registered at the close of business on the fifteenth day preceding the payment date;
- will be issued in fully registered form, without interest coupons; and
- will be issued in minimum denominations of U.S.$1,000 and greater integral multiples of U.S.$1,000 in excess thereof.

Status of the Notes

The notes will be direct, general, unsecured and unconditional obligations of Belize. They will rank equal in right of payment among themselves and with all of Belize's existing and future unsecured and unsubordinated external indebtedness. Belize has pledged its full faith and credit to make all payments on the notes when due.

"External indebtedness" means any indebtedness that:

- is payable, or may be paid, in a currency or by reference to a currency other than the currency of Belize; and
- is payable, or may be paid, to a person resident or having their principal place of business outside of Belize.

"Indebtedness" means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing).

Payments of Principal and Interest

Belize will make payments of principal and interest on the notes in U.S. dollars through the paying agent to DTC. DTC will receive the funds for distribution to the holders of the notes as registered with the registrar at the close of business on the fifteenth day preceding the date of payment. Belize expects that the holders of the notes will be paid in accordance with the procedures of DTC and its direct and indirect participants.

Any moneys held by the fiscal agent in respect of the notes remaining unclaimed for two years after that amount shall have become due and payable shall be returned to Belize. After that time, the holder of the note only will be able to look to Belize for any payment to which the holder may be entitled. The notes will become void unless presented for payment within five years after their maturity date (or such earlier time period as may be prescribed by applicable law).

Additional Amounts

Belize will make all payments of principal and interest on the notes without withholding or deduction for any Belizean taxes. If Belizean law requires Belize to deduct or withhold taxes, Belize will pay the holders of the notes the additional amounts necessary to ensure that the holders of the notes receive the same amount as they would have received without such deduction or withholding.

Belize however, will not pay a holder of the notes such additional amounts if such holder is liable for Belizean taxes due to one of the following reasons:

- the holder has some connection with Belize other than merely owning the notes or receiving principal and interest payments on the notes;
- the holder has failed to comply with any reporting requirement concerning its nationality, residence, identity or connection with Belize, if compliance is required as a condition to exemption from such deduction or withholding; or
- the holder fails to present its note for payment within 30 days after Belize makes principal or interest available for payment to the holder.

Listing

Belize has applied to list the notes on the Luxembourg Stock Exchange in accordance with its rules.

Fiscal Agent

The fiscal agency agreement contains provisions relating to the obligations and duties of the fiscal agent, to the indemnification of the fiscal agent and to the fiscal agent's limitation of liability for actions that it takes.

Paying Agents; Transfer Agents; Registrar

The fiscal agent initially also will act as paying agent, transfer agent, and registrar. At any time Belize may appoint new paying agents, transfer agents and registrars. However, at all times Belize will maintain:

- a principal paying agent in New York City;
- a registrar in New York City or another office as designated by the fiscal agent; and
- a paying agent and transfer agent in Luxembourg.

Definitive Notes

Belize will issue notes in definitive form only if DTC is unwilling or unable to continue as depositary for the notes, DTC ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934 or if an event of default with respect to the notes has occurred and is continuing.

Definitive notes may be presented for payment, registration of transfer or exchange at the office of the fiscal agent in New York City, and principal and interest will be payable at such office of the fiscal agent, provided that interest may be paid by check mailed to the registered holders of the definitive notes. Definitive notes may also be presented for payment or registration of transfer or exchange at the office of the paying agent and transfer agent in Luxembourg.

Replacement, Exchange and Transfer

Belize will replace any mutilated, destroyed, stolen or lost note or coupon at your expense, upon delivery to the fiscal agent or the transfer agent of the note or coupon or evidence of its destruction, loss or theft satisfactory to Belize and the fiscal agent, who may also require an indemnity at your expense and/or payment of any sums sufficient to cover any applicable tax or expenses related to the replacement.

A note may be exchanged for a note of equal aggregate principal amount in such same or different authorized denominations as may be requested by the holder, by surrender of such note at the office of the registrar, or at the office of any transfer agent, together with a written request for the exchange.

A note may be transferred in whole or in part (in principal amounts of U.S.$1,000 or any amount in excess thereof which is an integral multiple of U.S.$1,000) by the holder surrendering the notes for registration of transfer at the office of the registrar or at the office of any transfer agent, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to Belize and the registrar or any such transfer agent, as the case may be, duly executed by, the holder thereof or its attorney-in-fact duly authorized in writing.

You will not be charged a fee for the registration of transfers or exchange of notes. The registrar or the fiscal agent, as the case may be, shall not register the transfer of or exchange notes for a period of 15 days preceding the due date for any payment of principal of or interest on the notes, or register the transfer or exchange any notes previously called for redemption.

Notices

Notices will be sent to DTC, or its nominee, as the holder thereof, and DTC will communicate these notices to DTC participants in accordance with its standard procedures.

Further, notices will be published in the Financial Times in London, England, the Wall Street Journal in New York City, and for so long as the notes are listed on the Luxembourg Stock Exchange and its rules so require, a daily newspaper with general circulation in Luxembourg, which is expected to be the Luxemburger Wort.

