



ADDENDUM

Update On White Paper 2015

REVISED WHITE PAPER ON INVESTMENTS IN BELIZE:

A Strategy for Innovation, Competitiveness,
Entrepreneurship and Private Sector Development



Belize Chamber of Commerce and Industry, 2015

Addendum

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Revised White Paper on Investments in Belize: A strategy for Innovation, Competitiveness, Entrepreneurship and Private Sector Development

The purpose of this ADDENDUM dated July 13, 2015, is to provide an update on actions taken in reference to the White Paper policy recommendations and to make additional policy recommendations. All other specifications, terms and conditions of the White Paper in this ADDENDUM remain as originally stated.

Policy Recommendations under Consideration

- I. Policy Recommendation: The undertaking of a thorough tax diagnostic on Belize with defined timelines for implementation.*

Action Taken: Support to Trade and Tax Policy Reform BL-T1059

The operation will support continued reform in the trade and tax policy (tax policy and tax administration), by assisting the Government of Belize in areas such as tariff policy and import duties policy, Export Processing Zones (EPZ), as well as a Goods and Services Tax (GST) Reform and even other topics in direct taxation. The operation is consistent with the Banks strategy with Belize (2007-2013) since it aligns with the "tax and trade policy objective of the former. The program, moreover, follows previous Bank interventions in support of fiscal sector policy reform and thus represents a natural continuation of the Bank-Country partnership in this area of reform (see Table 1).¹

Schedule: Support to Trade and Tax Policy Reform BL-T1059

Final Result	Intermediate indicators	Base Line	Expected Product	Means of Verification
1. Strengthening of the institutional capacity of the Belize Tax Administration.	- One study with the plan for the organizational reform of revenue collection agencies in	0	1 Study	Proposal presented disseminated and key stakeholders.

¹ Source: <http://www.iadb.org/en/projects/project-description-title,1303.html?id=BL-T1059>

	Belize			
2. Streamlining of trade-related and excise taxes, and maximization of the GST tax base.	- One study with the proposal and economic consequences of indirect taxation reform.	0	1 Study	Proposal presented and disseminated to the Government and key stakeholders.
3. Phase-in from the business tax to a conventional corporate income tax.	- One study with the proposal and economic consequences of direct taxation reform.	0	1 Study	Proposal presented and disseminated to the Government and key stakeholders.
4. Investment promote by new tax incentives policy.	- One study with the proposal and economic consequences of tax incentives policy reform.	0	1 Study	Proposal presented and disseminated to the Government and key stakeholders.
5. Personnel of the MOF trained in the use of the model for tax and trade reforms assessments.	- Designed of a model/tool for tax and trade reform assessment.	0	Model/tool	Model/tool in operation.
6. Implementation of proposed reforms	- Consensus among the key stakeholders on the reforms proposed	0	3 seminars	Seminars for the dissemination and validations of reforms.

*II. **Policy Recommendation:** The BCCI recommends that the GOB develops, in consultation with key stakeholders, a long-term human development strategy that would target specific and phased improvements in Belize's Human Development Index (HDI), with the objectives of improving the level of education in Belize, and encouraging entrepreneurship and innovation in identified national priority sectors.*

Action Taken: **BL-L1018: Education Quality Improvement**

The main objective of the Program is to improve the quality of primary education and the governance of the Belize education system. The specific objectives are to:

- (i) Train approximately 50 percent of TEI (Teacher Education Institutes) pre-service instructors teaching methods courses and 46 percent of in-service teachers at the primary level;
- (ii) Train approximately 37 percent of primary school principals in instructional leadership and administration;
- (iii) Develop and implement an EMIS (Education Management Information System) for 100% of schools at the primary and secondary levels; and
- (iv) Improve the profile of teacher candidates.²

III. **Policy Recommendation:** *Noting the need to constantly improve government systems, it is recommended that public sector reform is undertaken on a priority-needs basis across all line ministries and departments with emphasis on the Department of Lands and Surveys. In an effort to bring legitimacy to the real estate sector, the legal scrub currently being undertaken by the Attorney General's Ministry on the draft Real Estate Bill should take precedence followed by Cabinet's endorsement for passage into law as soon as possible.*

Action Taken: **The execution of the Land Management Program Phase III (LMP III)**

The Government of Belize signed a loan agreement with the Inter-American Development Bank (IDB) on November 16, 2009, in the amount of US\$2,500,000 to finance the execution of the Land Management Program Phase III (LMP III). The Project is for a period of three (3) years and is in its final stage of development. The objective of this Program is to consolidate and expand land management services country-wide, to improve quality, efficiency and access to all Belizeans.

