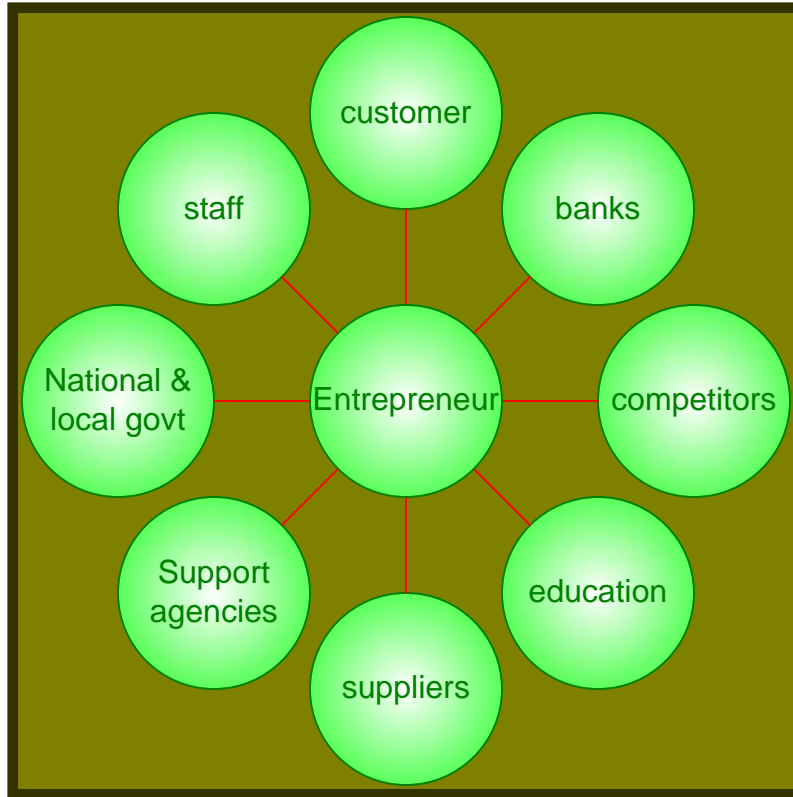


National Micro, Small and Medium Enterprise Policy for Belize

Revised February 2008



Based on the work of the same name completed by Mega Consultancy Pvt. Ltd. - 2006

Submitted to
Belize Trade and Investment Development Services

Launchpad Consulting
Belize City, Belize



Table of Contents

1.0	INTRODUCTION.....	8
2.0	THE CONTEXT.....	10
	COUNTRY BACKGROUND	10
	<i>Population, Language, Unemployment and Poverty.....</i>	10
	<i>Government.....</i>	10
	<i>Economy and Currency.....</i>	11
	BUSINESS ENVIRONMENT.....	12
	FOREIGN INVESTMENT REGIME	15
	<i>Investment Incentive Instruments.....</i>	15
	CURRENT DEVELOPMENT INITIATIVES RELATED TO MSMEs.....	17
	<i>National Export Strategy.....</i>	17
	<i>Belize Rural Development Plan.....</i>	20
	<i>Improving Small Business Competitiveness in the Tourism Industry.....</i>	21
3.0	MICRO-SMALL AND MEDIUM ENTERPRISES IN BELIZE	22
	CURRENT MSME INSTITUTIONAL AND POLICY LANDSCAPE.....	22
	<i>Government Initiatives.....</i>	23
	<i>Credit and Microfinance.....</i>	24
	<i>MSME Definition.....</i>	24
	CHALLENGES ASSOCIATED WITH MSMEs IN BELIZE	25
4.0	RATIONALE FOR A NATIONAL MSME POLICY	27
5.0	THE POLICY FRAMEWORK.....	29
	VISION.....	29
	MISSION	29
	SCOPE OF THE MSME POLICY.....	29
	A NATIONAL DEFINITION FOR MSME.....	29
	<i>Policy Statement</i>	30
	<i>Strategies</i>	30
	POLICIES AND REGULATIONS THAT PREJUDICE THE START UP, SURVIVAL, FORMALIZATION AND GROWTH OF SME'S	30
	<i>Ownership and Doing Business</i>	30
	<i>Tax System</i>	32
	<i>Investment Structure</i>	32
	<i>Access to Land</i>	33
	<i>Cost of Utilities.....</i>	33
	<i>Policy Statement</i>	34
	<i>Strategies</i>	34
	THE CULTIVATION OF A STRONG ENTERPRISE CULTURE.....	35
	<i>Policy Statement</i>	35
	<i>Strategies</i>	35
	THE DEVELOPMENT OF A FAVOURABLE FISCAL AND FINANCIAL ENVIRONMENT FOR INDEPENDENT BUSINESS CREATION, SURVIVAL AND GROWTH;	36
	<i>Policy Statement</i>	36
	<i>Strategies</i>	36
	THE CULTIVATION OF A STRONG STAKEHOLDER ENVIRONMENT.....	36
	<i>Physical Infrastructure</i>	36
	<i>Policy Statement</i>	37
	<i>Strategies</i>	37
	<i>Business Development Services</i>	37
	<i>Policy Statement</i>	37

<i>Strategies</i>	38
<i>Technology Infrastructure</i>	38
<i>Policy Statement</i>	38
<i>Strategies</i>	38
<i>Marketing and access to Markets (Access to the Export Value Chain)</i>	38
<i>Policy Statement</i>	39
<i>Strategies:</i>	39
<i>Research and Development</i>	39
<i>Policy Statement</i>	39
<i>Strategies;</i>	40
<i>Government Procurement Preferences</i>	40
<i>Policy Statement</i>	40
<i>Strategy</i>	40
IDENTIFICATION OF ROLES AND RESPONSIBILITIES FOR KEY ACTORS	40
<i>Central Government</i>	40
<i>Municipal Authorities</i>	41
<i>Private Sector</i>	41
<i>Non Governmental Organizations (NGOs)</i>	41
<i>Development Partners</i>	41
<i>Support Institution</i>	42
6.0 POLICY MONITORING AND EVALUATION	44
7.0 PRIORITIES FOR IMPLEMENTATION	45

This consultancy was carried out by Launchpad Consulting at the request of the Belize Trade and Investment Development Services Institution or BELTRAIDE.

The recommendations are based upon Launchpad Consulting's interpretation of the material collected and every attempt has been made to ensure the accuracy of both the results and the interpretation.

All views expressed are those of the authors.

Launchpad Consulting

1805 Henderson Avenue

Buttonwood Bay

Belize City, Belize

Tel: +501 223 6590

Fax: +501 223 6591

Email: queries@launchpadbz.com

Web: www.launchpadbz.com

Foreword

This White Paper is based on the Policy Paper produced by Mega Ace Consultancy entitled "National SME Development Plan for Belize". Specifically it builds on the research conducted during the policy development process and offers a simplified, succinct, more contextually relevant policy framework for MSME development in Belize. The paper does not review or critically analyze the research assumptions, framework or process and uses the paper's conclusions and contextual analysis as the platform for its own conclusions and recommendations. The focus here is on issues related specifically to the development of a workable MSME policy and culture in Belize. These include the definition of a contextually suitable micro, small and medium enterprise, a more specific policy framework and implementation recommendations.

Executive Summary

MSMEs can be significantly important to a country's long term economic stability. Their size and structure, under appropriate conditions can allow them the flexibility and ability to endure adverse economic conditions. In addition MSMEs are usually more labour intensive than their larger counterparts, and therefore have lower capital costs associated with the creation of jobs. Also a factor is that modern economies operate as a complex network of firms in which a firm's competitive position depends to some extent on the efficiency of the suppliers. Thus the competitiveness of MSMEs affects the competitive position of the entire economy. It follows then that for a developing country to grow its economy in a more globally competitive environment, it is essential that governments design an appropriate enabling environment to ensure the successful adaptation of its MSMEs. MSMEs unlike larger firms which can easily absorb the transaction costs associated with increased competitiveness usually require specific compensatory assistance to adapt.

In the past decade, MSME development has moved slowly but deliberately towards the top of the public policy discourse and agenda in Belize. MSMEs represent a very important share of economic activity in Belize, and are considered an important employer of the labour force. An IADB working paper dated 2001 estimated the number of Small and Micro firms in Belize at 17,000, with an estimated contribution to GDP of 45% and a 32% share of total employment¹. In terms of sector concentration, the majority of MSMEs in Belize are considered to be in the Agriculture Sector with Services (particularly Tourism) and Light Manufacturing also making a contribution.

Research conducted in 2006 and in coordination with the development of the MSME Policy² suggests that MSMEs in Belize face many challenges. These were identified as:

- Access to and the cost of financing;
- Lack of information and information networks;
- Lack of infrastructure adversely affects movement between producers and clients;
- Cost of Utilities, specifically power and communication and the lack of a reliable power supply were factors in some areas of the country;
- Lack of access to training and education that encourages an entrepreneurial culture.
- Corruption within regulatory and government agencies was considered to be a major challenge by some stakeholders.
- Lack of support and training in understanding legal contracts.
- Taxes and in particular the recently introduced GST
- Lack of adequate support mechanisms for issues related to Packaging, Marketing, standards, international trade and quality control.

¹ Wenner, M., Chalmers, G., Microfinance Issues and Challenges in the Anglophone Caribbean, Inter-American Development Bank, Sustainable Development Department, 2001, pg. 2

² Consultations and Research was carried out in 2006 by Mega Ace Consultancy, contracted to provide the initial draft of the MSME policy. Details of the research are available in Annex 1

At the core of the challenges in the MSME sector in Belize are three key issues: (1) the lack of an all encompassing policy (2) the lack of a widely embraced definition for MSMEs, and (3) a sustaining institutional framework specific to MSME development.

Given the importance and concentration of MSMEs in the local economy and the opening of the Belizean economy to greater international competition, measures are needed to address these issues. Significant attention must be awarded to addressing the challenges in the domestic factors market³ as well as the structural development challenges of the sector in general. To this end developing an MSME policy framework which is comprehensive and integrative is a priority for Belize.

The goal of the MSME policy recommended herein is to support the competitiveness of MSMEs so that they can increase their contribution to employment and long term growth of the Belizean economy. This will be accomplished through measures that will allow MSMEs to move from a posture of protectionism to competitiveness through a focus on the process of business start-up and survival, involvement in the export value chain, the cultivation of an enterprise culture and a strong stakeholder environment.

The policy covers the following key areas:

- A national definition for MSMEs
- Policies and regulations that prejudice the start up, survival, formalization and growth of SME's
- The cultivation of a strong enterprise culture
- The development of a favourable fiscal and financial environment for independent business creation, survival and growth;
- The cultivation of a strong stakeholder environment
- Identifying and assigning clear roles for key actors

The policy discussion concludes with recommendations for Monitoring and Evaluation and a suggested schedule for implementation.

³ i.e. how well the market allocates and exchange the services of the factors of production (labour, capital, land and entrepreneurship).

1.0 Introduction

Micro, Small and Medium Enterprises (MSMEs) are the most significant sources of employment across the Latin America and Caribbean region. “In most countries the private economy is almost entirely comprised of MSMEs.”⁴

MSMEs typically represent over 90% of enterprises in developing countries and can contribute 30-40% of GDP. However, they typically face challenges that are specific to them and which differentiate them from their larger counterparts. These include lack of direct access to international and local capital markets, because of the higher intermediation costs associated with smaller projects, limited capacity to market products appropriately in international markets, inability to meet the costs of complying with regulations (labour, competition, standards), and limited access to policy makers. It has to be noted however that these features apply more or less depending on where the enterprise falls within the MSME nomenclature. For example micro-enterprises are thought to operate at a threshold which falls below the regulatory and institutional constraints that inhibit enterprises in the small and medium categories, but are more affected by issues related to access to financing, competitiveness (due to an inability to access financing to carry out restructuring to respond to global competition), and limited or less possibility to reap the benefits of economies of scale.