Purchase of the Notes by Belize

Belize at any time may purchase any of the notes in any manner and at any price. If purchases are made by tender, tenders must be available to all the holders of notes alike. All notes which are purchased by or on behalf of Belize may be held or resold by Belize or surrendered to the fiscal agent for cancellation.

Negative Pledge Covenant

Belize has pledged that as long as any of the notes remain outstanding, it will not create or permit any security interest on its revenue, property or assets to secure its public external indebtedness, unless the notes are given an equivalent security interest or are given another security interest which is approved by the holders of the notes as provided under "—Meetings and Amendments" below.

A "security interest" is, with respect to any present or future revenue, assets or property, any mortgage or deed of trust, pledge, hypothecation, assignment by way of security, security interest, lien (other than any lien arising by operation of law), charge, encumbrance, preference, or other security or similar agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such present or future revenue, assets or property.

"Public external indebtedness" means any external indebtedness which is in the form of, or is represented by, bonds, notes or other securities which are, or are capable of, being quoted, listed on or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

However, Belize's agreement to restrict security interests to secure its public external indebtedness does not apply to:

- any security interest in existence as of the date of the fiscal agency agreement which secures only the original secured financing and any renewal or extension of the original secured financing;
- any security interest upon any property or asset (or any revenues from that property or asset) to secure its public external indebtedness which is incurred for the purpose of financing the acquisition, development or construction of such property or asset (or any revenues from that property or asset) and any renewal or extension of that security interest which is limited to the original property or asset (and revenues) covered and which secures any renewal or extension of the original secured financing;
- any security interest existing upon any property or asset (or any revenues from that property or asset) to secure public external indebtedness at the time of the acquisition of such property or asset (or any revenues from that property or asset) and any renewal or extension of that security interest which is limited to the original property or asset (and revenues) covered and which secures any renewal or extension of the original secured financing;
- any security interest securing public external indebtedness incurred for the purpose of financing all or any portion of the costs of the acquisition, construction, development or expansion of any project (including costs such as escalation, interest during construction and financing and refinancing costs), provided that (1) the holders of that public external indebtedness expressly agree to limit their recourse to the assets and revenues of that project as the principal source of repayment of the public external indebtedness and (2) the property over which the security interest is granted consists solely of assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, that asset; and
- any security interest securing public external indebtedness not covered above, provided that the aggregate outstanding principal amount of public external indebtedness does not exceed U.S.$10 million or its equivalent in any other currency or currencies.

Redemption

The notes are not subject to redemption or prepayment prior to maturity. In accordance with applicable law, Belize may at any time purchase any of the notes in any manner and at any price. All notes purchased by or on behalf of Belize may be held, resold or surrendered for cancellation.

Default; Acceleration of Maturity

Any of the following events will be an event of default with respect to the notes:

- Belize fails to pay principal or interest on the notes when due and the failure continues for a period of 30 days;
- Belize fails to perform any of its obligations under the notes or the fiscal agency agreement and the failure continues for more than 90 days after Belize receives written notice from the holders of at least 25% in aggregate principal amount of the notes;
- any of the following shall have occurred:
  - — any present or future external indebtedness of Belize (aggregating U.S.$10 million or its equivalent in any other currency or currencies, or more) becomes due and payable prior to its stated maturity as a result of acceleration of payment following a default by Belize;
  - — any external indebtedness of Belize (aggregating U.S.$10 million or its equivalent in any other currency or currencies, or more) is not paid on the due date as extended by any applicable grace period; or

- — Belize fails to pay when due and called or within any applicable grace period any amount under any present or future guarantee of or indemnity relating to external indebtedness (aggregating U.S.$10 million or its equivalent in any other currency or currencies, or more) of any person.
- — For the purposes of the above only, "indebtedness" means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing), and every Net Obligation under any Interest, Currency or Security Protection Agreement;

  "Interest, Currency or Security Protection Agreement" of Belize means any forward contract, futures contract, swap, option, hedge or other financial agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements), in any such case, relating to, or the value of which is dependent upon, interest rates or currency exchange rates or indices or a security or group or index of securities (including any interest therein or based on the value thereof); and

  "Net Obligation" means, at any date of determination, the net amount, exclusive of any commissions or administrative fees that Belize would be obligated to pay upon the termination of an Interest, Currency or Security Protection Agreement as of such date;

- Belize convenes a meeting for the purposes of making, or shall propose or enter into an arrangement or composition with or for the benefit of its creditors with a view to, a re-adjustment or rescheduling of its external indebtedness;
- Belize agrees or declares a moratorium or suspension of payments on any of its indebtedness (in an amount aggregating U.S.$10 million or its equivalent in any other currency or currencies);
- the validity of the notes or the fiscal agency agreement is contested by Belize or any legislative, executive or judicial body or official of Belize authorized to do so, or Belize denies it obligations under the notes or the fiscal agency agreement or declares a suspension or moratorium on payment of its external indebtedness;
- any authority necessary for Belize to make or fulfill its obligations under the notes becomes invalid, expires or otherwise ceases to remain in full force and effect;
- any law, rule or regulation is adopted in Belize or any change in applicable law in Belize is made which makes it unlawful for Belize to comply with its obligations to pay additional amounts, as provided in "—Additional Amounts" above, in the event that Belize shall be required to withhold or deduct any taxes, duties, assessments or governmental charges on payments of principal of, or interest on, the notes; or
- Belize ceases to be a member of the International Monetary Fund or ceases to be eligible to utilize the resources of the IMF under the IMF Articles of Agreement and such cessation continues for 30 days.

