



Investments in Belize: A Strategy for Innovation, Competitiveness, Entrepreneurship and Private Sector Development

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



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LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific
ADE	Agency for the Development of Enterprise
AMD	Agricultural Market Development
AMS	Agricultural Market Systems
BAHA	Belize Agricultural Health Authority
BAS	Belize Agro-Productive Sector Group
BELTRAIDE	Belize Trade and Investment Promotion Agency
BCCI	Belize Chamber of Commerce and Industry
BHL	Banks Holdings Ltd.
BMDC	Belize Marketing and Development Corporation
BOD	Board of Directors
BOPA	Belize Offshore Practitioners Association
BRDP	Belize Rural Development Programme
BSI	Belize Sugar Industry Ltd.
BSO	Business Support Organization
BTB	Belize Tourist Board
BYBT	Belize Youth Business Trust
CARDI	Caribbean Agriculture Research and Development Institute
CATCO	Caribbean Agricultural Trading Company
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CGA	Citrus Growers Association
CITO	Chief Information Technology Office
CPA	Country Poverty Assessment
CFZ	Corozal Free Zone
CPBL	Citrus Products of Belize Ltd
CSME	CARICOM Single Market and Economy
DFC	Development Finance Corporation
DFQF	Duty-Free Quota-Free
DR	Dominican Republic
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign Direct Investment
FY	Fiscal Year
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GOB	Government of Belize
GST	General Sales Tax
HDI	Human Development Index
IBC	International Business Companies
ICT	Information and Communications Technology
IDB	Inter (American) Development Bank
IFS	International Financial Services



IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
IPA	Investment Promotion Agency
LDC	Less Developed Country
LMP	Land Management Programme
Mpbs	Megabytes per second
MIF	Multilateral Investment Fund
MOA	Ministry of Agriculture
MSME	Micro, Small and Medium Enterprises
MTES	Medium Term Economic Strategy (Belize)
NCC	National Consultation Council
NTNC	National Trade Negotiating Commission
OAS	Organization of American States
ODCs	Other Duties and Charges
OECS	Organization of Eastern Caribbean States
OTN	Office of Trade Negotiations
PAYE	Pay As You Earn
PBL	Port of Belize Ltd
QRP	Qualified Retired Persons
SIB	Statistical Institute of Belize
SBA	Small Business Association
S&P	Standard & Poors
STP	Sustainable Tourism Programme
TNC	Transnational Corporations
TTT	Trade Technical Team
TVET	Technical and Vocation Education Track
UN	United Nations
UNCTAD	United Nations Conference for Trade and Development
UDP	United Democratic Party
UNDP	United Nations Development Programme
US	United States/ of America
VoIP	Voice over Internet Protocol
WTO	World Trade Organization

PREFACE

This White Paper was prepared by the Economic Sub-Council of the Belize Chamber of Commerce and Industry (BCCI). The purpose of this White Paper on Investments is for the Government of Belize (GOB) to consider developing a strategy to promote investments, both foreign and local, as a means for creating major growth in Belize in terms of improved levels of employment, revenue generation and incremental values in Gross Domestic Product (GDP). The Paper outlines key recommendations for policy modification, adoption and adjustment. It is intended that policy makers, particularly in the area of investment formulation and implementation, will be willing to assess the recommendations presented herein, modify existing policies, and formulate new ones with the aim of addressing fundamental issues on the subject. Other areas such as the role of the judiciary and the effect of crime on the business operating environment possess their own complexities and are left for more in-depth analysis.

EXECUTIVE SUMMARY

Belize has weathered the global economic recession auspiciously compared to our regional counterparts in the Caribbean Community (CARICOM). Belize's economy is resilient and has tremendous room for export diversification, value addition and innovation. In so doing, it must be realized that national development requires a collective vision and synchronized collaboration between the public and private sector respectively. It may also warrant more uniform cooperation among Ministries and Departments with clearly defined objectives and time lines for implementation.

This White Paper on Investments is divided into three sections. Part I, *Economic Outlook*, provides an economic backdrop of the status quo in Belize through assessment of secondary data on the major industries and their prospects for growth. Part II, *The Need for Policy Adjustments*, relies on primary data through interviews with key stakeholders and also utilizes major national publications in analyzing the current macro-economic environment. This section forms the substance of the paper and discusses key tenets for policy adjustments for consideration by the GOB in the hope of creating a **National Production Development Policy**. It employs the use of case studies from Latin America and the Caribbean (LAC) countries with the aim of sharing experiences learnt and approaches to growth in various sectors and sub-sectors. The paper also maintains that more synergies are to be drawn between the public and private sectors and calls for the formation for a Technical Assistance and Strategic Cooperation (TASC) Division charged with the responsibility and oversight for monitoring and evaluating key areas for policy adjustment. Part III, *The Way Forward*, is the final section that provides a synopsis of recommendations for reform across sectors and sub-sectors.

This White Paper maintains that the space for improvement in Belize's business operating environment is significant and positive reforms highly achievable and highlights areas and sectors for improvement from the perspective of the organized private sector. It ends in a temperate note and conveys that the private sector remains committed to contributing to the national developmental objectives in Belize, provided that they are clearly defined, consistent and predictable.

INTRODUCTION

The stunted growth recorded for Belize over the years is arguably because Belize has diversified little to the extent that its export basket over time has remained unchanged.¹ Trade and investments are concentrated in the same traditional areas: agricultural production and tourism sectors. To a large extent, the limited expansion in the sectors, with the exception of petroleum, is the *raison d'être* that Belize has not been flourishing with foreign direct and local investments. Only a limited number of the entrepreneurial class has significantly added to GDP as evidenced by the economy's inability to improve from an *efficiency-driven* to an *innovation-driven economy*. And neither is the thrust, or lack thereof, of investments in Belize bolstered by an entrepreneurial spirit in which investor confidence and an enterprising culture are inculcated. In effect, Belize's investment climate is suffering from a crisis of confidence as evidenced by excess liquidity for commercial banks at \$221.1 million² and relatively low levels of foreign direct investments. Limitations arising from the nature of the private corporate system, and the underdevelopment of the business environment in Less Developed Countries (LDCs) such as Belize were highlighted as major factors that limited participation in the CARICOM Single Market and Economy.³ Furthermore, a number of other institutional factors point to Belize's limited growth such as restricted or non-existent access to credit/finance and business services support for export facilitation, marketing intelligence, and incubation centers for budding investors to name a few.

Belize's economy has not been able to become competitive, its level of innovation is relatively skewed and international perception of the country as a jurisdiction for investments has dulled recently with Standard and Poor's (S&P) downgrade of Belize's sovereign credit rating to 'CCC+' from 'B-'.⁴ Nomura also underscores that this rating action reflects "signs of lower political willingness to service Belize's external commercial debt obligations."⁵ As that backdrop, Government has limited room for fiscal stimulus,⁶ and the need to make payment to country's Super bond of BZ\$1,085.0 million is an imperative.

¹ Hausmann, R. & Kinger, B. (2009) "Policies for Achieving Structural Transformation in the Caribbean", IDB. The case study describes Belize as possessing low product sophistication, low diversification and limited structural transformation.