The LMP III consists of three components:

- (1) Expansion of the Parcel-Based Land Information System;
- (2) Improvement of Urban Land Information; and
- (3) Support for the Provision of Modern Land Management Services.

The LMP III Program is being executed by the Ministry of Natural Resources and Agriculture (MNRA) through the Department of Lands and Surveys (DLS). In

² Source: <http://www.iadb.org/en/projects/project-description-title,1303.html?id=BL-L1018>

November 2012, the Program began execution of Component 1: *Expansion of the Parcel-Based Land Information System*.³

- IV. **Policy Recommendation:** *Shore side cruise facilities now in the development stages should be reviewed as part of the national production development strategy to ensure best economic fit.*

Action Taken: Inter-American Development Bank (IDB) Grant Funding

The Inter-American Development Bank (IDB) is helping Government of Belize with grant funding to assist with the development of a national transportation master plan. On this basis, if a decision is made to make the plan comprehensive, then cruise facilities will be factored in the overall plan.

- V. **Policy Recommendation:** *The GOB is requested to look at strategies employed by our Central American counterparts and make use of institutions such as the IIC to assist in improving Belize's port facilities. A full Port Development Strategy is recommended in order to consider the role of the existing and contemplated port facilities throughout the country as they pertain to moving the economy forward.*

Action Taken: Inter-American Development Bank (IDB) Grant Funding

The Inter-American Development Bank (IDB) is helping Government of Belize with grant funding to assist with the development of a national transportation master plan. On this basis, if a decision is made to make the plan comprehensive, then port facilities will be factored in the overall plan.

- VI. **Policy Recommendation:** *In an effort to keep our dollars at home, the BCCI recommends that commerce, and trade activities, and by extension investments are promoted within Belize and abroad at a more targeted approach. This would require unfaltering efforts by both the public and the private sector to build on the existing infrastructure at BELTRAIDE. The idea is not to re-invent the wheel but to buttress the existing framework by making it work more efficiently.*

Action Taken: Restructuring of BELTRAIDE and Revamping of the Belize Trade and Investment Development Service Act

In 2014, there was a restructuring of BELTRAIDE including their various divisions. The restructuring is to help facilitate BELTRAIDE's objectives. Three

³ Source: <http://www.sanpedrosun.com/politics-and-government/2012/11/10/lands-surveys-department-upgrading-land-management-system/>

major divisions of BELTRAIDE namely are Belize Training and Employment Center (BTEC), Small Business Development Center (SBDC) and Export Belize are working to facilitate trade and investment. Export Belize, currently has an export manager and two export development officers. They work closely with BTEC and SBDC to promote export development especially in the case of existing goods. They are also expanding their framework to facilitate more investments including foreign direct investments (FDIs). In addition, they are working with ITVET to provide adequate training that are in line with the demand driven skills that foreign investors require in the hiring process.

Since 2012, the Government has increased BELTRAIDE's budget by approximately 50%. Part of the budget increase was used to facilitate investment works being done by Export Belize, BTEC and SBDC.

The Belize Trade and Investment Development Service Act was revamped to strengthen the existing investment framework. The Act is currently under revision at the ministry. In addition to the amendments to the framework, the Act will reflect that Micro Small and Medium Enterprises (MSME) will now be the responsibility of BELTRAIDE. Notably, a Cabinet Sub-Committee is in place to assist BELTRAIDE in relation to investment matters. The Committee brings all relevant investment bodies to address investment related concerns and matters and advise on investment opportunities. BELTRAIDE is also in the process of developing a National Investment Policy that will serve as guide on how to invest in Belize.