If any of the events described above occurs, then the holders of at least 25% of the principal amount of the notes outstanding may declare the principal and any accrued interest on the notes immediately due and payable. Holders of notes may exercise this right only by providing a written demand to the fiscal agent when the event of default is continuing unless prior to the receipt of that demand by the fiscal agent, all defaults have been cured.

Meetings and Amendments

Belize may call a meeting of the holders of the notes at any time regarding the notes or the fiscal agency agreement. Belize will determine the time and place of the meeting. Belize will notify the holders of the notes of the time, place and purpose of the meeting between 30 and 60 days before the meeting.

The fiscal agent will call a meeting of holders of notes if:

- an event of default has occurred and is continuing; and

- the holders of at least 10% in principal amount of all notes then outstanding have delivered a written request to the fiscal agent setting forth the action they propose to take.

Only holders of the notes and their proxies are entitled to vote at a meeting of the holders. Holders or proxies representing a majority of the outstanding principal amount of the notes normally will constitute a quorum. However, if a meeting is adjourned for a lack of a quorum, then noteholders or proxies representing 25% of the outstanding principal amount will constitute a quorum when the meeting is rescheduled. The fiscal agent will set the procedures governing the conduct of the meeting.

Belize, the fiscal agent and the holders of the notes generally may modify or take action with respect to the fiscal agency agreement of the terms of the notes:

- with the affirmative vote of the holders of not less than 66⅔% of the outstanding principal amount of the notes that are represented at a meeting; or
- with the written consent of the holders of 66⅔% of the outstanding principal amount of the notes.

However, all noteholders must consent unanimously to any amendment, modification or change with respect to the notes that would:

- change the due dates for the payment of principal or interest;
- reduce any amounts payable on a note;
- reduce the amount of principal payable upon acceleration of the maturity of a note;
- change the payment currency;
- reduce the proportion of the holders of the principal amount of notes necessary to change the terms of the fiscal agency agreement or the notes; or
- change Belize's obligation to pay any additional amounts.

Belize and the fiscal agent, without the vote or consent of any holder of notes, may amend the fiscal agency agreement or the notes to:

- add to Belize's covenants for the benefit of the holders;
- surrender any of Belize's rights or powers;
- provide collateral for the notes;
- cure any ambiguity or correcting or supplementing any defective provision; or
- make any other change that does not adversely affect the interest of any holder of the notes in any material respect.

Enforcement of Claims

Belize has appointed C.T. Corporation, located in The City of New York, as its authorized agent for service of process in any action based on the notes or the fiscal agency agreement which a holder may institute in any Federal or New York State court in the Borough of Manhattan, The City of New York.

Under the U.S. Foreign Sovereign Immunities Act of 1994, foreign sovereign governments are generally immune from lawsuits or from the enforcement of judgments. However, Belize has accepted that the transactions contemplated by the offering of the notes constitute commercial activities of Belize and are subject to private commercial law. As such, Belize will not be entitled to any immunity under the U.S. Foreign Sovereign Immunities Act of 1976, or Immunities Act.

In any event, except as provided below, Belize will waive and agree irrevocably not to plead any immunity (including sovereign immunity) from the jurisdiction of any state or federal court in the Borough of Manhattan, The City of New York, to which it might otherwise be entitled in any action arising out of or based upon the notes, to the fullest extent permitted by applicable law. However, Belize reserves the right to plead sovereign immunity under the Immunities Act 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 immunity by Belize with respect to such actions, it would not be possible to obtain a U.S. judgment in such action unless a court were to determine that Belize is not entitled to sovereign immunity under the Immunities Act with respect to that action. Even if you obtained a U.S. judgment in any such suit, you may not be able to enforce the judgment in Belize. Moreover, you may not be able to enforce a judgment obtained under the Immunities Act against Belize's property located in the United States except under the limited circumstances specified in the Immunities Act.

Belize will, in the fiscal agency agreement and in the notes, irrevocably submit to the jurisdiction of any state or federal court in the Borough of Manhattan, The City of New York, in respect of any claim or action arising out of or based upon the fiscal agency agreement or the notes which may be instituted by any holder of a note, such as, for example, a claim for breach of any obligation under the fiscal agency agreement or the notes. Any process or other legal summons in connection with any such action may be served upon Belize by delivery of letters rogatory to C.T. Corporation, located in The City of New York, or by any other means that may have become permissible under the laws of the State of New York and Belize at the time of such service. However, Belize has not consented to service for suits made under the U.S. federal or state securities laws and, as explained above, Belize's waiver of immunity does not extend to those actions.