MSMEs can be significantly important to a country’s long term economic stability. Their size and structure, under appropriate conditions (i.e. access to the factors of production (labour, capital, land and entrepreneurship), can allow them the flexibility and ability to endure adverse economic conditions. In addition MSMEs are usually more labour intensive than their larger counterparts, and therefore have lower capital costs associated with the creation of jobs. Also a factor is that modern economies operate as a complex network of firms in which a firm’s competitive position depends to some extent on the efficiency of the suppliers. Thus the competitiveness of MSMEs affects the competitive position of the entire economy. MSME’s are considered to play an important role in fostering income stability, innovation, growth, and employment in a country’s economy.

It follows then that for a developing country to grow its economy in a more globally competitive environment, it is essential that governments design an appropriate enabling environment to ensure the successful adaptation of its MSMEs. MSMEs unlike larger firms which can easily absorb the transaction costs associated with increased competitiveness usually require specific compensatory assistance to adapt. Developing a vibrant private sector which focuses on MSMEs and the creation of a culture of entrepreneurship is at the forefront of the policy agenda for many countries.

This paper starts by introducing the broad operating context for the MSME policy and discusses current MSME initiatives on the ground. This allows for a discussion of the

⁴ Angellitti, P., Moudry, R., LlisterriJ., Institutional Capacities for Small Business Policy Development in Latin America and the Caribbean, Sustainable Development Department, Technical Papers Series, Inter-American Development Bank, December 2006

gaps and conclusions that supports the need for a national MSME policy. Thereafter the Policy Framework is set out. A vision and mission is articulated and each key issue is elaborated by a policy statement and recommended strategies for action. A discussion on roles and responsibilities, monitoring and evaluation and a recommended implementation schedule concludes the report.

2.0 The Context

Country Background

Population, Language, Unemployment and Poverty

The population was estimated at 301,300 in mid year 2006 population estimates as against 291,800 in mid-year⁵ 2005, with an approximate growth rate of 3.25% annually. The ethnic make-up is: Mestizo 48.7%, Creole 24.9%, Maya 10.6%, Garifuna 6.1%, other 9.7%. The national unemployment rate has remained around 11% but has been higher at 13.2% in the Toledo region.

Belize has a low number of households living under the poverty line, but a relatively high number of them are indigent. The last consumption-based measurement of poverty carried out in 2002 showed that 24.5 percent of households (or 33 percent of individuals) were poor and 7.5 percent were indigent (10 percent of individuals). The income gap was low, at 11 percent. That is, households needed to increase their per capita consumption by 11 percent on average to reach the poverty line.

The economy is vulnerable to external shocks. Its exports are dependent on few agricultural products. Therefore, the country's terms of trade volatility is directly correlated to the levels of poverty. Another characteristic of poverty in Belize is that extreme poverty is geographically concentrated. The combination of relatively low poverty levels and a high level of indigence is explained by large regional differences such as the high and extreme poverty in the south, specifically in the region of Toledo.

The Toledo and Cayo districts, where 29 percent of the population lives, concentrate two-thirds of the country's indigents. Even worse, the Toledo district has less than 9 percent of the total population, but more than a third (36 percent) of all indigent households live there. Additionally, extreme poverty is directly related to ethnicity; 57 percent of Toledo's population is Mayan, compared to an average of 4 percent for other districts.

Government

Belize has a democratic, bi-cameral legislature based on the Westminster system. The 29 member House of Representatives is elected by direct popular vote to serve a five-year term. The Governor-General appoints the member of the House of Representatives who is leader of the majority party to be prime minister. The Governor-General appoints the 12-member Senate from six members on the advice of the prime minister, three on the advice of the leader of the opposition, and one each on the advice of the Belize Council of Churches and Evangelical Association of Churches, one jointly by the Belize Chamber of Commerce and Industry and the Belize Better Business Bureau, and the National Trade Union Congress and the Civil Society Steering Committee.

⁵ CSO, Belize

The two dominant political parties are the People's United Party or PUP (leader Said Musa) and the United Democratic Party or UDP (leader Dean Barrow). Elections were last held on 5 March, 2003, and gave 21 seats to PUP with 8 seats to UDP.

Belize has a legal system based initially on English common law and is adversarial in nature. However the supreme law of the land is enshrined in the Constitution. There is a Supreme Court, and the Governor-General on the advice of the Prime Minister appoints the Chief Justice. Although the Caribbean Court of Justice (CCJ) has replaced the Judicial Committee of the Privy Council as the court of last instance for members of the Caribbean Community (Caricom), the Privy Council is still the final court for Belize as the country has yet to ratify the CCJ.

Economy and Currency

The Belize Dollar (BZ\$) has a fixed rate of exchange of BZ\$2 to US\$1. After 1986 the Belizean economy improved dramatically, in part because of the adjustment program implemented by the government. Tourism became a major contributor to growth. Internal reform coincided with the recovery of the world economy, in particular the revival of the sugar market. Between 1986 and 1990, the Belizean economy grew at an average annual rate of more than 10%, inflation averaging only 2.8%.

In the early 1990s, regional economic problems and the worldwide recession combined to undermine the economy. A tough austerity program in 1997 resulted in an economic slowdown that continued in 1998. The trade deficit grew, mostly as a result of low export prices for sugar and bananas. Sugar and citrus juices makes up major part of exports, while the banana industry is the country's largest employer.

The government's expansionary monetary and fiscal policies, initiated in September 1998, led to GDP growth of 6.5% in 1999, and 10.8% in 2000. Growth rates have since moderated, averaging about 4%. As per the Central Statistical Office (CSO) GDP growth was 3.1% in 2005. Estimated GDP per capita in 2005 was \$6,800. Unemployment stood at 11.0% in 2005, down from 11.6% in 2004. Belize's economic growth of around 4% outperformed both the Central American region and the rest of Latin American countries (LAC).

The 2005 Budget set a fiscal deficit target of 3% of GDP, and proposed a series of unpopular revenue raising measures such as increased levies on businesses and professionals in order to help achieve this. Recently IDB has concluded a study in September 2006 about the Belize Tax system and tax reform measures that are needed. As per the March 2006 Economic review issued by the Central Bank of Belize⁶, the economy grew by an estimated 2.4% in the first quarter mainly due to agriculture and marine products. Most of the domestic production experienced downturns but export earnings were buoyant due to receipts from petroleum and higher inflows from Tourism. The petroleum related collections were \$ 2.6 Million up to Sept 2006. In spite of the petroleum related inflows, the Government is of the view that servicing of the country's

⁶ CBB Economic Review March 2006 - Overview

debt, which accounts for 90% of its GDP, is "no longer a viable option" on existing terms. Consequently, the government has sought the cooperation of the country's private sector creditors in a rearrangement of Belize's US\$900 million external debt stock.

Business Environment

In terms of the ease of doing business, Belize ranked 59th in 2007, according to the World Bank's "Doing Business 2008" report which benchmarks the regulatory costs of doing business in 178 countries⁸. To its credit Belize ranked above Jamaica (63), Dominican Republic (99) and Guyana (104), see Figure 1 below. In terms of the individual categories, the country scored highest in dealing with licenses, closing a business and employing workers; and lowest on enforcing contracts (170/178), trading across borders, starting a business and registering property (see complete ranking in Table 1 below).

A complete compendium of the indicators used in each category is listed in Table 2 further below. Worthy of note is that according to the report Belize's license regime is relatively easy to maneuver and associated costs are low. In contrast, starting a business is considered lengthy, relatively cumbersome (with nine different procedures), and costly. Enforcing contracts, the lowest ranking category is considered to be an extremely slow, cumbersome and costly process.

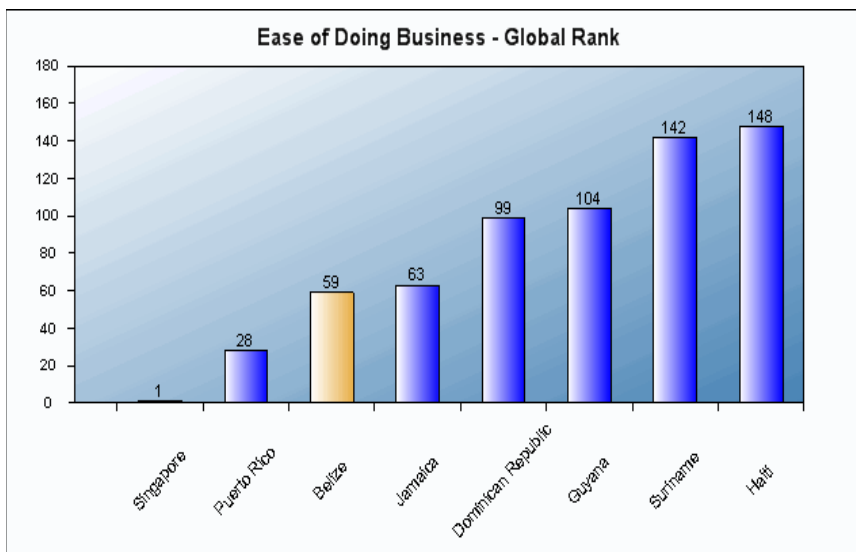


Figure 1 - Ease of Doing Business - Global Rank

In sum, the report suggests that Belize has more challenges than triumphs as it relates to the ease of doing business, and that reforms to address these challenges have been slow with little or no movement from year to year.

The World Bank's corruption index⁹ ranks Belize 102 of 212 countries in 2007.

⁷ Down from 57th in 2006

⁸ The report analyzes the regulations affecting 10 stages of a business's life specifically: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business.

⁹ The control of corruption indicator is based on six dimensions of governance for 212 countries

Table 1 – Belize’s ranking out of 178 Countries

Belize's ranking in Doing Business 2008

Rank	Doing Business 2008
Ease of Doing Business	59
Starting a Business	116
Dealing with Licenses	3
Employing Workers	28
Registering Property	113
Getting Credit	84
Protecting Investors	107
Paying Taxes	47
Trading Across Borders	116
Enforcing Contracts	170
Closing a Business	24

Table 2 - Summary of Indicators

Summary of Indicators - Belize

Starting a Business	Procedures (number)	9
	Duration (days)	44
	Cost (% GNI per capita)	53.1
	Paid in Min. Capital (% of GNI per capita)	0.0
Dealing with Licenses	Procedures (number)	11
	Duration (days)	66
	Cost (% of income per capita)	18.5
Employing Workers	Difficulty of Hiring Index	22
	Rigidity of Hours Index	20
	Difficulty of Firing Index	0
	Rigidity of Employment Index	14
	Nonwage labor cost (% of salary)	4
	Firing costs (weeks of wages)	24
Registering Property	Procedures (number)	8
	Duration (days)	60
	Cost (% of property value)	4.7
Getting Credit	Legal Rights Index	7
	Credit Information Index	0
	Public registry coverage (% adults)	0.0
	Private bureau coverage (% adults)	0.0
Protecting Investors	Disclosure Index	3
	Director Liability Index	4
	Shareholder Suits Index	6
	Investor Protection Index	4.3
Paying Taxes	Payments (number)	41
	Time (hours)	147
	Profit tax (%)	21.6
	Labor tax and contributions (%)	7.0
	Other taxes (%)	2.2
	Total tax rate (% profit)	30.8

Trading Across Borders	Documents for export (number)	7
	Time for export (days)	23
	Cost to export (US\$ per container)	1800
	Documents for import (number)	6
	Time for import (days)	26
	Cost to import (US\$ per container)	2130
Enforcing Contracts	Procedures (number)	51
	Duration (days)	892
	Cost (% of claim)	27.5
Closing a Business	Time (years)	1.0
	Cost (% of estate)	23
	Recovery rate (cents on the dollar)	63.5

Foreign Investment Regime

Although the GOB does not have an articulated Investment Policy, GOB looks for the following criteria when deciding foreign investment proposals:

- Creates employment opportunities;
- Makes maximum use of indigenous raw materials;
- Earns foreign exchange;
- Results in increased production;
- Introduces state-of-the-art technology;
- Enhances local management skills;
- Promotes greater efficiency through competition;
- Diversifies the economic base;
- Facilitates access to foreign markets;
- Is environmentally friendly.
- Is the order of these criteria logical or does it suggest order of priority?