The Fiscal Incentive Policy (FIP) is also being revamped to make amendments in regards to who can apply for such incentives program such as the SMEs. In the past only well-established entities applied for the program because of the requirements and the lengthy process involved in getting the incentive. The revised FIP will be tabled to Cabinet within the next few months.

VII. Policy Recommendation: *The revamping of Belize's Fiscal Incentive and CFZ/EPZ programme needs attention with uniform collaboration between line ministries and departments and stakeholders such the private sector as the means to configure national policy objectives with investment priorities to revamp the current regime on the application of Corozal Free Zone (CFZ)/ Export Processing Zone (EPZ) and Fiscal Incentive Programme.*

Action Taken: The legislation is under revision to meet the deadline set by World Trade Organization which is December 2015. The Fiscal Incentive Policy (FIP) is being revamped to make amendments in regards to who can apply for such incentives program such as the SMEs. In the past only well-established entities applied for

the program because of the requirements and the lengthy process involved in getting the incentive. The revised FIP will be tabled to Cabinet within the next few months.

New addition to White Paper: Policy Recommendation

Agricultural insurance as a mitigation strategy for risk reduction

Most credit from commercial banks and also from the Government's main development bank (Development Finance Corporation) goes to stable and less risky activities within the agriculture sector (main traditional exports). This has resulted in small farmers not having easy access or affordable credit. Credit needs to cater to the unique characteristics of farmers by reforming administrative stipulations for its management, such as decentralization, collateral, repayment, supervision, and insurance against risk and uncertainty.⁴

Moreover, public-private partnerships opportunities exist in ventures to develop agricultural insurance markets. These types of ventures foster access to finance and improve agricultural productivity. Governments can actively support growth of agricultural insurance through investments in weather stations and data collection, such as weather and area yield data, necessary for commercial products to be developed, which may also require suitably designed premium support. In Chile, for example, government support to agricultural insurance is restricted to crop insurance in the form of subsidies on crop insurance premiums. In 2000, the Government of Chile established a national crop insurance program with a fixed 50% premium subsidy level that was introduced for all crops plus a fixed amount of USD 48 per policy and with a maximum premium subsidy per farmer per season of USD 1,760.⁵

In the Eastern Caribbean, the Windward Island Crop Insurance Ltd. (WINCROP) provides insurance for banana growers. In the Dominican Republic, the Aseguradora Agropecuaria Dominicana SA (AGRODOSA) provides multi-peril insurance to 7 percent of the cultivated area. Apart from these two exceptions, agricultural insurance for individual farmers is nonexistent.⁶

Governments can also promote more traditional yield-based crop insurance through appropriate incentives and support systems. Noteworthy to mention is that fiscal support is necessary for reinsurance markets and funding for catastrophic risks. Agricultural insurance can protect financial institutions against certain covariate risks and allow them to expand their exposure towards the agriculture sector. Agricultural insurance can also permit producers to better mitigate weather and other crop risks in order to specialize and thus grow by taking advantage of

⁴ Source: http://www.agriculture.gov.bz/PDF/Policy_Document.pdf

⁵ Source: http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/CountryOverviewMasterPiece_final_ANNEX_E.pdf

⁶ Source: http://siteresources.worldbank.org/INTLAC/Resources/257803-1269390034020/EnBreve_183_Eng_Print.pdf

economies of scale in production. Moreover, to keep premium levels affordable, most crop insurance programs are highly subsidized, even in developed countries.⁷

Furthermore, innovative approaches and systems for water and watershed management, investment in land and drainage infrastructure, risk management and agricultural insurance is required to address the critical need for sustained growth in food productivity and for poverty reduction.⁸

Ensure that public policies and investment play a catalytic role in the formation of partnerships within the agricultural sector including, farmer co-operative and private partnerships, to ensure that the interests of smallholders are being served and preserved by those partnerships, and recognize that, in many cases, the Government has a crucial role to play in facilitating access to adequate insurance coverage across the agricultural sector.

⁷ Source: http://www.ifc.org/wps/wcm/connect/04da89804a02e2e19ce0fdd1a5d13d27/G20_Agrifinance_Report.pdf?MOD=AJPERES

⁸ Source: <ftp://ftp.fao.org/TC/CPF/Country%20NMTPF/Belize/status/CPFBelize20112015.pdf>