There is at present no agreement between Belize and the United States for the reciprocal enforcement of each other's judgments. However, 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 also subject to suit in the Supreme Court of Belize, the Court of Appeal in Belize and the Judicial Committee of the Privy Council in London, U.K. Section 20(4) of the Crown Proceedings Act, Chapter 167 of the Laws of Belize, Revised Edition 2000, 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 is 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 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 Financial Secretary of Belize. If the order provides for the payment of money or costs, the Ministry of Finance shall pay the amount due to such person. It is possible that the courts of Belize may not enforce the judgments of a foreign court against Belize on the grounds of public policy where Belize has not appeared in the relevant proceedings or has unsuccessfully claimed immunity in such proceedings and has not otherwise submitted to the jurisdiction of such foreign court.

Governing Law and Submission to Jurisdiction

The fiscal agency agreement and the notes are governed by and interpreted in accordance with the laws of the State of New York, except that all matters governing Belize's authorization and execution will be governed by the laws of Belize.

GLOBAL CLEARANCE AND SETTLEMENT

Belize has obtained the information in this section from sources it believes to be reliable, including from DTC, Euroclear and Clearstream Luxembourg. DTC, Euroclear and Clearstream Luxembourg are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. Neither Belize nor the fiscal agent will be responsible for the performance of the obligations of DTC, Euroclear or Clearstream Luxembourg, or their respective participants or indirect participants under their rules and procedures.

Notes in Global Form

The notes will be initially issued in the form of a registered note in global form without interest coupons. Upon issuance, the global note will be deposited with the fiscal agent as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Book-Entry Procedures for the Global Note

All interest in the global notes will be subject to the operations and procedures of DTC, Euroclear and Clearstream Luxembourg. Belize provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by the settlement system and may be changed at any time. Neither Belize nor the underwriter is responsible for those operations or procedures.

The Depositary Trust Company

DTC is:

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

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 in accounts of its participants, thereby eliminating the need for physical movement of security certificates. DTC participants include securities brokers and dealers, banks, trust companies and clearing corporations and other organizations. Indirect access to the DTC system also is available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Because DTC only can act on behalf of its participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest.

Euroclear and Clearstream Luxembourg

Like DTC, Euroclear and Clearstream Luxembourg hold securities for their participants and facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in their accounts. Euroclear and Clearstream Luxembourg provide various services to their participants, including safekeeping, administration, clearance and settlement lending and borrowing of internationally traded securities. Euroclear and Clearstream Luxembourg participants are recognized financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and other organizations. The underwriter is a participant in Euroclear and Clearstream Luxembourg. Other banks, brokers, dealers, and trust companies have indirect access to Euroclear and Clearstream Luxembourg by clearing through or maintaining a custodial relationship with Euroclear or Clearstream Luxembourg participants.

Initial Settlement

Belize will issue the notes in the form of fully registered book-entry securities, registered in the name of Cede & Co., as nominee of DTC. Financial institutions, acting as direct and indirect participants in DTC, will represent your beneficial interests in the book-entry securities. These financial institutions will record the ownership and transfer of your beneficial interests through book-entry accounts. You may hold your beneficial interests in the book-entry security through Euroclear or Clearstream Luxembourg, if such financial institutions are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream Luxembourg will hold their participants' beneficial interests in the book-entry security in their customers' securities accounts with their depositaries. These depositaries of Euroclear and Clearstream Luxembourg in turn will hold such interests in their customers' securities accounts with DTC.

Ownership of Notes through DTC, Euroclear and Clearstream Luxembourg

Belize and the fiscal agent generally will treat the registered holder of the notes, which initially will be Cede & Co., as the absolute owner of the notes for all purposes. Once Belize and the fiscal agent make payments to the registered holder, Belize and the fiscal agent will no longer be liable on the notes for the amounts so paid. Accordingly, if you own a beneficial interest in any book-entry security, you must rely on procedures of the institutions through which you hold your interests in such book-entry security (including DTC, Euroclear, Clearstream Luxembourg, and their participants) to exercise any of the rights granted to the holder of such book-entry security. Under existing industry practice, if you desire to take any action that Cede & Co., as the holder of such book-entry security, is entitled to take, then Cede & Co. would authorize the DTC participant through which you own your beneficial interest to take such action, and that DTC participant would then either authorize you to take the action or act for you on your instructions.

DTC may grant proxies or authorize its participants (or persons holding beneficial interests in the bonds through such participants) to exercise any rights of a holder or take any other actions that a holder is entitled to take under the fiscal agency agreement or the notes. Euroclear's or Clearstream Luxembourg's ability to take actions as a holder under the notes or the fiscal agency agreement will be limited by the ability of their respective depositaries to carry out such actions for them through DTC. Euroclear and Clearstream Luxembourg will take such actions only in accordance with their respective rules and procedures.