² Central Bank of Belize weekly aggregates as of 31st December 2011.

³ Arthur, O. (2010) "Revised Individual Country Analytical Report of CISP/CSME/Result/9.1.1/Ser 99.10 Consultancy to Support the Full Integration of Belize and the OECS in CARICOM." Arthur cites Belize's special circumstances are such that it stands to gain from and stands to make a major contribution to the CSME. Factors having to do with its supply capacity, the effect of the transportation and infrastructural related services and the Information and Communication Technology factors need to be addressed.p.8.

⁴ Standards and Poor (2012) Belize Long-Term Ratings Lowered To 'CCC+' From 'B-'; Outlook Stable downloaded on 6 February 2012 at <http://www.standardandpoors.com/prot/ratings/articles/en/us/?articleType=HTML&assetID=1245328416849>

⁵ Segura, B.(2012), "Belize: Words do come easy" Nomura downloaded on 7 February 2012 at www.nomura.com/research

⁶ Central Bank of Belize (2012) "Domestic Interest Rates" power point presentation dated 11 January 2012 p.16



The BCCI considers that the country needs to improve its business operating environment to generate more revenue and increase levels of employment. The BCCI views that inward investment in Belize is one of the main solutions for capital formation, the creation of employment, as well as an instrument for enabling private enterprises to better position themselves internationally and compete globally in niche markets with specialized products and services. In the hope of improving the investment landscape so as to spur more economic activities in Belize, this White Paper provides key policy recommendations necessary for the country to take a leap forward and position itself to achieve greater levels of competitiveness and innovation in a fully functional business operating environment. However, before any attempt is made to improve the status quo, the BCCI hereby echoes the same conclusions drawn in Belize's Country Poverty Assessment Report⁷, in that a new realism needs to be formed through the following:

- Government has to depoliticize the implementation of its services and development programmes.
- Elected representatives have to refrain from interfering in the selection of beneficiaries for targeted/discretionary programmes.
- Government must improve its institutional capabilities, its human resource management, and the maintenance of its social and physical infrastructure.
- Government departments should give greater emphasis to improving existing programmes rather than developing new ones.
- Government employees, as many do, must welcome and respect the fact that they are **public servants**.
- The public has to realize that government, irrespective of its political persuasion, cannot provide all their needs. They must reject the tendency towards dependency and welfarism that is becoming increasingly present. Instead they should look more towards themselves, their neighbors and their communities to identify ways in which they can contribute to the successful implementation of government and NGO programmes. Politicians should contribute to this by refraining from making promises that are over-ambitious and thus raise the population's expectations to an unrealistic level.

⁷ GOB (2010) User Friendly Version of 2009 CPA National Human Development Advisory Committee, Ministry of Economic Development, Commerce and Industry, and Consumer Protection. P. 36.

The report adds, “If these conclusions are adopted, the likelihood of Belize emerging from this troubled period and emerging a stronger, richer and more inclusive society will be greatly enhanced.”

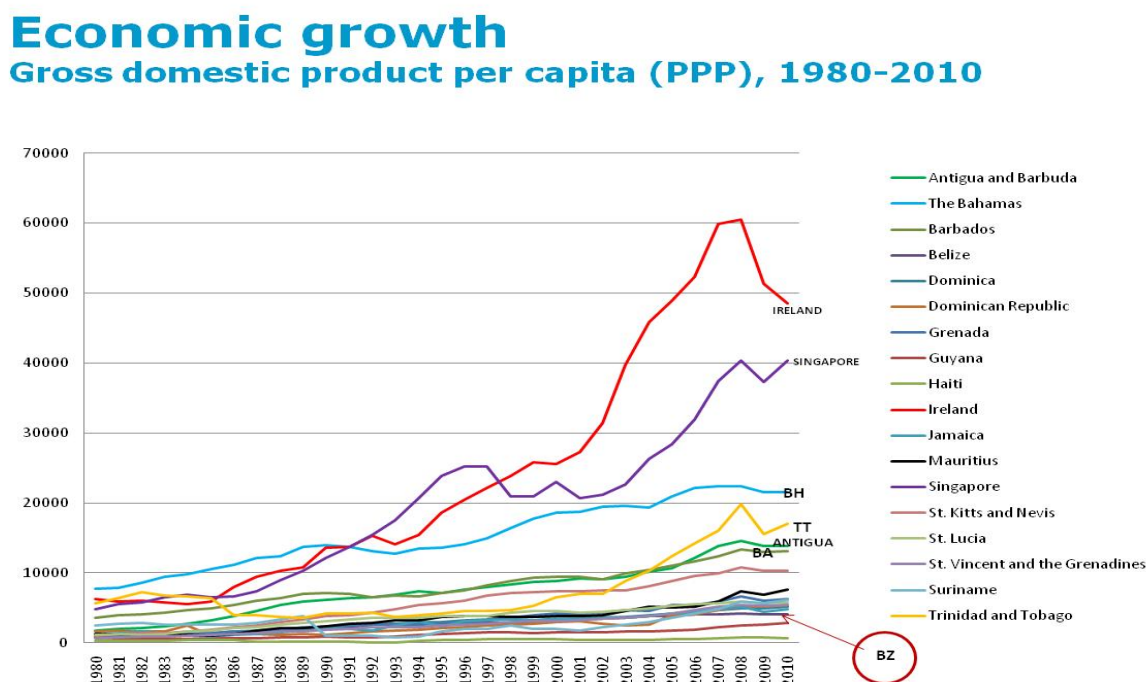


PART I: ECONOMIC OUTLOOK

Economic expansion in 2010 was underpinned by growth in services, public utilities, sugarcane, non-traditional crops and livestock.⁸ In the services sector, domestic electricity generation and improvement in tourism earnings, transport and communications, as well as wholesale and retail trade, were growth sectors which accounted for the 2.4% growth in GDP in 2010.

However, when comparing GDP per capita growth between the years of 1980 and 2010, Belize falls among the lower ranking countries such as St. Kitts and Nevis and Haiti (World Bank Data 2010). Note graphical illustration below:

Figure 1: Economic Growth 1980-2010



Source: IMF, World Economic Outlook, September 2009.