Longer term incentives are offered for the location of industries in the less-developed rural areas of the country and for export-oriented projects or projects utilizing technology not previously introduced into Belize. The government prefers joint venture and partnership investments, but does permit one hundred percent foreign ownership of an enterprise.

Investment Incentive Instruments

- Investment incentives are contained in the following legislation:
- Fiscal Incentive Act, No. 6 of 1990;
- SME Amendment to the Fiscal Incentives Act
- International Business and Public Investment Companies (IBC) Act 1990;
- Mines and Mineral Act 1988;

- Export Processing Zone (EPZ) Act 1990;
- Commercial Free Zone (CFZ) Act 1994.

Of the legislation that is designed to promote investment, only the Fiscal Incentives Act makes specific provisions for MSMEs

Fiscal incentives Act

The fiscal incentives Act is designed to encourage investment in Belize by assisting local and foreign investors through the development stages of their investment project. The fiscal incentives offered under the act include relief from taxes and duties for a specified period of time, usually five years, subject to extension. However, companies engaged in agriculture, agro-industry, aquaculture or manufacturing whose operations are strictly for export and highly labour intensive may receive a tax holiday for up to twenty-five years. During the duty exemption period, the approved enterprise may import free of customs and stamp duty, all building materials, plant machinery, equipment, tools including specialist hand tools, utility and transport vehicles, fixtures and fittings, office equipment, appliances, spare parts on plant and plant related machinery and agricultural machinery and any raw materials or other items imported for use in the approved enterprise subject to terms and conditions set by the investment promotion agency.

The act was amended in 2002 to make specific provision for small and medium enterprises, defined as enterprises with investment less than \$300,000 involved in numerous activities including tourism related activities such as auto rental, arts and cultural activities, handicraft, woodcraft, jewelry making, hotel, restaurant and other tourism related activities. SME's may enjoy duty exemption for up to two years at a time but may not be extended beyond five years and are not entitled to tax holidays. All approved enterprises are subjected to sales tax and environmental taxes.

Export Processing Zone Act

The investment incentives offered to an EPZ though recently curtailed remain extensive:

- An EPZ business is permitted to import good and supplies necessary from the production and operation of the business including specified service and utility vehicles, spare parts and fuel free of customs duty, tariffs consumption taxes, excise taxes and trade turnover taxes.
- All exports are exempt from existing export duties and foreign exchange taxes
- The business is exempt from income tax, withholding tax, capital gains tax or any new corporate tax adopted by the GOB after the commencement of the act for a minimum of the first twenty years, with an option to extend. Once the tax holiday expires, the EPZ business pays business tax at the rate of 2%. Dividends are exempt.
- Real property is exempt from property or land taxes and any sale of real property is exempt from transfer tax

- Work permits are granted to applicants who serve EPZ business in senior management or technical positions and up to 15% of the workers of the EPZ business may receive work permits
- Goods in transit are exempted from sales tax

Commercial Free Zone Act

The CFZ act provides that any person may apply to establish and operate a wholesale and/or retail business as a CFZ business. However the proposed business must conduct trade and investment activities such as commercial, office, warehouse, manufacturing, insurance services, financial services, banking services, offshore financial services and any other professional or related activities. Some incentives include:

- Tax exempt status for good entering the CFZ for commercial purposes. Fuel and good, including building materials, furniture, equipment, supplies and parts required for the proper functioning of the business are also exempt. Motor vehicle and fuel for personal consumption are not exempted
- Corporate taxes income for CFZ businesses are reduced and range from 2-8%. Additionally tax credits are given in accordance with the number of Belizeans employed on a continuing basis up to 2% of taxable income.
- Up to ten year tax holiday
- Work permits to non-residents required to serve in managerial or technical positions
- Goods in transit are exempted from sales tax

Current Development Initiatives related to MSMEs¹⁰

National Export Strategy

Under the auspices of the Commonwealth Secretariat, Belize completed its National Export Strategy in December of 2007. The strategy adopts a pro-poor growth approach towards building export competitiveness and aims to achieve an acceptable level of sustained export competitiveness in the five prioritized sectors within five years (2007-2012), through an orientation around six pillars or thrusts:

- a. *Diversifying the export base* by building non-traditional, value added export capacity in existing and new export sectors including niche areas;
- b. *Fostering a stable business environment while increasing efficiencies in industrial productivity* through (i) reducing shipping and logistics costs and hurdles, (ii) reducing the overall cost of doing business, realizing improvements in management and production systems, (iii) reducing structural and systemic obstacles to exporting; and (iv) leveraging investments and technology to give

¹⁰ Since the majority of businesses in Belize can be considered MSMEs, virtually all projects currently on the ground are related to MSMEs. Highlighted here are the major projects with specific MSME components.

- firms access to critical information and products; and (v) developing supply chain infrastructure and capacities;
- c. *Sustained investments in human capital* at all levels (particularly tertiary-level scientific, information technology, marketing, and engineering education) and increased enterprise training including specialized technical assistance for industry associations;
 - d. Provision of legislative and comprehensive technology *support for quality and standards management*, and metrology and technical support services for MSMEs;
 - e. *Improved access to and cost and management of capital* including for industrial development and export credit and financing;
 - f. *Transfer of technology/ research & development* for promoting the export potential of enterprises in particular MSMEs.

The Strategy puts forward a number of strategic considerations for achieving the above including but not limited to:

- Integrating the Strategy within the broader Medium Term Economic Strategy (MTES) and the National Poverty Elimination Strategy & Action Plan;
- Diversify export offering by establishing export ‘incubator’ programs for non-traditional value added products and services;
- Improving transportation infrastructure and port efficiencies locally and establishing better and more competitive access to export shipping;
- Reinforce the ‘*Belize - The Natural Niche*’ national brand campaign and the *Belize Foods –Celebrating Quality* campaign through continued promotions in local and international trade shows, and special promotional sessions with potential and export ready sectors and associations, and the Belizean Diaspora;
- Developing and improving competencies in product development and innovation, and export management and marketing, including niche marketing;
- Expanding and improving the trade data system for enhanced gathering, analysis, and sharing;
- Strengthening the Bureau of Standards by providing more financial, human, and technical resources to the organization and by developing a medium to long term strategy for its development; and by
- Creating and enacting a National Export Council (NEC) to provide leadership and coordination for the implementation of the Strategy.

The Strategy contemplates combining specific value options with targeting high potential sectors, in particular primary agriculture, fisheries, non-traditional crops, value-added processed foods, furniture manufacturing, and tourism. Each is expected to increase the country’s competitiveness in the following ways:

Agro-processing:

The agricultural sector will be the main source of raw material and products for the agro-processing value-added sector. The key traditional sub-sectors in agriculture include sugar and sugar products, bananas, and citrus. Non-traditional sub-sectors include beans,

papayas, hot peppers, and meat and livestock (i.e. beef, pigs, and poultry). The majority of agricultural products are sold in primary or unprocessed form. In recent years however, there has been some level of export diversification of value-added mainly concentrated in hot peppers.

Recommended Value Option: *add value* through development of new products such as cooking sauces, packaged beef cuts and processed meats such as sausages, etc., packaged dehydrated fruits, packaged snacks (i.e. plantain chips, peanuts), bottled blended juices, fruit wines, and jams and jellies.

Aqua-culture & Fisheries:

Fisheries and aquaculture are traditionally included under agriculture in Belize. The fisheries sector is a significant contributor to the Belizean economy generating on average some 7.2% of GDP or BZ\$110.6 million in earnings, and employing around 1,800 fishermen. The fisheries sub-sector can be further classified into two main areas for Belize: local artisanal fishery – based on shallow coastal waters and involving exploitation of fin fish, molluscs, and crustaceans (i.e. shrimp, rock lobster, conch); and high seas fishing. In the aqua-culture sub-sector product offering includes fresh farmed shrimp and tilapia. All aqua-culture and fisheries products are exported in frozen but uncooked form, and some have undergone light processing (i.e. conch, lobster, shrimp tails, and tilapia fillets).

Recommended Value Options: *acquire value* by enhancing efficiencies in aqua-culture and husbandry practices; and *add value* by introducing new value added products for example pre-cooked shrimp, conch, lobster, and shrimp cocktail mixes, pre-fried breaded fillets, and roes and caviar.

Environmental Goods & Services:

For the Environmental Goods and Services sector the current export product offering could be broken down into two categories: timber products – which remains for the most part limited to the export of commercial round-wood logs, sawn timber, and furniture manufacturing; and non-timber forest products which includes ornamental plants such as orchids and xate, honey and products from honey, medicinal herbs, plants, and wines, pharmaceutical products processed from rainforest resources (i.e. linament rubs, topical ointments, analgesics), and marble tiles and other marble products, and more recently oil.

Recommended Value Options: *add value* by introducing new export products such as rainforest botanicals and beauty products, products from gums and exudates (i.e. glues and latex); and *acquire value* through branding and packaging and implementing sustainable harvesting methods and practices.

Tourism:

Tourism has emerged as one of the most important economic sectors in Belize, contributing some 18% of Belize's total GDP or US\$119.8 million in 2001.¹¹ The

¹¹ Trade Policy Review – Belize, op cit, page 90.

tourism product offering is one of a soft-adventure type - the industry having recently strategically refocused from eco-tourism – and includes marine activities such as fishing, diving, and snorkelling; Mayan archaeology, rain-forest based activities, kayaking, rafting, equestrian. Tourism seems to be an exception to the other sectors in that it may be, arguably, the only of the five prioritized sectors for Belize which operates at the middle range of the global value chain. This level is assigned because Belize doesn't have a national reservations system, its small hotels lack access to telecommunications infrastructure in particular for internet and data and don't employ e-commerce technologies, the tourist transport buses and automobiles are for the most part second hand and not of the highest standards, and the majority of the overnight accommodations (hotels, bed & breakfasts, etc.) within the industry are less than 4 or 5 star rating, etc.).

Recommended Value Options: *add value* by creating new tourism products within the country; and *retain greater value* by reducing external leakages and improving the quality and standards across the industry.

Information and Communications Technologies:

In the ICT sector, Belize is not yet a major regional or global player but is geo-strategically located (i.e. within Central America and two hours of US ports of entry) to provide services to the North American market. In addition, Belize is English speaking and has a functional literacy rate of around 60% (+/-). Current product offerings include online gaming, and call centres.

Recommended Value Option: *add value* by introducing new product offerings such back office data processing, tele-medicine, and soft-ware support services; and *acquire value* by providing skills training and introducing competition into the local telecommunications industry and reducing the overall cost of telecommunication services.

Belize Rural Development Plan

In November 2005, the European Commission signed a Financing Agreement of Euro 7 million with the Government of Belize for the implementation of the Belize Rural Development Programme (BRDP) for four years, from March 2006 to February 2010. The overall objective of BRDP is to support sustainable economic growth as the primary means of alleviating poverty in the rural areas of the country. The expected results of BRDP are to:

- Facilitate development of efficient small, medium and micro enterprises (SMEs) at community/village level; the target is to support the creation of 100-200 productive rural enterprises.
- Develop rural infrastructure for basic services; the target is that 115,000 rural people should have access to the 100-200 new infrastructures supported by BRDP.
- Strengthen policies, institutions and communities; the target is that 10% of rural families in the country should benefit from BRDP, and at least 30% of the beneficiaries should be women & youth.