The fiscal agent will not charge you any fees for the notes, other than fees for the replacement of lost, stolen, mutilated or destroyed notes. However, you may incur fees for the maintenance and operation of the book-entry accounts with the clearing systems in which your beneficial interests are held.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to know at the time of a trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading among DTC participants

DTC participants will transfer interests in the bonds among themselves in the ordinary way according to DTC rules. DTC participants will pay for such transfers by wire transfer. The laws of some states require some purchasers of securities to take physical delivery of the securities in definitive form. These laws may impair your ability to transfer beneficial interests in the bonds to these purchasers. DTC can act only on behalf of its direct participants, who in turn act on behalf of indirect participants and some banks. Thus, your ability to pledge a beneficial interest in the bonds to persons that do not participate in the DTC system, and to take other actions, may be limited because you will not possess a physical certificate that represents your interest.

Trading between Euroclear and/or Clearstream Luxembourg participants

Participants in Euroclear and Clearstream Luxembourg will transfer interests in the notes among themselves in the ordinary way according to the rules and operating procedures of Euroclear and Clearstream Luxembourg.

Trading between DTC seller and Euroclear or Clearstream Luxembourg purchaser

When notes are to be transferred from the account of a DTC participant to the account of a Clearstream Luxembourg or Euroclear participant, the purchaser must first send instructions to Clearstream Luxembourg or Euroclear through a Clearstream Luxembourg or Euroclear participant at least one business day prior to the settlement date. Euroclear or Clearstream Luxembourg will then instruct its depositary to receive the notes and pay for them. On the settlement date, the depositary will make payment to the DTC participant's account and the notes will be credited to the depositary's account. After settlement has been completed, the notes will be credited to Euroclear or Clearstream Luxembourg, Euroclear or Clearstream Luxembourg will credit the notes, in accordance with its usual procedures, to the participant's account, and the participant will then credit the purchaser's account. These securities credits will appear the next day (European time) after the settlement date. The cash debit from Euroclear's or Clearstream Luxembourg's account will be back-valued to the value date (which will be the preceding day if settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the cash debit will instead be valued on the actual settlement date.

Participants in Euroclear and Clearstream Luxembourg will need to make funds available to Euroclear and Clearstream Luxembourg in order to pay for the notes by wire transfer on the value date. The most direct way of doing this is to pre-position funds (i.e., have funds in place at Euroclear or Clearstream Luxembourg before the value date), either from cash on hand or existing lines of credit. Under this approach, however, participants may take on credit exposure to Euroclear and Clearstream Luxembourg until the notes are credited to their accounts one day later.

As an alternative, if Clearstream Luxembourg or Euroclear has extended a line of credit to a participant, the participant may decide not to pre-position funds but allow Euroclear or Clearstream Luxembourg to draw on the line of credit to finance settlement for the notes. Under this procedure, Euroclear or Clearstream Luxembourg participants would charge the participant overdraft charges for one day, assuming that the overdraft would be cleared when the notes were credited to the participant's account. However, interest on the notes would accrue from the value date. Therefore, in many cases the interest income on notes which the participant earns during that one-day period will substantially reduce or offset the amount of the participant's overdraft charges. Of course, this result will depend on the cost of funds (i.e., the interest rate that Euroclear or Clearstream Luxembourg charges) to each participant.

Since the settlement is taking place during New York business hours, a DTC participant selling an interest in the notes can use its usual procedures for transferring notes to the depositaries of Euroclear or Clearstream Luxembourg for the benefit of Euroclear or Clearstream Luxembourg participants. The DTC seller will receive the sale proceeds on the settlement date. Thus, to the DTC seller, a cross-market sale will settle no differently than a trade between two participants.

Trading between Euroclear or Clearstream Luxembourg seller and DTC purchaser

Due to time zone differences in their favor, Clearstream Luxembourg and Euroclear participants can use their usual procedures to transfer notes through their depositaries to a DTC participant. The seller must first send instructions to Euroclear or Clearstream Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream Luxembourg will then instruct its depositary to credit the notes to the DTC participant's account and receive payment. The payment will be credited in the account of the Euroclear or Clearstream Luxembourg participant on the following day, but the receipt of the cash proceeds will be back-valued to the value date (which will be the preceding day if the settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the receipt of the cash proceeds instead will be valued on the actual settlement date.

If the Euroclear or Clearstream Luxembourg participant selling the notes has a line of credit with Euroclear or Clearstream Luxembourg and elects to be in debit for the notes until it receives the sale proceeds in its account, then the back-valuation may substantially reduce or offset any overdraft charges that the participant incurs over that one-day period.

Finally, a day trader that uses Euroclear or Clearstream Luxembourg and that purchases notes from a DTC participant for credit to a Euroclear or Clearstream Luxembourg accountholder should bond that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

- borrowing through Clearstream Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream Luxembourg or Euroclear accounts) in accordance with the clearing system's customary procedures;
- borrowing the interests in the United States from a DTC participant no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Clearstream Luxembourg or Euroclear account in order to settle the sale side of the trade; or
- staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Clearstream Luxembourg or Euroclear participant.