The capacity to generate endogenous innovation is widely seen as a strategic driver of national competitiveness in the long run;⁹ however, economies such as Belize have not been able to achieve a level of sophistication and innovation over the years. The Global Competitiveness Index (GCI)¹⁰ is a measure assessed by potential investors when forum

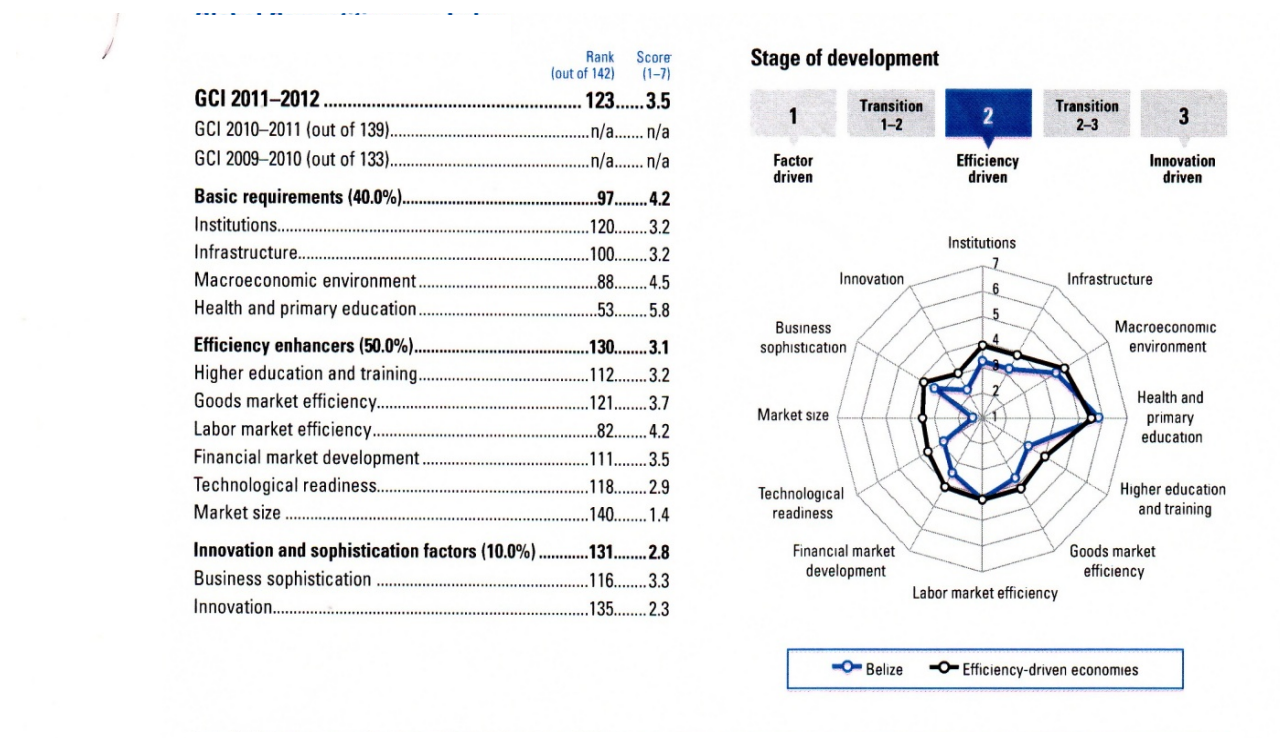
⁸⁸ Statistical Institute of Belize.

⁹ Hanouz, M., Mia, I. & Herrera, T. (2009) *Measuring the Competitiveness of Selected CARICOM Countries The Findings of the Global Competitiveness Index 2009-2010*. IDB, p. 11.

¹⁰ The classification adopted by the GCI is a slightly modified version of Michael Porter's theory of stages of development. [Porter, 1990]

shopping for countries. Countries are classified into three specific stages of development: 1. *Factor-driven*, 2. *Efficiency-driven*, and 3. *Innovation-driven*. Belize's level of competitiveness is tagged as *efficiency-driven* in major areas of development but Belize still lags behind other efficiency-driven economies. See **Chart 1** depiction below:

Figure 2: Belize's Rank on the Global Competitiveness Index



Source: *Global Competitiveness Index*

Even though exports have been largely concentrated in a few crops in the aforementioned traditional agricultural sector, the likelihood that these commodities will continue to be successful as the mainstays of the country's export basket is largely unpromising. For sugar, the economic reality is that farmers continue to struggle in an increasingly challenging global market as they face reductions to the European Union's (EU) sugar price. As regards the banana production, the prospects are gloomy with low production figures in 2011¹¹ and increased competition from Latin American-based banana producers respectively. Even with the temporary relief by Government to the Belize Sugar Industry Ltd. (BSI), the forecast of the industry shows continued challenges and uncertainty when considering that EU price guarantees are likely to be phased out¹²

¹¹ Banana production during November 2011 was 35.2% lower than that of November 2010 due to the production losses that stemmed from three days of thunderstorms in the first week of September. Banana output for the first eleven months of the year fell by 4.8% to 69,874 metric tons, and revenue decreased by 5.2% to \$64.4mn. Central Bank of Belize, Monthly Economic Report, November 2011 p.7. With the planting of additional acreage, it is hoped that yields will increase in crop year 2012/13.

¹² Economist Intelligence Unit (2011) Country Report, at http://store.eiu.com/country/BZ.html?ref=country_list p.21.

and the adjustments assistance that the industry is craving will be “too little too late” in assuaging the situation. The banana industry will also face steeper competition due to the loss of preferences following the decision in early 2010 by the EU to cut import duties on bananas produced in Latin America by 35% over six years, thus eroding Belize’s historic preferential advantage. Even though bananas currently enjoy duty-free quota-free (DFQF) access to the EU, the price paid by Latin American producers of €176/US\$224 per tonne is set to fall to €114 per tonne by 2017.¹³ Further, as regards Belize’s citrus industry, the current impasse among Banks Holdings Ltd. (BHL), Citrus Products of Belize Ltd (CPBL) and the Citrus Growers Association (CGA) parallel to the leadership of a few impetuous personalities do not add any positives to an already volatile industry. With an increasingly fierce margin of competition, Belize, like many other African Caribbean and Pacific (ACP) countries will soon realize that its DFQF access to the EU market is an empty victory as enterprises unable to achieve economies of scale will not likely survive competition with Latin American counterparts. As a means of ensuring the economy’s survival, Belize will need to rethink its strategy and craft innovative ways to exponentially add to our export basket by steering away from our dependence on traditional agriculture production and expanding more on value-added production.