The basic strategy of BRDP is to follow a participatory, bottom up and decentralized approach, by supporting the communities (producer groups, villages and low income families) in all six districts of Belize in defining their development priorities and identifying specific projects and enterprises for support from BRDP. One of the key factors that will determine the potential success and long term-impact of BRDP on poverty reduction will be the ability of Belize to develop, access, and secure viable and stable markets for the small, medium and micro entrepreneurs.

Improving Small Business Competitiveness in the Tourism Industry

The Improving Small Business Competitiveness Project is a US \$833,000 IADB/MIF project started in 2005 which aims to take advantage of the opportunities posed by the high flow of visitors to Belize, particularly those generated by cruise ships, by helping to organize and improve the provision of quality tourism products in the most important destinations visited by this client segment. MSEs are currently unable to offer products that meet the visitors' standards and thus remain largely marginalized from the benefits generated in the tourism value chains. The project is intended to contribute to the development of MSEs as reliable providers of quality tourism products, as well as to improve their collaboration with larger tour companies to build more integrated business chains, and improved business linkages, around tourist circuits.

To achieve these goals the project supports the provision of training and technical assistance services to MSEs operating in the sector, aimed at: (i) improving their skills to design, develop and operate successful tourism products; (ii) upgrading MSE business linkages with other players in the industry; and (iii) enhancing the institutional framework and information flow to improve MSE integration within the industry.

The project is part of MIF's *Sustainable Tourism as a Development Strategy* 'cluster' and, as such, seeks to spur the sustainable development of tourism to increase benefits for local communities, preserve cultural and environmental integrity, and improve protection of ecologically sensitive areas and the nation's cultural and natural heritage.

3.0 Micro-Small and Medium Enterprises in Belize

In the past decade, MSME development has moved slowly but deliberately towards the top of the public policy discourse and agenda in Belize. Although currently not measured with any degree of reliability¹², the prevailing opinion is that MSMEs represent a very important share of economic activity in Belize, and are considered an important employer of the labour force. Unemployment is a significant issue for Belize. According to the findings from the September 2007, Labour Force Survey, the unemployment rate was measured at 12.1%, up from 9.4% in 2006 and 11% in 2005. The Youth unemployment rate for the same period was measured at 24%. Of the total labour force in 2006 (112,806) only 44.8% or (50,537.09) had greater than primary school education. This means that just over one half of the labour force is uneducated, or educated only up to the primary school level, suggesting a majority of the available labour force possess few marketable skills. While there should be some priority on elevating the employability of the national labour force generally, given their general characteristics (use of local resources, use of simple and affordable technology), MSMEs are likely the best (only) option for employment for these individuals and the majority are likely to be absorbed into the sector; especially in the informal component.

An IADB working paper dated 2001 estimated the number of Small and Micro firms in Belize at 17,000, with an estimated contribution to GDP of 45% and a 32% share of total employment¹³. In terms of sector concentration, the majority of MSMEs in Belize are considered to be in the Agriculture Sector with Services (particularly Tourism) and Light Manufacturing also making a contribution. MSMEs are established to operate in rural, urban, domestic (district level), national, regional and international markets or a combination of these, and reflect different levels of skills, capital, sophistication and growth orientation. A significant portion of MSME's are considered to operate in the informal economy¹⁴.

Current MSME Institutional and Policy Landscape

Laws or other policies which are passed by legislators and backed by the force of the state to promote and develop the MSME sector are pivotal in mobilizing resources to assist in MSME competitiveness. Belize does not have such a framework. While existing initiatives indicate a growing awareness of the importance of MSME development, the interventions have been uncoordinated, with a narrow focus and limited impact.

¹² For example, contribution to GDP, contribution to employment, data by sectors, or on MSME's participating in exports or simply a count of MSME operating in the formal sector is not available.

¹³ Wenner, M., Chalmers, G., Microfinance Issues and Challenges in the Anglophone Caribbean, Inter-American Development Bank, Sustainable Development Department, 2001, pg. 2

¹⁴ That part of the economy which pursues business and business related activities outside of the formal regulatory environment that normally pertains to their environment. Behaviours include tax avoidance, failure to register or procure licenses, failure to register sales, purchases, failure to meet minimum health, safety standards (where relevant), failure to meet employment and labour related standards.

Government Initiatives

Belize Trade and Investment Development Service

The Belize Trade and Investment Development Service (Beltraide), was enacted in 1997 as a statutory body to promote economic development through investment promotion, entrepreneurial developments, marketing and policy recommendations.

In the past decade, the organization has been building its infrastructure to facilitate programs intended to assist in the development of MSMEs and encourage further investments in Belize. More recently, it has restructured to intensify its work with MSMEs in the productive sector. Beltraide is the central agency for the development and execution of the country's national export strategy and the development of the five priority sectors identified therein, and for the administration of the Fiscal Incentives Program. It currently oversees the development of several MSME initiatives including an SME database, Market Information System and a Network Brokerage Programs aimed at assisting companies to form clusters.

National Export Strategy

The most recent and comprehensive initiative intended to impact MSME development in Belize is the National Export Strategy (see section 2.0). The strategy focuses on five priority sectors and articulates specific value options and strategies for each sector, to bring MSMEs into the export value chain.

Enterprise Development Center

The government established the Belize Authority for the Development of Industry for the purposes of promoting the growth and competitiveness of micro, small and medium sized enterprises in Belize in 2003. Initiatives under this authority include designing sectoral programs and projects that address the specific needs of MSMEs through collaborative initiatives between the private and public sectors. In 2004 the GOB tabled and subsequently passed the Enterprise Development Center Bill which was designed to address the institutional deficiency in the development of MSMEs by establishing a sustainable institution for support of MSME development via GOB subsidized MSME support services and credit facilities. There is a more recent initiative afoot however to repeal the EDC since its mandate duplicates that of Beltraide's and to amend the Beltraide Act to incorporate responsibility for a credit window.

Other Policies that are MSME specific are:

- the Tour Guide and tour operator policies which promotes and trains Belizeans (citizens and naturalized) to exploit opportunities in the Tourism sector, managed by the Belize Tourist Board;
- the SME Fiscal Incentives Program discussed above and managed by Beltraide;
- The Auto Rental Policy;
- Laws that deal with Cooperatives and Credit Unions

Credit and Microfinance

In Belize there are five commercial banks, sixteen credit unions and a handful of NGOs that provide some type of financing for MSME projects. The commercial banks however are primarily interested in security, stability and the level of risk involved in the undertaking; and the bank's assessment of these factors will determine the cost of financing, which is usually anywhere from 12 – 17%. Entrepreneurs in the Micro and small end of the MSME spectrum are quite often not able to access the services of the commercial banks. This is largely because of the high transactions costs of access associated with the requirements for business plans including audited or independent financial statements, feasibility studies and marketing plans, and the relatively small size of prospective operations.

This gap is currently filled by the NGOs and credit unions. NGO's currently in operation in Belize include the Belize Enterprise for Sustainable Technology (BEST), who provides assistance to farmers and micro-entrepreneurs, including women, through technical assistance and community banking facilities. The National Development Foundation of Belize, which with shrinking loan portfolios due to reduced traditional "soft" credit lines and high levels of loan defaults and delinquencies, is itself threatened with closure, the state owned and administrated Small Farmer's Business Bank, financed initially by the Republic of Taiwan ICDF, and more recently the Youth Business Trust, an initiative of the Youth Business International Network which offers startup loans for entrepreneurial initiatives to individuals below the age of thirty-five (35). The NGOs however are significantly dependent on donor funding and sustainability is a challenge for all. In addition, in some cases, the organizations suffer from low staff productivity, high delinquency rates, low profitability and low rates of cost recovery.

There are also sector specific credit facilities such as the FONDO GANADERO program, which is managed by the Belize Livestock Producers Association (BLPA) and which is a revolving fund providing credit to livestock producers. However, according to the Ministry of Agriculture, the delinquency rate of this program is considerably high and the fund was all but inactive in 2005. Better management is expected with the installation of a new BLPA board¹⁵.

MSME Definition

The lack of a national MSME policy directly influences the lack of a nationally embraced definition for MSMEs. Effective policymaking requires agreement of a definition of MSME which is typically a statistical measure whose adequacy is a function of the structure of business in the economy. As such statistical definitions vary between countries. It is common however to make the distinction between Micro, small and medium businesses and to use employment, turnover or asset value or a combination of these measures to make the distinction. For example, the European Union's MSME definition is as follows:

¹⁵ Ministry of Agriculture and Fisheries 2005 Annual Report (most recent report available to this work).

Table 3 – EU MSME Definition¹⁶

Category	Headcount	Turnover	Balance Sheet Total
Medium	<250	=50M (Euros)	= 43M (Euros)
Small	<50	=10M (Euros)	= 10M (Euros)
Micro	<10	= 2M (Euros)	= 2M (Euros)

The country's most definitive offer of a definition for MSMEs exists in the SME amendment to the Fiscal Incentives Act and the Enterprise Development Center Bill which provides the following definition:

"MSMEs" means a micro, small and medium sized enterprise, whether a natural or a legal person or an unincorporated entity or association that fulfills the following criteria:

- has an annual turnover not exceeding \$500,000;
- has a net worth not exceeding \$300,000;
- has an investment in machinery and equipment not exceeding \$300,000;
- holds a valid trade license and other permits required to carry on its business;
- employs not more than 15 persons.

The act does not make a distinction between micro, small and medium, and is applied specifically in the administration of fiscal incentives.

There is no broad based agreement on a definition and in fact programs and operators which support MSMEs in Belize typically offer their own definition or operate with very loosely defined categories. The Tourism project for example defines Micro and small enterprises as businesses with fewer than ten employees and less than US \$30,000 in assets.¹⁷

Challenges associated with MSMEs in Belize

Generally there are a number of common challenges faced by MSME's in the developing country context. In the Anglophone Caribbean, the most common constraints are established to be¹⁸ :

- Lack of access to credit/finance/capital
- Lack of access to training and technology
- Hostile policy environments
- Lack of access to markets (limited market information)
- Lack of basic infrastructure

¹⁶ MSME Dialogue Series: Creating and Implementing Micro, Small and Medium Enterprise Support Policies and Initiatives, Briefing Papers, UNDP, Bratislava Regional Center and World Bank Global Development Learning Network, pg 12.

¹⁷ Donor's Memorandum, Improving Small Business Competitiveness in the Tourism Industry, pg 1 of 2.

¹⁸ Wenner, M, Chalmers G., Microfinance Issues and Challenges in the Anglophone Caribbean, IADB Working Paper, Sustainable Development Department, Micro, Small and Medium Enterprise Division, March 2001.

Research conducted in 2006 and in coordination with the development of the MSME Policy¹⁹ suggests that MSMEs in Belize face many similar challenges. These were identified as:

- Access to and the cost of financing;
- Lack of information and information networks;
- Lack of infrastructure adversely affects movement between producers and clients;
- Cost of Utilities, specifically power and communication and the lack of a reliable power supply were factors in some areas of the country;
- Lack of access to training and education that encourages an entrepreneurial culture.
- Corruption within regulatory and government agencies was considered to be a major challenge by some stakeholders.
- Lack of support and training in understanding legal contracts.
- Taxes and in particular the recently introduced GST
- Lack of adequate support mechanisms for issues related to Packaging, Marketing, standards, international trade and quality control.

¹⁹ Consultations and Research was carried out in 2006 by Mega Ace Consultancy, contracted to provide the initial draft of the MSME policy. Details of the research are available in Annex 1

4.0 Rationale for a National MSME Policy

At the core of the challenges in the MSME sector in Belize are three key issues: (1) the lack of an all encompassing policy (2) the lack of a widely embraced definition for MSMEs, and (3) a sustaining institutional framework specific to MSME development.