TAXATION

The following is a summary discussion of certain Belizean and U.S. federal income tax considerations that may be relevant to a holder of a note. This discussion is based on laws, regulations, administrative and judicial rulings and decisions in effect on the date of this prospectus. There can be no assurance that the taxing authorities of the United States or Belize will not take a contrary view, and no rulings from such authorities will be sought on the issues discussed herein. Further, the relevant legal provisions and interpretations are all subject to change, possibly with retroactive effect, and any such changes may affect the discussion set forth herein.

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 notes 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 notes. In addition, the Minister of Budget Management has given his approval that (1) the notes are exempt from all taxes and stamp duties and (2) the excess of the principal amount of any note over its issue price will be treated as interest by the Commissioner of Income Tax.

U.S. Federal Income Taxation Considerations

The following summary describes certain of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of the notes that may be relevant to a particular holder of notes, or a noteholder, that purchases the notes at their original issuance. This summary is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions and U.S. Treasury Regulations, in each case as in effect and available on the date of this prospectus. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described herein. This summary discusses only notes held as capital assets by an initial purchaser. It does not discuss all of the tax consequences that may be relevant to noteholders in light of their particular circumstances or to noteholders subject to special tax rules, such as financial institutions, insurance companies, dealers or traders in securities or currencies, tax-exempt entities, regulated investment companies, persons who hold the notes through partnerships or other pass-through entities, noteholders whose functional currency is not the U.S. dollar, persons holding notes in connection with a hedging transaction, “straddle,” conversion transaction or as part of a “synthetic security” or other integrated transaction, noteholders that are subject to the mark to market rules, or noteholders liable for alternative minimum tax. This summary does not address the indirect effect on holders of equity interests in a holder of notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the federal income tax laws of the U.S. federal government.

Prospective investors should consult their tax advisors with regard to the application of the United States federal tax laws to their particular situations, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

For the purposes of this summary, a “U.S. holder” is a beneficial owner of notes that is for U.S. federal income tax purposes: (1) a citizen or resident of the United States; (2) a corporation or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. Notwithstanding the preceding sentence, to the extent provided in U.S. Treasury regulations, certain trusts in existence on August 20, 1996, and treated as U.S. persons under the Code and applicable U.S. Treasury regulations prior to that date, that elect to continue to be treated as United States persons under the Code or applicable U.S. Treasury regulations also will be a U.S. holder. A "non-U.S. holder" is a beneficial owner of notes that is not a U.S. holder. If a partnership holds notes, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding notes should consult its own tax advisor.

Payments of Interest and Additional Amounts

Payments of interest on a note (including Additional Amounts, if any) generally will be taxable to a U.S. holder as ordinary interest income at the time it is received or accrued, depending upon the U.S. holder's method of accounting for U.S. federal income tax purposes. Interest on the notes will constitute income from sources outside the United States but, with certain exceptions, is treated separately, together with other items of "passive income" or "financial services income," for purposes of computing the foreign tax credit allowable under the U.S. federal income tax laws. If any foreign taxes were to be paid or withheld in respect of payments on the notes, a U.S. holder might be eligible, subject to a number of complex limitations, for either a deduction or a foreign tax credit. U.S. holders should consult their own tax advisors regarding the availability of the U.S. foreign tax credit under their particular circumstances.

Sale, Exchange or Retirement of Notes

In general, a U.S. holder of notes will recognize gain or loss upon the sale, exchange, redemption, retirement or other disposition of the notes in an amount equal to the excess, if any, of the amount realized by the U.S. holder on the disposition (excluding amounts representing accrued interest not previously included in income, which will be taxed as interest in the manner described above under the heading "Payments of Interest and Additional Amounts") over the U.S. holder's adjusted tax basis in the note. A U.S. holder's adjusted tax basis in a note generally will be equal to the amount paid for the note reduced by any principal payments received. Any gain or loss on the sale, exchange, redemption, retirement or other disposition of a note generally will be capital gain or loss and will be treated as from sources within the United States for U. S. foreign tax credit purposes. Any such capital gain or loss will be long-term capital gain or loss if, at the time of disposition, the note had been held for more than one year. Prospective investors should consult their own tax advisors with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that held the notes for more than one year) and capital losses (the deductibility of which is subject to limitations).