The Malaise of the Manufacturing Sector

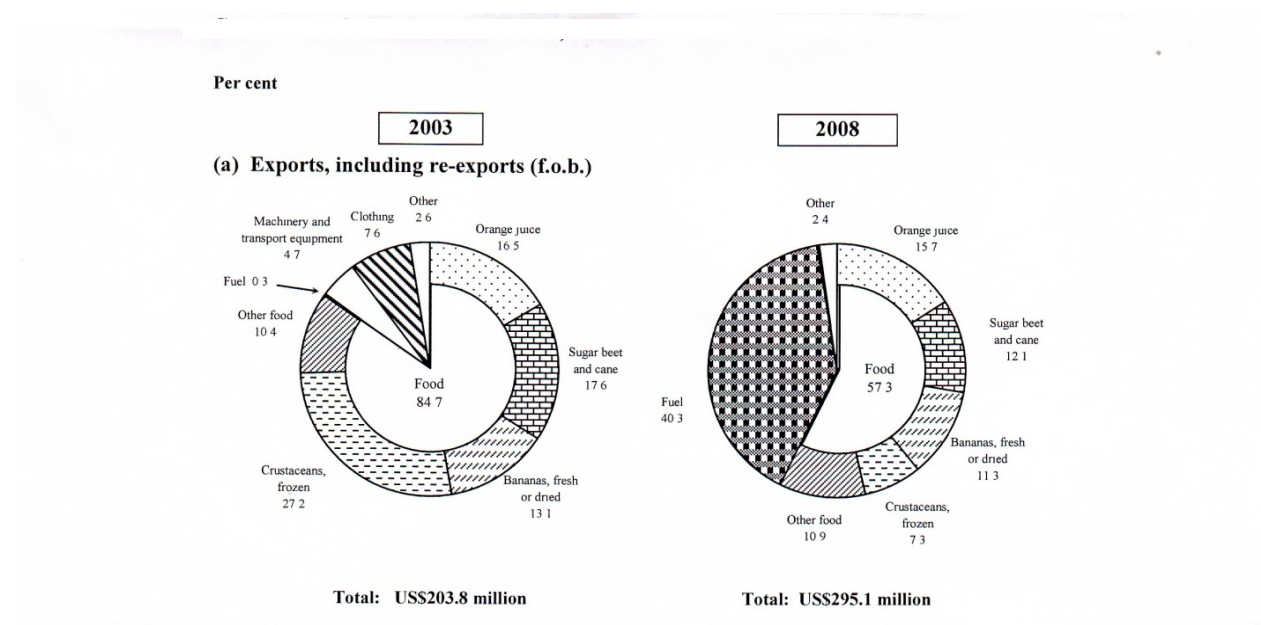
As a net importer, Belize's manufacturing sector (excluding agro-processing) is small and focused on supplying the local market.¹⁴ (See Figure 3: Other-2.4%) The major manufacturing industries are furniture, timber, and paper products. With the closure of the textile industry and the cessation of clothing exports, manufactured products fell from a peak of 13.5% of total exports in 2005 to a meagre 1.4% of total exports in 2008.¹⁵ Today, Belize’s main exports in the manufacturing sector are limited to essential oils, paper and paperboard, and items made of wood. There has been little diversification in the sector of sufficient magnitude to record significant growth in GDP. Therefore, the need to expand Belize’s export basket, especially as regards manufactured and semi-processed goods should continue to be a central feature in Belize’s national trade policy. This issue will be developed in the following section.

¹³ Even though the industry will weather the storm with the reductions in tariffs, what is plaguing the industry is its debt servicing obligations and its susceptibility to natural disasters.

¹⁴ WTO (2010) Belize Trade Policy Review , Trade Policies by Sector p.71

¹⁵ WTO (2010) Belize Trade Policy Review, Economic Environment p. 9.

Figure 3: Structure of Merchandise Trade, 2003 and 2008



Source: WTO Trade Policy Review, 2010

Trade in Services is the Solution

Belize's economy is mainly driven by the services sector. In 2009 services accounted for 54% of GDP and 57% of employment, largely in the tourism-related sector.¹⁶ Nevertheless, when reliance is placed on tourism as the major source for export earnings, economies such as Belize face numerous challenges to recoup. Major challenges in the tourism-related services sector, as in many other neighboring jurisdictions, are the exogenous shocks associated with the industry such as natural disasters, and market volatility and its effects such as the US economic recession. This was experienced in countries such as Barbados, Jamaica, and a number of countries in the Organization of Eastern Caribbean States (OECS), as well as Belize in which reduced investments, and increases in foreclosures and defaulting loans by private enterprises were major symptomatic conditions of the debilitating effect of the economic downturn. Without question, adding more services to Belize's export basket alongside tourism-related services will be necessary to better buttress the economy in the event of any further exogenous shocks associated with the industry.

For example, the international financial services sector, in spite of its many external challenges, including those from the OECD and the USA, can be a significant contributor to the economy just as it has been to places like the Cayman Islands, Barbados, Bermuda and the Bahamas. This is a sector which needs strong Government support in product development, and marketing and promotion however. Currently, unlike

¹⁶ Ibid.

accommodation taxes which are earmarked to the BTB and utilized in promotional efforts, hardly any of the proceeds currently generated for the Government by the International Financial Services (IFS) sector is re-invested into the sector for marketing and promotional efforts much less for product development.

PART II: THE NEED FOR POLICY ADJUSTMENTS

The economic backdrop described above reinforces the view that the ‘litmus test’ on Belize is not a favorable one. Policy makers and stakeholders would need to yield to a significant philosophical shift with the goal of having the economy transition into an *innovation-driven* economy where private sector confidence is restored, more employment is created and the Government has sufficient fiscal space to better enhance its goods and services. The operating business environment needs to be altered with a view to attracting investments both locally and abroad, perhaps with new aligned partners having particular emphasis on delivering improved products and services.

The first requirement for this to occur is a realization that the move towards propelling Belize to the level of an *innovation-driven* economy must begin with a national consensus that the task cannot be successfully achieved solely by Government and one political party. Instead, the need to promote, propel and foster investments needs commitment from each successive government including all ministries and departments, as well as key linkages with the private sector. A revived drive by all stakeholders committed to ensuring that development is highly likely with the political will and maturity of each government, as well as members of the private sector. As a first step, it must be agreed that the status quo is not sustainable for Belize. For a strategy-driven approach to be successful, political will is required for the implementation of agreed priority areas that are benchmarked by consistent application of policy instruments at the sector level by successive Governments. This would mean the revamping of Belize’s National Export Strategy 2007-2010¹⁷ in which five areas of development were identified. **(See Table 1)**

Table 1: Priority Areas in Belize’s NES 2007-2010

Agro-Processing/Value Added	Gives consideration to the key Commodity Protocol products: sugar, bananas and citrus;
Aqua-Culture and Fisheries	Gives consideration to the historically important role of fisheries and the promising export potential of farmed fisheries;
Environmental Goods and Services	Attempts to sustainably position Belize natural resource endowments for development of particular niche products and services (i.e. furniture manufacturing; medicinal wines and herbs, rainforests botanicals, watershed management services, etc.);
Information and Communication Technologies	Proposes to take advantage of Belize’s comparative advantages vis-à-vis Latin America and South East Asia (i.e. English speaking and geographical proximity to US market);
Tourism	The most developed activity in services sector and will probably continue to be in the short term for all ACP CC, but which raises the issue of diversification and alternative opportunities in other services sector for the long term.

Source: Belize National Export Strategy 2007-2010

¹⁷ BELTRAIDE (2006) Belize National Export Strategy 2007-2010, p.43. See **Annex II** for details.

The priorities identified above may need some modification to match a more long-term development goal. For instance, the IFS sector should be one of the identified sectors. Further, tourism should be diversified to include educational and medical tourism. Further, any strategy aimed at boosting Belize's economy successfully should span more than three years but not more than ten years. In so doing, the necessary adjustments can be made through empirical assessments by ten year periods.

Thus, in an effort to streamline national development initiatives, the BCCI recommends that the country adopts and implements a **National Production Development Policy** (inclusive of an export strategy) designed to deliver economic growth. Growth can then translate into enhanced efficiency in production and resource allocation, improved access to factors of production including capital and labour; transfer of knowledge, skills and technologies; increased offerings of lower cost goods and services to consumers; increased efficiency through increased domestic competition; increased job creation and revenue through hikes in export activity, which is essential to reduce and eliminate poverty.¹⁸

The BCCI considers that key tenets to achieving the above-mentioned deliverables across sectors are:

- A national need to identify and focus on a few priority sectors in national development strategies;
- Strong public-private partnerships throughout the process;
- Commitment and mobilization of efforts to implement production development policies both horizontally along line Ministries and vertically across sectors and sub-sectors;
- An absolute need for security, fiscal discipline and financial stability;
- An acceptance of the role of the state in creating transparent and predictable policies and regulations, combined with a need for reduced bureaucracy;
- A recognition that empowerment of local communities and increasing their share in the benefits of sector initiatives is critical;
- Training and human capacity development to target development in priority sectors identified must take primacy;
- Effective country marketing and positioning strategies are important to achieve successful branding and niche products and services.