The lack of a shared, coordinated vision undermines linkages between the MSME sector and the rest of the Belizean economy. In essence MSME's have been incapable of projecting a clear statement of their importance in the national economy. This affects international trade engagements since the priorities for development in the sector are undefined. It affects the level and quality of international support channeled to Belize for MSME development which in turn impacts the ability of MSMEs to successfully access the export value chain. Finally it affects or influences the development of successful supplier relationships between larger firms in the domestic economy and their small counterparts.

Central to a national MSME policy is agreement on a definition for MSMEs. This is important for several reasons including: the preparation of statistics and the monitoring of the health of the sector over time, benchmarking against other economies, providing thresholds for imposition of taxes and other regulations and determining eligibility for particular forms of public support.

Institutions that support MSMEs are considered to be at the center of the policy process in their role of administrating the support systems that drive MSME competitiveness. The array of MSME support services is long and can broadly be divided into specialist financial services (microfinance, credit guarantees, grants, tax breaks and soft loans), business services (information, advice, counseling/consulting, training and education and support infrastructure (specialist industrial estates, incubators, clusters and free zones). As a part of a national institutional framework these programs usually have a specific target among MSME groups (women, youth, the unemployed) and concentrate on key areas of national development. Although there are several intermediary business organizations operating with a mandate to cater to MSME development (Belize Chamber of Commerce and Industry, Belize Business Bureau, Beltraide), there is no nationally recognized umbrella organization. Not surprisingly the affiliations that exist among the existing organizations are weak and fragmented.

Given the importance and concentration of MSMEs in the local economy and the opening of the Belizean economy to greater international competition, measures are needed to address these issues. Significant attention must be awarded to addressing the challenges in the domestic factors market²⁰ as well as the structural development challenges of the sector in general. To this end, developing MSME policies which are comprehensive and integrative and which focus on the creation of an enterprise culture, the process of business start-up and survival, the process of growth through interventions in the export

²⁰ i.e. how well the market allocates and exchange the services of the factors of production (labour, capital, land and entrepreneurship).

value chain, and the creation of a strong and empathetic stakeholder environment (incubation programs, technology transfer, networking and training opportunities), is a priority for Belize.

Significant is that any policy should be designed to contribute to and support the country's National development policy and strategic framework.

5.0 The Policy Framework

The goal of the MSME policy is to support the competitiveness of MSMEs so that they can increase their contribution to employment and long term growth of the Belizean economy. This will be accomplished through measures that will allow MSMEs to move from a posture of protectionism to competitiveness through a focus on the process of business start-up and survival, involvement in the export value chain, the cultivation of an enterprise culture and a strong stakeholder environment.

Vision

To develop a vibrant and expanding MSME sector leading to accelerated private sector development for broad based, sustainable economic growth.

Mission

To provide the blueprint for MSME development which will allow MSMEs to help themselves move from a posture of protection to competition.

Scope of the MSME Policy

The policy covers the following key areas:

- A national definition for MSMEs
- Policies and regulations that prejudice the start up, survival, formalization and growth of SME's
- The cultivation of a strong enterprise culture
- The development of a favourable fiscal and financial environment for independent business creation, survival and growth;
- The cultivation of a strong stakeholder environment
- Identifying and assigning clear roles for key actors

A National Definition for MSME

The national definition recommended here is based on the data gathered in consultations with sector operators across the country in 2006 as follows:

Table 4 – Number of People Employed

Number of people employed	Less than 5	6 to 12 people	13 to 20 people
Number of Units	18	14	14

Table 5 – Annual Revenue

Revenue in BZ \$ per year	Less than 5,000	5,001 to 10,000	10,001 to 20,000	20,001 to 30,000	Above 40,000
Number of Units	4	3	10	16	13

Table 6 – Annual Revenue and Employee size

Revenue in BZ \$ per year →	Less than 5,000	5,001 to 10,000	10,001 to 20,000	20,001 to 30,000	Above 40,000
Number of employees	Less than 5	6 -10	6-12	3-20	Above 20

To refine the recommendation it is important to mention that information on the structure of business, specifically no of employees by company registered with the Social Security Board and reported earnings by company from the Tax Department was requested but could not be made available in time for this work. It is strongly recommended that this definition is reconciled with this information when it becomes available to the implementing organization. The recommendation allows for revenue growth beyond the normal average currently observed in each group across various sectors of the economy.

Table 7 – Recommended National MSME Definition – Monetary Values in Belize Dollars

	Micro	Small	Medium
Manpower (Nos)	1-10	11-20	21-50
Investment (Up to BZ \$)	15,000	50,000	150,000
Sales Turnover (Up to – BZ \$ per year)	50,000	100,000	300,000

Policy Statement

GOB will adopt a National MSME Definition.
--

Strategies

- Draft and pass the MSME Development Act which decisively defines the MSME based on the recommendations herein to remove any ambiguity in the categorization process.

Policies and Regulations that Prejudice the Start Up, Survival, Formalization and Growth of SME'sOwnership and Doing Business

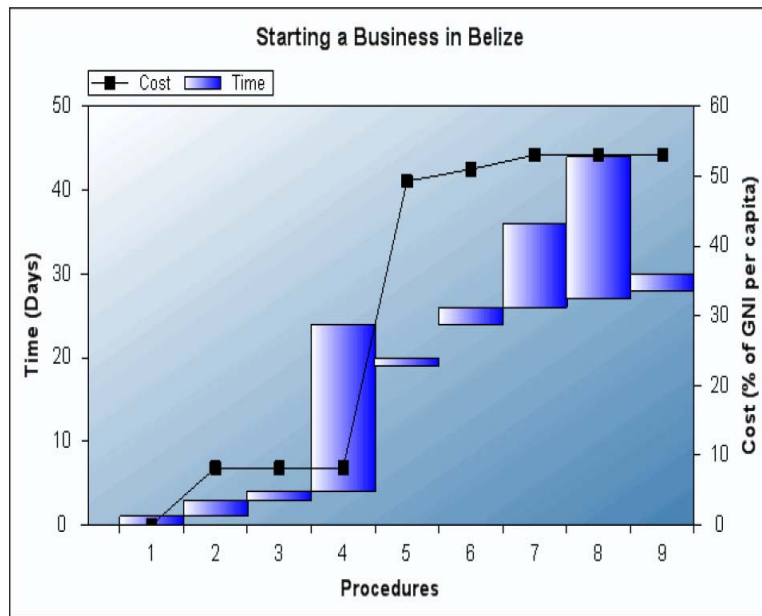
As discussed earlier (see section 2) Belize is considered to have a relatively challenging business environment. There are characteristics of the legal and regulatory environment

such as those associated with centralization of processes and procedures, transparency and availability of information relating to processes and procedures, bureaucracy at the administrative levels, and the general cost of doing business which prejudice the formalization and growth of MSMEs in Belize.

Business ownership in Belize requires the adherence to varying and numerous conditions. These include business registration and company incorporation (where applicable) under the national jurisdiction, and trade licenses and public health certificates (if the handling of food is involved) under municipal jurisdiction. All these processes carry a fee which can range from \$25 in the case of Business registration to \$3,000 for attorney fees plus processing fees of \$600 in the case of company incorporation. The trade licenses formula is imprecise and can cost up to 25% of the rental value of the property. According to the World Bank’s Doing Business Report, it requires nine procedures, takes 44 days and costs 53% GNI per capita to start a business (See Figure 2).

In the discussions held with MSMEs during the development of the policy, owners

complained of the difficulty in acquiring information on procedures related to business start up and the centralization of both the information and the processes, leading to increased costs (related to travel and other incidentals) and time investments. In addition the cost of compliance is considered high by most MSMEs and the uncertainty associated with the trade license process in particular is daunting to many entrepreneurs. As a



List of Procedures:

1. Search for company name
2. Register company statutes at the Companies' Registry
3. Submit application to City Council for Trade license
4. Receive inspection from City Council Inspector
5. Pay for the trade license at the City Council
6. Make company seal
7. Register the company for income tax
8. Register the company for General Services Tax (GST)
9. Register the employees with the Social Security Board

More details are available in the appendix.

Figure 2 – Starting a Business in Belize

result, it is commonly held that a majority of operators (particularly in the Tourism sector) have failed to formalize.

Tax System

Given the complexity and variety of the tax structure in Belize, the system could be considered prejudicial to MSME development. An MSME depending on type of business may be subject to income tax, business tax, general sales tax, hotel tax, environmental tax, social security contributions, land tax, property tax, excise tax, and import duties and revenue replacement duty. These taxes are collected by various agencies at both the national and municipal levels, increasing the transaction costs for MSMEs. Additionally there is no specific consideration for size or stage in the business life cycle in any of the formula's currently employed in taxation.

2. The following graph illustrates the Paying Taxes indicators in Belize over the past 3 years:

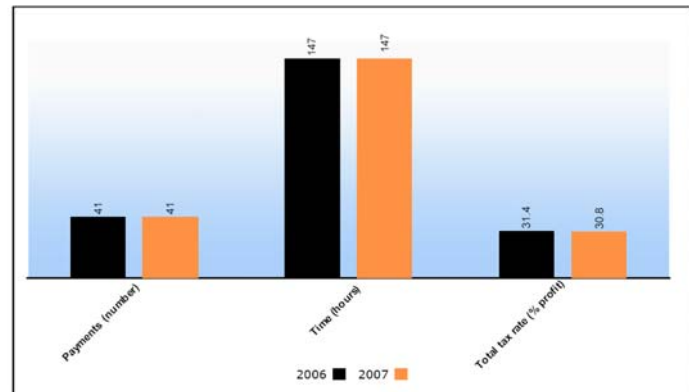


Figure 3 – No of Payments, Time and Total Tax rate for Belize 2006 and 2007

Although many are not sufficiently exposed to information on the tax regime, entrepreneurs who are engaged consider the cost of compliance high and often choose to operate informally to avoid compliance.

Investment Structure

Although Belize has several instruments to encourage investments (section 2.0), only one, the fiscal incentive programme has a agenda specific to MSMEs. The MSME program was designed and created to encourage investments by MSMEs investing below \$300,000 BZD with less than 15 employees and annual turnover not exceeding Bz \$500,000.00. Since there is no established national definition of MSMEs the rationale for the thresholds used in the development of this program is unclear. Thus its impact in generating investments in the MSMEs sector is unclear.

The process itself is not automatic and applicants must build a compelling case that the incentives are needed to stimulate activity and will provide benefits to the economy of Belize. While the application fee is significantly higher for businesses not within the MSME thresholds (e.g. businesses making an investment of \$500,000 or less in the regular payment attract an application fee of \$7,000 while those in the MSME program with an investment of up to \$300K attract a fee of only \$500), the application procedure is the same. Applicants must present a project proposal in triplicate, copy of Articles of Association, Copy of Certificate of incorporation, Banker's reference, Land Tenure Deed, Proforma Profitability Statement, List of duty exemptions and the application form and fee. This process for many entrepreneurs is extremely intimidating, especially since many are not formalized to the extent required here, and because the process is centralized, it carries higher transaction costs than the typical MSME is willing to pay.

Access to Land

Land acquisition and access to land is a particularly challenging proposition in Belize. The Minister of Natural Resources is ultimately responsible for the management of the National Estate and as such has final authority over all land transactions. Land in general has a (1%) tax on the unimproved value of the land. The processes by all accounts are extremely bureaucratic (since they are centralized and lengthy) and costly and the approval and valuation criteria affecting the access to and cost of land is not sufficiently notified or ventilated. Consider the process for registering property in Belize in Figure 4 below, as articulated by the World Bank's Doing Business Report . . .

Registering Property in Belize

This topic examines the steps, time, and cost involved in registering property in Belize.