Non-U.S. Holders

Subject to the backup withholding tax discussion below, a non-U.S. holder generally should not be subject to U.S. federal income or withholding tax on any payments on the notes and gain from the sale, redemption or other disposition of the notes unless (1) that payment and/or gain is effectively connected with the conduct by that non-U.S. holder of a trade or business in the United States; (2) in the case of any gain realized by an individual non-U.S. holder, that non-U.S. holder is present in the United States for 183 days or more in the taxable year of the sale or other disposition and certain other conditions are met; or (3) the non-U.S. holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates. **Non-U.S. holders should consult their own tax advisors regarding the U.S. federal income and other tax consequences of owning notes.**

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments of principal of, and interest and any Additional Amounts on, the notes to non-corporate U.S. holders if those payments are made within the

United States or by or through a custodian or nominee that is a “U.S. Controlled Person,” as defined below. Backup withholding tax (currently at a rate of 30%) will apply to those payments if such a U.S. holder fails to provide an accurate taxpayer identification number or, in the case of interest payments and the accrual of interest, fails to certify that it is not subject to backup withholding or is notified by the U.S. Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its U.S. federal income tax returns. The backup withholding rate may be subject to change each year. Payments of principal and interest to beneficial owners who are non-U.S. holders generally will not be subject to information reporting and backup withholding, but those holders may be required to establish an exemption from information reporting and backup withholding by certifying their non-U.S. status on IRS Form W-8BEN.

The payment of proceeds of a sale or redemption of notes effected at the U.S. office of a broker generally will be subject to the information reporting and backup withholding rules described above. A sale of a note that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if (1) the proceeds are transferred to an account maintained by the noteholder in the United States, (2) the payment of proceeds or the confirmation of the sale is mailed to the noteholder at a U.S. address, or (3) the sale has some other specified connection with the United States as provided in U.S. Treasury regulations, unless the noteholder establishes an exemption. In addition, the information reporting rules will apply to payments of proceeds of a sale or redemption affected at a foreign office of a broker that is a U.S. Controlled Person, unless the broker has documentary evidence that the holder or beneficial owner is not a U.S. holder or the holder or beneficial owner otherwise establishes an exemption.

Under recently issued U.S. Treasury regulations, a payment to a foreign partnership is treated, with some exceptions, for backup withholding purposes as a payment directly to the partners, so that the partners are required to provide any required certifications. Investors who hold a note through a partnership or other pass-through entity should consult their own tax advisors regarding the application of these regulations to their own situation.

A “U.S. Controlled Person” is (1) a U.S. person, (2) a controlled foreign corporation for U.S. federal income tax purposes, (3) a foreign person that derives at least 50% of its gross income from the conduct of a trade or business within the United States, (4) a U.S. branch of a foreign bank or foreign insurance company, or (5) a foreign partnership with certain connections to the United States.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a holder of a note generally will be allowed as a credit against such holder’s U.S. federal income tax liability, provided that the holder furnishes on a timely basis to the IRS certain required information. **Noteholders should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.**

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A NOTEHOLDER’S PARTICULAR SITUATION. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF A NOTE, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

Proposed European Union Directive on the Taxation of Savings Income

The European Union currently is considering proposals for a new directive regarding the taxation of savings income. According to the most recently available information, it is proposed that, subject to a number of important conditions being met, member states will be required to provide to the tax or other relevant authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other member state, subject to the right of certain member states (including Luxembourg) to opt instead for a withholding system for a transitional period in relation to such payments. The proposals are not yet final and they may be subject to further amendment and/or clarification.

You should consult your own tax advisor regarding the potential adoption and application of the proposed directive or any similar directive.

UNDERWRITING

Belize and the underwriter have entered into an underwriting agreement, dated August 15, 2002, relating to the offering and sale of the notes. In the underwriting agreement, Belize has agreed to sell to the underwriter, and the underwriter has agreed to purchase from Belize, the notes.

The obligations of the underwriter under the underwriting agreement, including its agreement to purchase the notes from Belize, are subject to the satisfaction of certain conditions in the underwriting agreement. If the conditions are met, the underwriter has agreed to purchase all of the notes.

The notes are a new issue with no established trading market. The underwriter has advised Belize that it proposes to offer the notes to the public at the public offering price that appears on the cover page of this prospectus. As compensation to the underwriter, Be1ize will pay to the underwriter an underwriting discount and fees in the amount of U.S.$3,512,500, which is comprised of an underwriting discount of U.S.$2,343,750 and a success fee of U.S.$1,168,750. After the initial public offering, the underwriter may change the public offering price and any other selling terms. Belize will pay a fee of U.S.$806,077 to Artemis Global Finance, LLC as arranger for the offering of the notes.

Belize estimates that its out-of-pocket expenses for this offering will be approximately U.S.$300,000. The underwriter has agreed to make payment on behalf of Belize of approximately U.S.$125,000 of Belize's expenses.

In the underwriting agreement, Belize has agreed to indemnify the underwriter against certain liability, including liabilities under the U.S. Securities Act of 1933, or contribute to payments which the underwriter may be required to make in respect of any of those liabilities.

Belize has applied to list the notes on the Luxembourg Stock Exchange in accordance with its rules.

The underwriter has advised Belize that it intends to make a market in the notes, but it is not obligated to do so. The underwriter may discontinue any market-making in the notes at any time in its sole discretion. Accordingly, Belize cannot assure you that a liquid trading market will develop for the notes, that you will be able to sell your notes at a particular time or that the prices that you receive when you sell will be favorable.