Assuming that the tenets above are implemented, the subsequent section identifies and discusses major areas for adjustments with the view to promoting a **National Production Development Policy** to support a fully-functional and thriving business ecosystem. The discussion below highlights the major areas to be inclusive within such a policy.

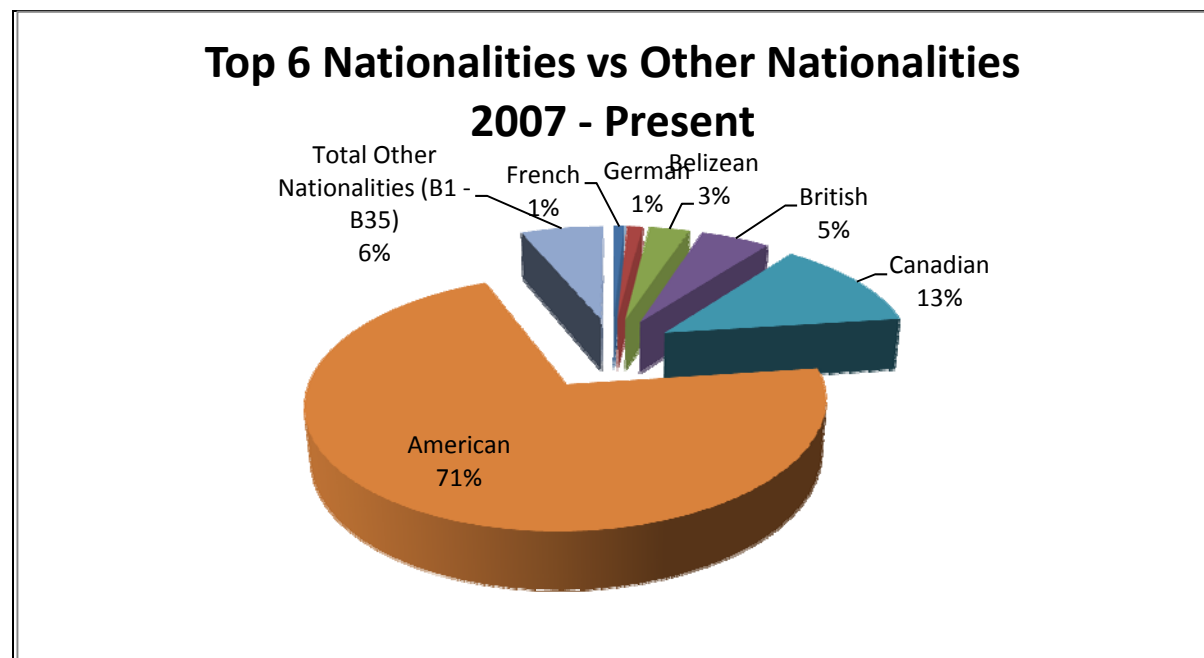
¹⁸ OTN (2011) "CARICOM-Canada Trade and Development Agreement...The Potential Benefits" at www.crn.org downloaded on 23 April 2011.

A REVIVED PUSH TOWARDS INWARD INVESTMENTS

Belize is blessed with an abundance of natural resources, archaeological history, and a diversity of warm and friendly people. This combination should make Belize one of the most attractive places for investment and retirement. However, Belize has not been able to propel itself to any great heights as a destination for investment or retiring as its real estate marketing dulls in comparison to other countries. The possibilities are plentiful when considering that the country is ripe for increased opportunities for commercial real estate and development.

With the inception of the Qualified Retired Persons (QRP) Incentive Program under the Retired Persons Incentive Act of 1999, the Belize Tourism Board (BTB) has labeled the country as a retirement destination with the potential for investment. Retirees age 45 and over from any country in the world who have guaranteed incomes of US\$2000 a month to deposit in a local commercial bank and who meet other requirements, can be permitted to live in Belize under the QRP program. Some incentives include the importation of a vehicle, one airplane, one boat and household goods at a duty free rate for the first year. The only caveat is that the retiree cannot be employed in Belize. Rather, the program encourages retirees to purchase land, rent property and become 'silent investors.' Despite those advantages, although the program kick-started in 1999, there has been little emphasis or marketing initiatives contemplated to push this programme to an advanced level with optimal returns in investment. The graph below illustrates retirees in Belize by nationality from 2007 to present.

Figure 4: Retirees enrolled in Belize's QRP Program



Source: BTB

According to the BTB, a little over 1,000 persons are currently enrolled under the QRP and some may have “dropped” off the list due to the unveiling of unscrupulous activities conducted within Belize, while others have migrated into different jurisdictions where there may be better incentives to be realized.¹⁹ Americans represent the largest number with 71% of the total retirees that settle in Belize. The other nationalities under the QRP are mostly Canadians (13%) and Europeans (10%).

In order to improve on the various incentives offered to retirees, Belize’s incentive program will need fine-tuning. **Table 2** provides the threshold requirements for QRP programs in various countries.

Table 2: Comparing Minimum Income Requirements

Country	Retiree (US\$)	Dependents (US\$)
Belize	2,500	750
Panama’s <i>pensionado</i>	500	100
Honduras	1500	N/A
Mexico’s <i>visitante rentista</i>	1550	550
Costa Rica’s <i>pensionado</i>	600	N/A
Nicaragua	400	100

Source: <http://www.belizefirst.com/QualifiedRetiredPersons.htm>

As noted above Belize’s threshold requirement of US \$2500 for retirees and US\$750 per dependent is somewhat steep in comparison to neighboring countries with similar programs. While Belize may be attractive for its “laid back and simple way of life”, other jurisdictions may look more favorable for their lower cost of living and increased modernity, including better health care. In considering the necessary policy instruments, an immigration policy that would attract favorable business investors is essential. It is well known that Belize has been the haven for unscrupulous foreigners and a jurisdiction where illicit activities may go unnoticed or undetected for some time.

In an effort to attract a more favorable clientele, Belize’s immigration policy must also focus on attracting those immigrants that are willing and prepared to invest in Belize. Panama’s Immigration Policy to attract investors is a working example of how states can tailor their immigration policy to match their investment needs.

¹⁹ Interview with Golda Tillett, QRP Manager, BTB. BTB has informed that there are only approximately 300 people active under the QRP.

CASE STUDY 1: PANAMA

Panama's "Micro" Business Visa requires US\$40,000 minimum investment in which the investor only needs to hire three Panamanian nationals and pay their social security contributions. Investments of US\$150,000 classify the business as a "small" enterprise under the regulations of the Department of Immigration. So far, the country has been able to attract over 500 retirees and investors annually.