STANDARDIZED PROPERTY

Property Value: 182,500.00

City: Belize City

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Conduct a search of the property records at the Lands Department	1 day	no cost
2 *	Obtain tax clearance from the Lands Tax Department	1 day (simultaneous with procedure 3)	no cost
3 *	Tax clearance stamped on the transfer instrument	5 - 10 days (simultaneous with procedure 2)	no cost
4	Property is valued by the Valuation Department	10-30 days	no cost
5	Justice of the Peace attests the transfer instrument	1 day	no cost
6	Pay registration fees and stamp duty	1 - 2 days	15 BD x 2 (for land certificate and registration) + 5% (property value after the first BD 20000) (stamp duty)
7	Register the transfer at the Lands Registry	21 - 30 days	(paid in procedure 6)
8	Notify City Council of change in ownership	1 - 2 days	no cost

* Takes place simultaneously with another procedure.

Figure 4

Cost of Utilities

The cost of communication and energy in Belize is generally considered unfavourable for MSME development. There is only one dominant supplier of both communications and

energy²¹ in Belize and neither offer a program specific to MSMEs. In the case of electricity, there is a volume discount program that applies based on level of consumption (at 30Kwh and 1.5MW or more per month). The benefits to MSMEs under this program are purely incidental, if they occur at all, since there is no coincidence between the thresholds used in the pricing formula and those established to define MSMEs in Belize.

In the case of communications, the fees are applied uniformly, with the most costly occurring in the international call and internet services. BTL's peak time, direct dial rates are US\$ 0.70/min to the USA, US\$ 1.10/min to the rest of the Caribbean and US\$ 1.50/min to the UK. These have to be compared with C&W Jamaica's US\$ 0.26/min anywhere, anytime rate, which are substantially cheaper than those of BTL²². DSL service at speeds of 128K costs \$220 Bzd to activate and \$100 per month. A 1MB link costs \$500 per month, excluding the rental of modems. An E1 link to Miami can cost anywhere from \$7000 to 10,000 bzd²³.

Policy Statement

GOB will design and implement programs aimed at the simplification and rationalization of procedures and regulations relevant to MSMEs to encourage compliance and minimize transaction costs.

Strategies

Strategies that would directly impact the legal and regulatory framework are:

- Draft and pass the MSME Development Act which establishes the necessary structure for overseeing and regulating the development of MSMEs in Belize. Identify the responsible agency for its implementation and clarify its role and responsibilities and long term objectives. Ensure the act decisively defines the MSME based on the recommendations herein to remove any ambiguity in the categorization process and ensure a registry for MSMEs with a simple registration process and penalties for non-registration.
- Simplify the business registration and licensing procedures and ensure a well established and advertised focal point exists for information. Notify of the revised procedures in centers relevant to MSMEs;
- Simplify the laws and procedures relevant to MSMEs and ensure a well established and advertised focal point exists for information. Revise the tax system to include relief based on the national definition for MSMEs and considering the point in the life cycle of the MSME;
- Amend the investment regime to award incentives based on the thresholds established by the national definition of MSMEs and simplify the procedures for application. Establish and advertise a focal point for information;

²¹ Although there are several internet providers and another provider of telephone service (VOIP) services in the case of communication and other sources of generation in the case of electricity.

²² Stern, Peter, Promoting Investment in ICT in the Caribbean, IADB Economic and Sector Study Series, May 2006, pg. 45

²³ Ibid, pg 45

- Simplify the procedures for access to and acquisition of land and inject transparency in the decision making process as it relates to approvals and valuations of land;
- Encourage the design of programs specific to MSMEs and which are aligned with the thresholds in the purchase of communication and energy services;
- Review government procurement procedures to facilitate MSME participation;
- Establish a nationally recognized focal point to allow the training and sensitization of MSMEs in areas relevant to MSMEs such as registration and licensing, intellectual property rights and other related issues;

The cultivation of a Strong Enterprise culture

The enterprise culture is increasingly seen as the key to creating a society that will welcome and exploit the complexities and uncertainties of the globally competitive economy. The experts agree that it is important for policy makers concerned with MSME development to focus on entrepreneurship because among other things it contributes directly to job creation and growth, it encourages competitiveness as entrepreneurs find new and innovative ways to organize and deliver their products to markets and it encourages and unleashes personal potential since people are usually inspired by the freedom, independence and challenges presented in entrepreneurship.

However, there is relative ambiguity as it relates to a precise definition for “enterprise culture”. Developed countries that have a policy mandate to develop such a culture have offered descriptions but not a clear definition. The European Commission for example in its Green Paper on Entrepreneurship²⁴ associates entrepreneurship with specific types of behaviours such as readiness to take risks and a taste for independence, and recommends measures of existence of an enterprise culture on issues such as, the number of new businesses created, the attitude of society toward running a business and attitudes towards risk taking in society.

Most attempts to describe the enterprise culture recognize the centrality of education to the process however and the need to develop the enterprise culture to focus on the education system (including training and vocational facilities) at all levels. In addition the core tenets of the culture should support a strong focus on vulnerable groups such as the unemployed and women.

Policy Statement

The Government will foster an Enterprise Culture as a key component of the enabling environment for MSME Development

Strategies

- Develop and ensure a clear and nationally embraced definition of entrepreneur and the desired enterprise culture;
- Design instruments to measure the culture on an ongoing basis;

²⁴ European Commission , “Green Paper Entrepreneurship in Europe COM 92003, 2003

- Review and adjust where necessary, educational, vocational and training organizations (including intermediary organizations that support MSME development) ;and the broader educational system to embed the culture;
- Actively support the design of programs in the educational system aimed at supporting enterprise development and entrepreneurship;
- Support initiatives that promote new business ideas, innovation and entrepreneurship at all levels of society.

The development of a favourable fiscal and financial environment for independent business creation, survival and growth;

As indicated earlier (see section 3), the Belize microfinance industry, like the rest of the Anglophone Caribbean, is dominated by NGOs and Credit Unions. According to the IADB, the region generally does not exhibit the trend evident in Latin America where more regulated financial institutions are designing and offering more products for the microfinance market. In the Anglophone Caribbean, Jamaica (3), Trinidad and Tobago (1), Guyana (1) and Barbados (1) are the only countries with an established Microfinance Institution²⁵. Belize has yet to develop an efficient, productive and sustainable Microfinance industry with significant outreach to entrepreneurs and small business.

Policy Statement

The Government of Belize will institute financial reforms aimed at further liberalization of the financial sector and the creation of financial intermediaries to cater specifically to MSME's

Strategies

- The GOB will make offers in the financial sector with a view to inviting participation of organizations and institutions that cater specifically to MSMEs (credit unions and other micro lending institutions);
- Encourage through legislation and Central Bank interventions the opening up of MSME windows in existing financial institutions with simplified procedures and systems of lending;
- Encourage the introduction of non-bank intermediated finance services such as credit guarantee schemes, micro leasing and credit union/cooperative programs in intermediary organizations (Beltraide, BCCI) and/or through the development of institutions for this specific purpose.

The Cultivation of a Strong Stakeholder Environment

Physical Infrastructure

Infrastructure constraints were a significant issue coming out of the stakeholder consultations held with MSME organizations during the development of the policy in 2006. The substandard infrastructure as it relates to main and access roads to villages and

²⁵ Navajas, S., Tejerina, L., Microfinance in Latin America and the Caribbean, How Large is the Market?, IADB, Sustainable Development Department, Best Practices Series, November 2006.

towns, lack of physical facilities to house operations, the lack of access to reliable transportation among and between rural and urban centers, the cost (especially for high-speed data lines) and lack of access to communication (especially VOIP) and the lack of a reliable power supply, especially in the more rural areas where roughly 49%²⁶ of the population resides, are significant constraints to MSME development.

Policy Statement

The GOB will continue to improve physical infrastructures and facilitate access of communication, power and water to rural centers in collaboration with the service providers and local authorities;

Strategies

- Identify geographical pockets of MSME production and develop a schedule to address issues related to access roads, utilities and physical facilities where they exist;
- Work with local authorities to develop sectoral and geographical clusters of micro and small enterprises in particular, and particularly as it relates to the priority sectors of development, to allow these clusters to exploit economies of scale as it relates to supply and suppliers of raw materials and other inputs including utilities and land;
- Encourage the regulators of dominant utility companies to abide by their universal access commitments, awarding priority to MSME concentrations and clusters;
- Review existing utility company legislation to ensure there are no provisions which may unduly burden or disadvantage MSMEs;
- Craft a transportation policy which provides for the development of transportation systems appropriate to the haulage of MSME products and services (e.g. furniture and handicrafts, fruits and vegetables), particularly to and from the cluster regions;

Business Development Services

Although there are a number of intermediary organizations who purport to support MSME development, there is not a nationally recognized, organization which provides business services. Again this was a need identified in the stakeholder consultations where it was felt that access to information about policies, legislation, procedures and issues related to business development and other types of business support services free or at a fee that MSMEs can afford, was a constraint to MSME development.

Policy Statement

The Government will ensure the development of a specialist organization which purpose is to enhance the effectiveness of MSMEs;

²⁶ Belize 2007 Mid-Year Population Estimates by Region and Sex

Strategies

- Vest this authority in an existing organization like Beltraide. Adjust the legislation to ensure that Beltraide is shaped to operate as an entrepreneurial organization with freedom, ownership, and ability to build networks of trust, take independent initiatives and grasp opportunities;
- Develop the institution in accordance with the core tenets of the Institutional requirements articulated further below.

Technology Infrastructure

Access to technology and technology transfer opportunities lay at the heart of MSME development. The ability to supply products and services of international caliber underpin the successful absorption of MSMEs into the global supply chain and the export value chain for a country. Larger firms who may be inclined to purchase the services of MSMEs need the assurance of internationally accepted standards labels such as ISO and HASSAP certifications. These are largely tied to the ability to efficiently employ technology in the production process. In Belize, MSMEs lack access to information about relevant technology and technology transfer opportunities and are often intimidated by the process to acquire, learn and implement technology into their production processes.

Policy Statement

GOB will facilitate, technology transfer opportunities, information about and access to current technologies used in the development of its priority sectors.

Strategies

- Develop a specific thematic area within the specialist institution for the efficient delivery of technology to operators in the priority sectors. Ensure programs such as information about and access to the relevant certification processes; special subsidies, credit programs and incentives for technology adaptation and upgrades; and mechanisms for enhancing networking between SME's and technology providers;
- Facilitate capacity building of organizations which support the installation and maintenance of hardware and software associated with the technology;

Marketing and access to Markets (Access to the Export Value Chain)

Ability to market, identify viable products and services and access to markets are significant issues for MSMEs in Belize. Small operators have consistently indicated that a lack of understanding of the issues related to international trade and market access, packaging caliber and requirements, quality of advertising and market research are challenges for the small operator.

The outsourcing trend of the last two decades has focused more attention on the nature of relationships between the large firm and its suppliers. The objective is to ensure that most of the risks involved in outsourcing are reduced by careful management. This has inspired the notion of supply chain partnership to underpin the concept that there should be guarantees both ways and at a strategic level. To facilitate relationship building along

the supply chain, most companies have moved to limit the number of suppliers. In a developing country, the outsourcing trend inspires significant opportunity for the MSME to feed into the export value chain as larger firms in the domestic market and from the more developed countries search for supply partners. MSMEs need to understand the value chain concept and development and learn to exploit opportunities and programs that will allow them to position themselves to become actively involved as a supplier along the chain. In this process understanding the dynamics of international markets, the requirements and behaviours of purchasers, the challenges and opportunities associated with international trade and the quality and standards issues associated with the supply of an export product are significant challenges for MSMEs in Belize.

Policy Statement

The government will actively support programs aimed at improving MSME's access to Markets.