In order to facilitate the offering of the notes, the underwriter may engage in transactions that stabilize, maintain or affect the price of the notes in accordance with Regulation M under the Exchange Act. In particular, the underwriter may:

- over-allot in connection with the offering, i.e., offer and apportion more of the notes than the underwriter has, creating a short position in the notes for the underwriter's own account; and
- bid for and purchase notes in the open market to cover over-allotments or to stabilize the price of the notes.

Any of these activities may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. The underwriter is not required to engage in these activities, but, if it does, it may discontinue them at any time in its sole discretion.

It is expected that delivery of the notes will be made on August 21, 2002, which will be the fourth business day in the United States following the date of pricing of the notes ("T + 4"). Under Rule l5c6-1 under the Exchange Act, trades in the secondary market in the United States generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers wishing to trade notes prior to the third U.S. business day before August 21, 2002 will be required, because the notes will initially settle in T + 4, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of notes wishing to make such trades should consult their own advisors.

The underwriter may engage in transactions with and perform business for Belize, and in Belize, in the ordinary course of business.

OFFICIAL STATEMENTS

Information in this prospectus with a source identified as a publication of Belize or one of its agencies or instrumentalities relies on the authority of that publication as a public official document of Belize. All other information contained herein, other than that included under the caption "Underwriting," is included as an official public statement made on the authority of the Minister of Finance.

VALIDITY OF THE NOTES

The following persons will give opinions regarding the validity of the notes:

- For Belize:
  - — as to all matters of U.S. law, Thacher Proffitt & Wood, special U.S. counsel to Belize; and
  - — as to all matters of Belizean law, Musa and Balderamos.
- For the underwriter:
  - — as to all matters of U.S. law, Allen & Overy; and
  - — as to all matters of Belizean law, W.H. Courtenay & Co.
- As to all matters of U.S. law:
  - — Musa and Balderamos may rely on the opinion of Thacher Proffitt & Wood; and
  - — W.H. Courtenay & Co. may rely on the opinion of Allen & Overy.
- As to all matters of Belizean law:
  - — Thacher Proffitt & Wood may rely on the opinion of Musa and Balderamos; and
  - — Allen & Overy may rely on the opinion of W.H. Courtenay & Co.

GENERAL INFORMATION

Due Authorization

On July 22, 2002, the National Assembly, as required by the constitution of Belize, authorized the issuance of the notes and the payments of all amounts due under the Note.

Listing

Belize has applied to list the notes on the Luxembourg Stock Exchange in accordance with the rules thereof. Belize's listing agent for the notes is J.P. Morgan Bank Luxembourg S.A.

Litigation

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 notes and the fiscal agency agreement, and, so far as Belize is aware, no such litigation or arbitration or administrative proceedings are pending or threatened.

Documents Relating to the Notes

Copies (or, pending execution, drafts subject to modification) of the following documents will be available during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the specified offices of the fiscal agent and the paying agents:

- the fiscal agency agreement (including the form of the global note);
- government authorizations; and
- Belize's budget for fiscal year 2002/03 and each subsequent fiscal year.

Clearing

The notes will be represented by one or more global notes and have been accepted for clearance through DTC and by Euroclear and Clearstream Luxembourg. The global note has been assigned CUSIP number P16394AC5, ISIN number USP16394AC58 and Common Code number 15345926.

Miscellaneous

On July 22, 2002, Belize obtained all necessary consents and authorizations under Belizean law for the issue of the notes and the performance of the obligations of Belize under the fiscal agency agreement and the notes.

ISSUER

The Government of Belize
c/o Ministry of Finance
New Administrative Building
Belmopan, Belize

FISCAL AGENT, PRINCIPAL PAYING AGENT AND REGISTRAR

JPMorgan Chase Bank
450 West 33rd Street
15th Floor
New York, New York 10001
United States of America

LISTING AGENT, PAYING AGENT AND TRANSFER AGENT

J.P. Morgan Bank Luxembourg S.A.
5 Rue Plaetis
L-2338 Luxembourg
Grand Duchy of Luxembourg

FINANCIAL ADVISOR TO THE GOVERNMENT AND ARRANGER

Artemis Global Finance, LLC
537 Steamboat Road
Suite 401
Greenwich, CT 06830
United States of America

LEGAL ADVISORS

To the Government

as to U.S. Law

Thacher Proffitt & Wood
11 West 42nd Street
New York, New York 10036
United States of America

as to Belizean Law

Musa and Balderamos
91 North Front Street
Belize City,
Belize, Central America

To the Underwriter

as to U.S. Law

Allen & Overy
1221 Avenue of the Americas
New York, New York 10020
United States of America

as to Belizean Law

W.H. Courtenay & Co.
37 Regent Street
Belize City,
Belize, Central America

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must rely on any authorized information or representations. This prospectus is an offer to sell only the securities described in this prospectus and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

TABLE OF CONTENTS

Government of Belize

U.S.$ 125,000,000

9.50% Notes due 2012

PROSPECTUS

Bear, Stearns & Co. Inc.

August 15, 2002