Retirees are usually interested in providing employment in their small and medium business such as pet stores, bagel/baguette shops, books and internet lounges and cafes etc. The possibilities for SME growth are enormous with many spin-off effects such as job creation, revenue generation, cluster and niche goods production, an improved landscape for the provision of services, and more importantly, an easement on the need for national social services. On the latter, consider the establishment of privately-run establishments such as adoption agencies, employment and placement services, mentoring and counseling of vulnerable groups.

See: "An Expat Business at Panama" at <http://internationalliving.com/2011/10/an-expat-business-in-panama/>

If Belize is able to attract at least 100 retirees annually at the minimum threshold income of US\$2500 that would mean at least US\$3 million in hard currency circulating in Belize's economy apart from monies set aside for dependents. As a practical matter, the potential impact of relatively wealthy expats in Belize can be far greater considering the high potential for investments and employment, the increase of goods and services consumed and the tax revenues generated.

As a matter of implementation, any immigration policy proposed should also be in line with BELTRAIDE's SME policy framework currently in the pipeline and due to be finalized in April 2012. The opportunity to revamp the country's incentive program is eminent since Belize has until 2013 with an absolute deadline of 2015 to revamp the current regime on the application of Corozal Free Zone (CFZ)/ Export Processing Zone (EPZ) and Fiscal Incentive Programme.²⁰ While there have been talks for a revamped national incentive programme in Belize --erosion of the tax base being a central concern, policy consideration for other ways to incentivize investors as illustrated above are require priority attention.

The table below provides a comparison of the various incentives offered by Belize with that of Panama's.

Table 3: A Comparison of Belize's QRP with Panama's

Some Benefits of Retiring in Belize	Panama's Pensionado Program for Retirees ²¹
<p>Tax Breaks</p> <p>Peaceful Nation</p>	<p>Tax Breaks</p> <ul style="list-style-type: none"> • 50% off entertainment, such as movies, theater, concerts, and sporting events

²⁰ Directorate for Foreign Trade, Action Plan in Accordance with WTO Decision, GOB.

²¹ Panama's QRP was created by Law No. 6 & Law No. 9 (1987).

<p>English Speaking</p> <p>Good Educational System</p> <p>Sub-Tropical Climate all year round</p> <p>Easy access to land for development and construction of a retirement home</p> <p>Close Proximity to the United States and Mexico</p> <p>Strong and Stable, Belize Dollar</p> <p>Abundance of Natural Resources</p> <p>Breathtakingly Beautiful</p> <p>Friendly People</p>	<ul style="list-style-type: none"> • 30% off bus, boat, and train fares • 50% off closing costs for home loans • 25% off airline tickets • 30 to 50% off hotel stays • 15% off hospital bills • 10% off prescription medicines* • 20% off medical consultations* • 15% off dental and eye exams* • 20% off professional and technical services <p><small>*Unless insurance applies <i>Pensionados</i> also receive a one-time exemption on the importation of household goods of up to \$10,000, and enjoy an exemption from duties for the importation or local purchase of a car every two years.</small></p>
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Source:<http://belizeretirement.org/>

Comparative analysis of both programs indicates that the success of Panama's program has been largely credited to collaborative efforts between the government and the private sector at sector levels. For instance, the concessions attributed to particular sectors (not individuals) emanated from a policy response to promote retiring in Panama as a more attractive option when compared to other countries. While this warrants a critical analysis of the possible tax seepage that may occur if Belize is to adopt this approach, it may be worthwhile investigating. Evidence suggests that retirees, who have moneys at their disposal, can be a source of employment through the establishment of SME business clusters²², as well as forming and volunteering at much-needed social institutions catering for marginalized groups such as women and children.

Finally, for such a program to be successful, it also warrants both horizontal and vertical collaboration between private and public enterprises. It is essential that the necessary policy instruments, particularly in the form of tax incentives, should be developed with inclusive participation by stakeholders in each sector proposed. Attracting retirees should never be limited to solely a BELTRAIDE/BTB initiative. Rather it contemplates a national initiative together with well-thought objectives and deliverables designed to attract retirees from specific foreign jurisdictions.

²² Online literature sources suggest that retirees are usually interested in providing employment in their small and medium business such as pet stores, bagel/baguette shops, books and internet lounges and cafes etc. See: "An Expat Business at Panama" at <http://internationalliving.com/2011/10/an-expat-business-in-panama/>

For instance, a marketing strategy to increase the number of QRPs should perhaps target baby boomers particularly in North America as well as the wealthy aging populations in Asia.²³ Belize's Embassy in Taiwan is well positioned to seek potential retirees in countries such as Singapore, Taiwan, and Japan, in which these countries are known to have significant levels of savings and returns on investments.²⁴ Noting that policy measures within these jurisdictions generally do not allow for a higher return on savings, this can be used to Belize's advantage since we can offer an alternative. With the high possibility that Asian retirees will need to consider other ways for a return on their investments, a place such as Belize with a more relaxed lifestyle would likely favor a potential retiree as investor. **Annex 1** provides a synopsis of possible ways to enhance Belize's QRP program.

POLICY RESPONSE: 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.

SYNCING HORIZONTAL COLLABORATION IN THE PUBLIC SECTOR

Regular and consistent collaboration across line ministries and departments for various initiatives are vertically absent from the past and present public administrations in Belize. Professor Ricardo Hausmann points out that cooperation and collaboration are essential in realizing the structural inefficiencies in most public administrations. He has cited El Salvador and Chile as working examples of how productive transformation was hardly ever a natural, purely market-driven process, but rather almost always stimulated and supported by public policies and public-private collaboration.²⁵

The QRP is one initiative in which a more proactive marketing plan needs to be implemented both horizontally across line Ministries and departments as well as vertically between public and private stakeholders within the business community.²⁶ The

²³ The number of people age 65 and above is expected to grow dramatically over the next 50 years in Asia. The population in this age group will increase by 314 percent—from 207 million in 2000 to 857 million in 2050. Source: Westley, S. & Mason, A. (2005), "The Future of Asia's Aging Population" at <http://www.eastwestcenter.org/fileadmin/stored/misc/FuturePop08Aging.pdf> downloaded on 27 October 2011.

²⁴ Ibid. p. 89.

²⁵ Rodrik, D. & Hausmann, R. (2004), "Discovering El Salvador's Production Potential" Mimeo, Kennedy School of Government, Harvard University, Cambridge, Massachusetts downloaded on 6th January at www.wcfia.harvard.edu/.../810__Rodrik_Sefl-discovery_Chapter_we...

²⁶ From the Belize Offshore Practitioners Association's (BOPA) perspective, the QRP can be enhanced if restructured in similar format to the International Business Companies (IBC) Registry. That is, QRP registrations are not processed directly between the end-user and the BTB but that the end-user must go through an intermediary QRP agent. This incentivizes each agent to promote the product. This has played a significant role in the success of the IBC Registry and the relative failure of the IMMARB shipping registry wherein the IBC Registry requires

fact that BTB has not integrated the QRP program with Belize's Diaspora Initiative, a visionary project to attract the Belizean Diaspora in the United States,²⁷ is illustrative of the existent coordination failures. Perhaps this is the reason why the country has only been able to attract a mere 3% of the total Belizeans living abroad as retirees.