Strategies:

- Through intermediary organization inventions promote exchanges between and among suppliers along the export value chain;
- Strengthen Beltraide to support MSME issues related to standards and quality, packaging, and market research information on key markets regionally and internationally for MSME products;
- Equip Beltraide to develop a Market Information System that provides access, sizing and behavioural information on markets of interest to the operators in the priority sectors;
- Introduce a certification reimbursement scheme for MSMEs who acquire the needed certifications;
- Support the development of regional calibration and testing centers to provide laboratory testing support to MSME for quality assurance and product development;
- Facilitate MSME participation in local and international markets through trade fairs and missions;
- Through an intermediary organization facilitate training workshops on international trade issues, advertising and market research, packaging requirements, quality and standards;

Research and Development

Attention to the innovation capacity of MSMEs and their contribution to the development of new technology based products and markets are important if Belize is to realize the full potential of its MSME sector.

Policy Statement

GOB will support programs and incentives designed to assist MSMEs to outsource research, increase their research efforts, extend their networks, better exploit research results and acquire technological know how.

Strategies:

- Provide tax incentives and credits on R&D activities to encourage greater R&D spending in order to promote investment in innovation;
- Provide training and support via the support institution on Intellectual Property Rights and their application; Develop a specialist area within the support institution to assist MSMEs in registering and protecting intellectual property;
- Encourage linkages between MSMEs and laboratories and testing facilities;
- Provide national recognition schemes and awards for MSME's considered to be innovative and cutting edge
- Create the opportunity and encourage linkages between resource centers, research facilities locally and within the region and MSMEs to encourage the exchange of ideas, and provide access to information.

Government Procurement Preferences

Government support for MSMEs can come in many forms but one of the more direct is to ensure MSME involvement in government procurement policies and practices.

Policy Statement

GOB will legislate that the government will purchase a percentage of their requirements from MSME's.
--

Strategy

- Establish current procurement thresholds and types of products and services from MSMEs (based on the MSME statistical definition) and establish an appropriate purchasing percentage and product categories therefrom;
- If appropriate restrict certain lines of business to MSMEs only;
- Ensure that any legislation or policy will require MSMEs to reinvest a percentage of their revenues into issues that affect competitiveness such as quality improvements, quality certifications, packaging and research and development.

Identification of Roles and Responsibilities for Key Actors

Effective implementation of any policy is undermined significantly by role ambiguity among key actors. Attention to who does what allows for the smooth implementation of programs and the exploitation of synergies to achieve results. National policies involve many actors and demand an integrated and coordinated approach. In addition it is necessary to employ a participative and consultative mechanism that will ensure success at implementation and provide for Monitoring and Evaluation. The roles and responsibilities as they relate to the implementation of a national MSME policy are set out below:

Central Government

Central government is responsible for creating supportive macro economic and social environment that will allow a level playing field in comparison to larger companies, and allow MSMEs to emerge, survive and thrive. In addition central government can coordinate the following activities:

- Train government and public agency staff to appreciate the value of the enterprise culture
- Monitor the health of the private sector, nationally and at the district level and feed down comparative data
- Establish an effective means of ongoing communication with the districts, town and villages. Ensure that local needs are adequately addressed and represented at the national level
- Carry forward know how and practices that work overtime. Successive governments should not seek to constantly change the configuration of MSME support or mechanisms that work
- Harmonize the work of ministries central to MSME development (Perhaps a Ministry of MSMEs)
- Make ICTs a priority and encourage the use of new information and communication technologies
- Provide incentives for public and private bodies to work together
- Provide incentives for large firms to work with MSMEs on issues of socially responsible restructuring, supply chain and sector development

Municipal Authorities

The role of municipal authorities is to ensure that their strategic postures support the national MSME policy. Thus in establishing their priorities, a key consideration is how and where do MSME's and entrepreneurship contribute to solving the problems of their local communities and then setting out strategies for action. Areas where there is some degree of responsibility and thus the potential to harmonize local policies and activities include: Transport and Roads, Licensing and regulation (trade licenses), area and site planning, tourism and environmental health, waste management, housing, culture and the arts, social services and local security.

Private Sector

Provide investment in the MSME sector, subscribe to the values of the enterprise culture and entrepreneurship and become a partner in the implementation of the MSME policy. Through their intermediary associations, the private sector can also strengthen the representation of MSMEs by promoting advocacy in the necessary dialogue with the GOB.

Non Governmental Organizations (NGOs)

The role of NGO's will be in providing training and development to Businesspersons and Management services such as taxation, legal, labour management and regulatory reporting to MSME's

Development Partners

Belize's development partners can provide important interventions in Belize's national MSME policy. These organizations can provide finance for micro-finance operations, physical infrastructures and capacity-building of the MSME institutions and support

initiatives intended to create a favourable environment for the enterprise culture and MSME development.

Support Institution

The specialist and nationally recognized support institution is vested with the overall responsibility of coordinating and implementing the policy and providing the business support and related services; these can include business services, specialist financial services and support infrastructure (clusters, incubators).

According to the MSME Dialogue Series on Creating and Implementing MSME support Policies and Initiatives²⁷, the first responsibility of the support institution is to make itself relevant and sustainable. The starting point in building a sustainable support institution is to understand how the MSME learns to cope and develop in the market place i.e how they do things and the relationships with organizations that must be developed. In sum the support institution must understand the playing field for MSMEs and those issues on which the success of the enterprise relies. Figure 5 below provides a succinct illustration of the demands on the MSME and the role of the entrepreneur. The entrepreneur’s job is to manage the interdependency of stakeholders, in an uncertain environment and with limited resources.



Figure 5 – Courtesy of MSME Dialogue Series Briefing Paper 10, How to Build Sustainable Institutions for Support of MSME Development

²⁷ MSME Dialogue Series, Creating and Implementing Micro, Small and Medium Enterprise Support Policies and Initiatives, Briefing Papers, UNDP, Bratislava Regional Center and World Bank Development Learning Network

Premised on this model, the aim of the support institution is to add value to the MSME sector by:

- Lowering the transaction costs of the playing field or increasing the benefits therefrom;
- Facilitating network co-operation and engagement with stakeholders to achieve both learning and cost reduction;
- Focus on adding value and solving problems in respect of how things are done
- Help MSMEs to learn from each other

To do this, the authors of the MSME Dialogue Series suggest that the support institution must

- Understand the way in which relationships develop between the MSME and other key stakeholders in different contexts and at different stages of development over time.
- Be familiar with the ways of doing things in the ‘community of practice’ with different types of stakeholders in order to understand how to add value.
- Understand the different imperatives, cultures and power relationships that drive this process of relationship development and be in a position to remedy asymmetries that occur where necessary.
- Understand the emotions that lie behind the relationships and the way in which these determine beliefs and dictate learning from relationships, given the values of the entrepreneur.
- Understand the way that knowledge is organized within these relationships and understand the process of how learning takes place and how MSME entrepreneurs ‘learn to learn’.
- Understand the perspectives of the different stakeholder partners and the potential for effective clustering and partnership in their relations with the MSME population at various stages of development.

In short, the institution must become part of the fabric of the stakeholder network for MSMEs and their entrepreneurs.

6.0 Policy Monitoring and Evaluation

The success of any policy is measured by its implementation with a time bound agenda. This policy has to be implemented within three years to realize the desired results. Beltraide as the focal point will gather all the information, analyze, and present a time bound agenda for the implementation of the policy. In designing its implementation framework the organization should set out a complete monitoring framework with performance/targets and indicators, identification of data sources and reporting mechanisms, and the identification of assumptions and risks. It should also plan to evaluate the impact of the program every year and should be prepared to publish and publicly discuss the outcomes. Finally every year a copy of the evaluation results will be submitted to the Cabinet with details for corrective measures as deemed necessary. The monitoring framework for this policy's programs are detailed in Annex 2.

7.0 Priorities for Implementation

Over the next three years the implementing agency may consider the following priorities for implementation:

Priority Schedule for Recommended Strategies

	Objectives and Activities	Timeframe
1.0	Address the issues in the Legal and Regulatory Environment	
	Draft and pass the MSME Development Act which establishes the necessary structure for overseeing and regulating the development of MSMEs in Belize. Identify the responsible agency for its implementation and clarify its role and responsibilities and long term objectives. Ensure the act decisively defines the MSME based on the recommendations herein to remove any ambiguity in the categorization process and ensure a registry for MSMEs with a simple registration process and penalties for non-registration.	Yr 1
	Simplify the business registration and licensing procedures and ensure a well established and advertised focal point exists for information. Notify of the revised procedures in centers relevant to MSMEs;	Yr 1
	Simplify the tax laws and procedures relevant to MSMEs and ensure a well established and advertised focal point exists for information. Revise the tax system to include relief based on the national definition for MSMEs and considering the point in the life cycle of the MSME;	Yr 2 - 3
	Amend the investment regime to award incentives based on the thresholds established by the national definition of MSMEs and simplify the procedures for application. Establish and advertise a focal point for information;	Yr. 1
	Simplify the procedures for access to and acquisition of land and inject transparency in the decision making process as it relates to approvals and valuations of land;	Yr. 2-3
	Encourage the design of programs specific to MSMEs and which are aligned with the thresholds in the purchase of communication and energy services;	Yr 2-3
	Review government procurement procedures to facilitate MSME participation;	Yr. 3
	Establish a nationally recognized focal point to allow the training and sensitization of MSMEs in areas relevant to MSMEs such as	Yr 1

	registration and licensing, intellectual property rights and other related issues;	
2.0	<p>Cultivation of a Strong Enterprise Culture</p> <p>Develop and ensure a clear and nationally embraced definition of entrepreneur and the desired enterprise culture;</p> <p>Design instruments to measure the culture on an ongoing basis;</p> <p>Review and adjust where necessary, educational, vocational and training organizations (including intermediary organizations that support MSME development) ;and the broader educational system to embed the culture;</p> <p>Actively support the design of programs in the educational system aimed at supporting enterprise development and entrepreneurship;</p> <p>Support initiatives that promote new business ideas, innovation and entrepreneurship at all levels of society.</p>	<p>Yr. 1</p> <p>Yr. 1</p> <p>Yr. 1 – 3</p> <p>Ongoing</p> <p>Ongoing</p>
3.0	<p>Increased Access to Finance</p> <p>The GOB will make offers in the financial sector with a view to inviting participation of organizations and institutions that cater specifically to MSMEs (credit unions and other micro lending institutions);</p> <p>Encourage through legislation and Central Bank interventions the opening up of MSME windows in existing financial institutions with simplified procedures and systems of lending;</p> <p>Encourage the introduction of non-bank intermediated finance services such as credit guarantee schemes, micro leasing and credit union/cooperative programs in intermediary organizations (Beltraide, BCCI) and/or through the development of institutions for this specific purpose.</p>	<p>Per negotiation</p> <p>Yr 1</p> <p>Yr 1-3</p>
4.0	<p>Cultivation of a Strong Stakeholder Environment</p> <p><u>Physical Infrastructure</u></p> <p>Identify geographical pockets of MSME production and develop a schedule to address issues related to access roads, utilities and physical facilities where they exist;</p> <p>Work with local authorities to develop sectoral and geographical clusters of micro and small enterprises in particular, and particularly as it relates to the priority sectors of development, to allow these clusters to exploit economies of scale as it relates to supply and suppliers of raw materials and other inputs including utilities and land;</p> <p>Encourage the regulators of dominant utility companies to abide by their universal access commitments, awarding priority to MSME</p>	<p>Yr 1 (in concert with NES implementation)</p> <p>Yr 1- 3</p> <p>Yr 2-3</p>