If implemented alongside other ongoing inter-ministry initiatives with assistance by BELTRAIDE as the competent authority to attract investments, the QRP program can be a win-win situation for all stakeholders in which a more collaborative approach can in turn realize an increase in investment. This would mean further regular and free-flowing information exchanges to prevent duplication of effort and to optimize use of resources. The Trade Technical Team (TTT) comprising of representatives from several ministries and departments was an excellent forum in which these types of synergies were discussed at the highest level among CEOs and put into practical implementation by technical experts. Where cross-fertilization was possible, they were implemented with more efficiency via thoroughly thought-out processes.

Currently, the general practice by each Ministry and Department is reflected largely in self-absorbed work-programmes with hardly any collaboration. Where a few collaborative relationships exist, the thrust is largely made under the auspices of some type of externally-funded initiative that only lasts through the lifespan of the particular project. Horizontal collaboration within Government administration must become an ingrained practice in order to allow for closer and more meaningful exchanges with the private sector.

Attempts to Vertical Collaboration: The Pitfalls

Syncing strategies and forming collaborative relationships between the public and private sectors requires critical trust-building and maturity on the part of both groups. Successive governments have been astute in providing various platforms engaging the private sector's participation. Attempts at vertical collaboration were successful with the formation of the National Trade Negotiations Commission (NTNC) in 2003 that promoted a culture of cohesiveness, transparency in government policy as regards trade and commerce and a legitimate means of enhancing communication channels between the private and public sector. One major flaw of this undertaking was that it was never legislated. While there have been significant attempts at information exchange, the dynamics for mutual cooperation are still ad hoc as exemplified by the formation of the National Consultation Council (NCC) in 2010 (now defunct) and the recent conception of the Steering Committee which emanated from the Prime Minister's Economic Forum 2011.

For the most part, the exchanges between the public and private sector are of a

intermediary agents and the latter does not. Other considerations include creating an election for a path to citizenship and incentives for the acquisition of real estate in Belize.

²⁷ See <http://embassyofbelize.org/belize-diaspora-initiative.html> for more information.

‘consultative mode’, and private sector’s engagement is often inconsequential to policy development. For instance, various Statutory Bodies comprise a majority of board members who are political appointees acting under direction of the political directorate. Therefore, private sector concerns and positions, while always expressed and acknowledged, remain largely unimportant as they carry no great weight in guiding national policy initiatives.

The culture of collaboration cannot be achieved overnight. With Government’s realization that onward growth cannot be achieved without partnerships with the private sector, the BCCI is hopeful that the prospects to forge a renewed partnership are quite achievable. The case of Costa Rica is a credible example where the economic success of partnerships between the public and private sector is proven.

CASE STUDY 2: COSTA RICA

Costa Rica has been distinguished as a successful country by employing a strategy-driven approach inclusive of the private sector. Main policy instruments used included:

1. A strong public-private partnership: The private sector is represented by the Costa Rican Coalition for Development Initiatives (CINDE), which plays a major role in attracting FDI, and;
2. Since the early 1990s the country’s strategy focused on only a few sectors, for instance, the 1993 Strategic Plan focused on the electrical, electronic and telecommunications industries.

Similarly, Belize may opt to twin the Costa Rican approach to private-sector led development as an instrument for ensuring that our economy attains an increased level of productivity and competitiveness. GDP data shows that the status quo is not sustainable for Belize. Bearing in mind this fact, that the status quo is economically unsustainable, the BCCI herein recommends the formation of a Technical Assistance and Strategic Cooperation (TASC) Division within the Office of the Prime Minister.

In aligning policy initiatives to productive outcomes, it is vital that a division is created by legislation to ensure the continuation of programs and national initiatives contemplated at the macro level. TASC’s composition should combine high-level government personnel (public officers as Permanent Secretaries instead of CEOs²⁸) with representatives of BSOs such as BELTRAIDE, YBT, and the BCCI. TASC’s main mandate would be to implement and constantly evaluate national strategies and production development policies in a systematic and consistent fashion that allows for systemic failures to be easily identifiable and altered through constant improvements. It is envisioned that as a priority the Terms of Reference (TOR) of the TASC can be to outline timelines and deliverables for uniform collaboration, both across ministries and departments and between the public and private sectors. In effect, TASC will have the mandate of ensuring that successive governments maximize efficiency through the proper management and delivery of goods and services to the people and entities they serve.

²⁸ The BCCI is of the view that governance and service to the public will improve with the introduction of a more permanent structure than the current arrangement for CEOs. The use of Permanent Secretaries is operational in most countries in CARICOM.

While the BCCI is cognizant that this proposal may be deemed utopian, it is not in fact unrealistic. Clearly the need for a paradigm shift or a change in culture within both Government and the private sector will be essential for the TASC to be successful. In essence, Government service should be equated to a more “business facilitating” and “advisory” mode in order to ensure that trade and commerce are elevated to a higher level wherein efficiencies are maximized and the goals of competitiveness in the production of both goods and services are highly achievable. Rebuilding the necessary institutional structures by revamping administrative practices can significantly help the country to adjust its fiscal stance in the long run, and will inevitably create more employment opportunities as private sector confidence is restored.

The points below are recommendations for closer collaboration between the public and private sector via the TASC Division *inter alia*:

- Identify and address coordination failures among sectors, organizations, and state institutions;
- Revamp legislation, regulations and the offering of public goods and services to foster efficient production of private enterprises;
- Identify key areas for potential investments and draft alternatives with a view to promoting long-term development;
- Initiate the work towards a sustainable industrial strategy for Belize;
- Formulate innovative ways to encourage an enterprising culture by the entrepreneurial class to foster innovation and export diversification.

POLICY RESPONSE: The BCCI recommends the formation of a TASC Division to address coordination failures among line ministries and departments and to forge meaningful partnerships with the private sector.

THE NEED FOR INNOVATION THROUGH TECHNOLOGY

The utility of ICTs depends on their efficient use, and that means incorporating them adequately into innovation networks, production systems, and society as whole.²⁹ GOB’s commitment to strengthening results-based management in the public sector must be commended. The \$1 million project for public sector reform, sponsored by the IDB with only \$100,000 counterpart funding by GOB³⁰ however, is insufficient to overhaul the current system, especially considering ICT improvement and better use of technology needs across all government departments. The project funds which should have ended this FY 2010/11, have delivered little results with respect to reducing government bureaucracy, increasing efficiency and transparency. The need for public sector reform is a daunting task for any government administration and should not be underrated.

²⁹ IDB (2011) The Imperative on Innovation Creating Prosperity in Latin America and the Caribbean Washington: USA, IDB p. 43.

³⁰ CPA. Table A1: Ongoing Loan and Grant Financed Projects p.88.

Belize's Medium Term Development Strategy 2010-2013³¹ underscores the need for public sector institutional strengthening, particularly:

- Review, rebuild, re-orient and revitalize the public service into a results-oriented corps with respect to people and institutions;
- Establish a mechanism for separating the role of the policy makers vis-à-vis the implementers;
- Strengthen accounting, reporting and auditing skills, functions and culture;
- Need to generate efficiencies in the public sector; need to improve public sector administration through better use of technology;

The areas highlighted above call for a responsible and accountable system of governance to improve public sector administration. To streamline efficiency, the delivery of public service would need major structural and cultural repairs both at the attitudinal and technical levels. The first cannot be done in an overnight but is the easier option described in the previous section. The latter has an enormous price tag attached to it and will be discussed further.