<p>concentrations and clusters;</p> <p>Review existing utility company legislation to ensure there are no provisions which may unduly burden or disadvantage MSMEs;</p> <p>Craft a transportation policy which provides for the development of transportation systems appropriate to the haulage of MSME products and services (e.g. furniture and handicrafts, fruits and vegetables), particularly to and from the cluster regions;</p> <p><u>Business Development</u> Vest the authority for Business Development Services in an existing organization like Beltraide. Adjust the legislation to ensure that Beltraide is shaped to operate as an entrepreneurial organization with freedom, ownership, and ability to build networks of trust, take independent initiatives and grasp opportunities;</p> <p>Develop the institution in accordance with the core tenets of the Institutional requirements articulated further below.</p> <p><u>Technology</u> Develop a specific thematic area within the specialist institution for the efficient delivery of technology to operators in the priority sectors. Ensure programs such as information about and access to the relevant certification processes; special subsidies, credit programs and incentives for technology adaptation and upgrades; and mechanisms for enhancing networking between SME's and technology providers;</p> <p>Facilitate capacity building of organizations which support the installation and maintenance of hardware and software associated with the technology;</p> <p><u>Marketing</u> Through intermediary organization inventions promote exchanges between and among suppliers along the export value chain;</p> <p>Strengthen Beltraide to support MSME issues related to standards and quality, packaging, and market research information on key markets regionally and internationally for MSME products;</p> <p>Equip Beltraide to develop a Market Information System that provides access, sizing and behavioural information on markets of interest to the operators in the priority sectors;</p> <p>Introduce a certification reimbursement scheme for MSMEs who acquire the needed certifications;</p> <p>Support the development of regional calibration and testing centers to provide laboratory testing support to MSME for quality assurance and product development;</p>	<p>Yr 2</p> <p>Yr 1</p> <p>Yr. 1</p> <p>Ongoing</p> <p>Yr. 1</p> <p>Ongoing</p> <p>Yr 1-3</p> <p>Yr. 1-3</p> <p>Yr. 1-2</p> <p>Yr 2</p> <p>Start Yr 1 (ongoing)</p>
--	---

	<p>Facilitate MSME participation in local and international markets through trade fairs and missions;</p> <p>Through an intermediary organization facilitate training workshops on international trade issues, advertising and market research, packaging requirements, quality and standards;</p> <p><u>R&D</u> Provide tax incentives and credits on R&D activities to encourage greater R&D spending in order to promote investment in innovation;</p> <p>Provide training and support via the support institution on Intellectual Property Rights and their application; Develop a specialist area within the support institution to assist MSMEs in registering and protecting intellectual property;</p> <p>Encourage linkages between MSMEs and laboratories and testing facilities;</p> <p>Provide national recognition schemes and awards for MSME's considered to be innovative and cutting edge</p> <p>Create the opportunity and encourage linkages between resource centers, research facilities locally and within the region and MSMEs to encourage the exchange of ideas, and provide access to information.</p> <p><u>Government Procurement</u> Establish current procurement thresholds and types of products and services from MSMEs (based on the MSME statistical definition) and establish an appropriate purchasing percentage and product categories therefrom;</p> <p>If appropriate restrict certain lines of business to MSMEs only;</p> <p>Ensure that any legislation or policy will require MSMEs to reinvest a percentage of their revenues into issues that affect competitiveness such as quality improvements, quality certifications, packaging and research and development.</p>	<p>Ongoing</p> <p>Start yr 1 (ongoing)</p> <p>Yr 2</p> <p>Yr. 1 (ongoing)</p> <p>Ongoing</p> <p>Yr 2</p> <p>Ongoing</p> <p>Yr 1</p> <p>Establish by Yr 2</p> <p>As appropriate</p>
--	---	--

References

1. Angellitti, P., Moudry, R., Llisterri J., Institutional Capacities for Small Business Policy Development in Latin America and the Caribbean, Sustainable Development Department, Technical Papers Series, Inter-American Development Bank, December 2006.
2. Annual Report, Ministry of Agriculture and Fisheries 2005.
3. Belize Investor's Manual 2007, Beltraide.
4. Belize National Export Strategy, Beltraide, 2007.
5. Beltraide Action Plan 2008-2009, Beltraide 2008.
6. Donor's Memorandum, Improving Small Business Competitiveness in the Tourism Industry.
7. Doing Business 2008 – Belize Country Report, A Project Benchmarking the Regulatory Cost of Doing Business in 178 Economies, Doing Business Project, World Bank Group.
8. European Commission , “Green Paper Entrepreneurship in Europe COM 92003, 2003.
9. MSME Dialogue Series: Creating and Implementing Micro, Small and Medium Enterprise Support Policies and Initiatives, Briefing Papers, UNDP, Bratislava Regional Center and World Bank Global Development Learning Network.
10. National SME Development Plan for Belize, Mega Ace Consultancy Pvt. Ltd, Commonwealth Secretariat, 2006.
11. Navajas, S., Tejerina, L., Microfinance in Latin America and the Caribbean, How Large is the Market?, IADB, Sustainable Development Department, Best Practices Series, November 2006.
12. Small and Medium Enterprise Development Policy, United Republic of Tanzania, Ministry of Industry and Trade, 2002.
13. Stern, Peter, Promoting Investment in ICT in the Caribbean, IADB Economic and Sector Study Series, May 2006.
14. Wenner, M, Chalmers G., Microfinance Issues and Challenges in the Anglophone Caribbean, IADB Working Paper, Sustainable Development Department, Micro, Small and Medium Enterprise Division, March 2001.

Annex 1 – Review of Consultation Process

Project Sensitization and Consultation Process

Work for the development of the Small Business Development Strategy for Belize was initiated following the preliminary sensitization visits undertaken to the country by Mega Ace local consultants along with officials from the Commonwealth Secretariat and CAIC in May 2005.

Consultative Meetings in Belize

Preliminary consultative meetings in Belize were held with various agencies and stakeholders in May 2005. The Mega Ace Local Consultant for the project Mr. Stephen Broome represented the Mega Ace Project Consulting Group. The local consultant held wide-ranging consultations with Mrs. Dionne Chamberlain- Miranda of Belize Chamber of Commerce and Industry; Linsford Castillo of Youth for the Future; Mr. Jacob Ramsay, Ministry of Industry; Hon. Ralph Fonesca, Minister of Home Affairs and Investment; Lincoln Blake and Jeanette Garcia, Ministry of National Development; Dr. Cardo Martinez, Belize Business Bureau; Mrs. Lourdes Smith, Executive Chairman, BELTRAIDE and a visit to Marie Sharp's Fine Food Limited to understand the operations of a local entity.

In July 2005 the International Team of Mega Ace Project Consultants visited and undertook consultations in the country. The team of International Consultants was led by the Chief Project Consultant/Coordinator Prof. Poonam Kumar and included the International Policy and Strategy Expert Mr. P. Sriganesh and Network Brokerage Specialist Mr. John Edgar. These meeting were also attended by Carol Ayong (CAIC). The team held wide-ranging consultations with various country/stakeholder representatives.

Additionally, Mega Ace local consultant in Belize Mr. Henry Anderson and Mr. Luis Contantino of the University of Belize (UB) also held consultations at various levels with stakeholders towards the finalization of this strategy document.

At the request of BELTRAIDE, a meeting between Mega Ace, COMSEC and BELTRAIDE was held in London on September 26, 2006 to review the status of Belize SME policy document and the process/procedures followed for the preparation of the National SME Development Plan for Belize (SMEDP) as required under the Pan Caribbean Project.

The need to have multi-city consultations in Belize and the involvement of small businesses spread across the country in the development of the National SME Policy was stressed by BELTRAIDE. This meeting concluded that a visit was necessary and proper advertisement of the event was essential to capture the views of a broad spectrum of SME representatives.

As agreed the consultations were held from November 6-10, 2006 in the five locations i.e. East, West, North and South, and also Toledo. Ahead of the consultations, Mega-Ace

provided BELTRAIDE with a template of a questionnaire for distribution amongst Chambers of Commerce, Business Associations and related bodies to obtain their feedback. Representatives from BELTRAIDE, Mega Ace's local consultant Mr. Luis Constantino of the University of Belize (UWI) attended these consultation meetings with Mega Ace's international consultant Mr. P.Sriganesh.

Details of places where discussions were held

District	Date	Time	Venue
Toledo	Nov. 6th	5:30 p.m.	St. Peter Claver Parish Hall, Punta Gorda Town
Stann Creek	Nov. 7th	5:30 p.m.	Father Phillip Morris Parish Hall, Dangriga Town
Cayo	Nov. 8th	5:30 p.m.	San Ignacio Hotel, San Ignacio Town
Belize	Nov. 9th	5:30 p.m.	UWI Auditorium, West Landivar, Belize City
Orange Walk and Corozal Districts	Nov. 10th	5:30 p.m.	House of Culture, Orange Walk Town

The following chart gives the details of representatives present and the responses received. Two different response sheets were prepared for individuals and business associations. We also used data from the survey conducted by Belize University and information thereon is contained in the subsequent tables.

Details of number of MSME representatives present at the various meetings in each of the districts and the count of written completed survey forms received.

District	Number of Representatives present and presented their views	Written completed survey forms received from MSME's	Written responses received from Business Associations
Toledo	9	4	None
Stann Creek	22	9	None
Cayo	17	7	None
Belize	12	2	None
Orange Walk and Corozal Districts	11	5	None

Annex II – Recommended Monitoring and Evaluation Framework

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact To develop a vibrant and expanding MSME sector leading to accelerated private sector development for broad based, sustainable economic growth.</p>	<p>Increased broad based MSME sector participation in economic activities measure by:</p> <p>Growth rate of MSMEs in priority sectors;</p> <p>Total employment by sectors as percent of total labour force;</p> <p>Increase of MSME related export sales</p>	<p>Beltraide Annual Reports and GOB's statistical database;</p> <p>Beltraide Progress Reports;</p>	<p>Political stability and government commitment to the agenda;</p> <p>Favourable response from the private sector</p>
<p>Outcomes A Coordinated policy, strategy and institutional framework for MSME development</p>	<p>Identification of National Support Institution for MSMEs;</p> <p>Prepared and adopted MSME Development law;</p> <p>Prepared and adopted MSME long term policy and strategy;</p>	<p>Official copies of government's confirmation on the actions taken;</p> <p>Program progress reports;</p>	<p>Adequate resources and budget support to carry out activities;</p> <p>Strong Government Commitment;</p> <p>Good coordination and implementation support among government agencies and stakeholders;</p> <p>Qualified consulting services to assist in project implementation;</p>
<p>Outputs A national definition for MSMEs</p> <p>Address policies and regulations that prejudice the start up, survival, formalization and growth of SME's</p>	<p>Definition incorporated into a law for MSME development;</p> <p>Growth in business registrations;</p> <p>Amendments for MSME in setting up a business;</p> <p>MSME specific amendments to the tax system;</p> <p>Adjustment in investment policies and simplification of the application process;</p> <p>Simplification of the procedures to access land;</p>	<p>Official copies of government's confirmation on the actions taken;</p> <p>Official copies of laws and regulation</p> <p>Program progress reports</p>	<p>Continuous support for the MSME agenda,</p> <p>Policies and amendments not reversed;</p>

<p>The cultivation of a strong enterprise culture</p> <p>The development of a favourable fiscal and financial environment;</p> <p>The cultivation of a strong stakeholder environment Identifying and assigning clear roles for key actors</p>	<p>MSME programs in Utilities pricing schemes</p> <p>Definition of entrepreneur and enterprise culture enshrined in MSME law; A schedule of educational reforms and schedule;</p> <p>The opening of credit windows in at least 2 traditional banking institutions; The introduction of 2 non-bank intermediated finance services</p> <p>As per the established priority schedule Established agencies</p> <p>Coordinated approach to MSME development administration;</p> <p>Broad based acceptance of delineated roles and responsibilities</p>		
--	--	--	--