Employing technology through e-government will be costly in the first instance but will have positive results in the long run. It is noteworthy that the United Democratic Party (UDP) in its electoral manifesto in 2008 professed that it will *inter alia* (a) computerize key government services and use internet technologies to enable the public to access services online, to realize greater efficiency to improve transparency and to reduce the costs of service delivery; (b) establish a suite of electronic national databases including a national digital identification system ...and an Office of Information and Communication Technology to guide the integration of ICT into public sector operations and promote and enable development in the private sector.

One important and necessary objective in streamlining ICT is the need for branding Belize as a destination worthy of investment. This would warrant closer collaboration with the Ministry of Public Service for the development and updating of all Government websites and departments by utilizing creative and graphically depicted illustrations promoting Belize as a destination to invest. ICT web-based tools can be employed such as of web-banners, *Vimeo* and *Youtube* that can be easily uploaded and updated periodically on all government websites. Moreover, the initiative needs a uniform collaboration with the Chief Information Technology Office (CITO).

The diagnostic on the ICT sector in Belize paints an outdated picture on the technological and innovation handicaps. The country has a major digital divide when it comes to employing technology at all faucets of society. There is an accelerating momentum by the private sector to employ technology to improve efficiency, but the regulatory environment in Belize does not provide the necessary support at a cost-efficient manner. For instance, the cost of doing business in Belize in the ICT industry is

³¹ Mendoza, P. & MED (2010) Belize Medium Term Development Strategy 2010-2013 Building Resilience against Social, Economic and Physical Vulnerabilities Government of Belize, Ministry of Economic Development, Commerce and Industry and Consumer Protection. p.59.

significantly high compared to other countries. For instance, Morocco's international internet bandwidth Megabytes per second (Mbps) is 25130.0 whereas Belize's is 490.0.³²

CASE STUDY 3: Morocco

July 2006 Morocco's *Plan Emergence* has attracted roughly half of the French-speaking call centers and a number of the Spanish firms. World Bank data provides that the country has moved from 17.9% in 2006 to 20.3% as percentage of revenue in Telecommunications investment. Multinational companies are attracted to the country's geographical and cultural proximity to Europe, in addition to its time zone. 2007 data suggest that the country had about 200 call centers, including 30 significant investments that employ a total of over 18,000 people.

As one of the priority sectors for investment, the ICT industry is increasingly looking to be a viable and attractive option. Similar to Morocco, which has been ranked among the top thirty countries in the offshore sector, Belize can be branded as a favorable jurisdiction for ICT investments provided that there is a national commitment and consensus to push the industry at a higher scale. However, there are major policy coordination failures that limit the scope of ICT in Belize. The IDB³³ highlights a few of the deficits in policy coordination in Latin America and the Caribbean, which are arguably also symptomatic conditions in Belize:

- i) Current ICT policies in the region show a strong bias towards development of e-government, particularly in the areas of financial management, procurement, and the management of tax and revenue systems. They often ignore the capacities of the private sector to adopt and use ICT technologies, particularly the lack of capitalized human capital and the low level of digital literacy. Comprehensive policies should be designed that reach out to various segments of the population in the public and private sectors as well as civil society organizations.
- ii) Almost all ICT-related public policy in the region focuses on the support and development of the supply of ICTs, with scant attention to incentives for developing demand, especially mechanisms that facilitate the matching of demand with supply.
- iii) There is a relative lack of integration of ICT policies into the other government policies, particularly regarding the social policy sectors (health, social security, education) and local government; these are the areas where policy institutions in the region are perhaps the weakest regarding their capacities to absorb and use ICTs.
- iv) The implementation of systemic ICT policies requires strong institutional capacity, but little attention has been paid to institutional strengthening for the design and implementation of ICT policies. A cursory policy appraisal of the LAC (Latin American and Caribbean) countries indicates that although several

³² Ibid.

³³ IDB (2011) *The Imperative of Innovation, Creating Prosperity in Latin America and the Caribbean*, IDB p.44-45.

countries have developed “digital agendas,” the frameworks for institutional governance are not clear, policy makers’ technical competencies are limited, and operational budgets are restricted.

- v) LAC governments have made only limited use of public-private partnerships to implement their digital agendas. Because the private sector is generally more agile than the public sector, it might be possible to accelerate implementation of ICT policies by outsourcing some of it to private firms.

Another major overhaul that needs to be undertaken is the regulatory framework governing telecommunications in Belize. Major upgrades are essential to allow Voice over Internet Protocol (VoIP) and improved access for broadband telephony.

Equally, Belize can be the Morocco of Central America. With enormous advantages in language (both English and Spanish), geographic proximity to the United States and Canada, an open climate for foreign investments, friendly and warm people, the country has much to gain. However, the regulatory framework governing the telecommunications industry would need major overhaul at the policy level. Moreover, major policy considerations to foster improved levels of competition in the telecom sector must be undertaken if ICT activity is to become a source of major economic growth.

POLICY RESPONSE: As a part of altering the status quo towards a more efficient e-governance platform, government should consider a policy to liberalize telephony to foster competitiveness and improve the climate for investments. In tandem with this, a portion of the national budget must be allotted for the overall improvement of government systems across ministries and departments to streamline the delivery of government services.

A COMPREHENSIVE TAX REVIEW AND DIAGNOSTIC

While there have been marked successes in online automation by the Government such as the move towards electronic payment of Business Tax and General Sales Tax (GST), employing and upgrading technology to streamline the delivery of government services via cost-efficient means remains essential. There have been definite pluses for both Government and businesses wherein the cost of doing business has been reduced.

Nonetheless, many hindering factors may negatively affect inward investments in Belize. One critical factor is that lengthy delays are not uncommon and investors are advised to perform careful due diligence when planning substantial investments in Belize.³⁴ For instance, voluntary registration for GST should be encouraged but facts brought to the knowledge of the BCCI reflect a contrary policy. The Department of GST allows

³⁴ US Embassy of Belize (2010) Doing Business in Belize, Country Commercial Guide for US Companies. p.4

voluntary registration by persons below the turnover limit provided that they:

- i.) Make more than 80% of their taxable supplies to registered persons;
- ii.) Keep adequate books and records;
- iii.) Show proposed contracts of supply, preparation of premises, purchase of capital equipment;
- iv.) Procure stock and or services and disclose the degree of financial commitment including bank loans or other financing and revenue projections.

The BCCI considers the final requirement in particular to be a strong deterrent to voluntary registration by members of the private sector since at the start-up stage enterprises usually do not have records of procured stock and are often seeking to register for GST in order to reduce the cost impact of startup investment. As such, while there are concerted efforts to improve tax administration, sometimes policies and internal regulations generally do not encourage the private sector to be tax compliant. Public conduct and its general disposition towards the private sector will need to be altered significantly, to one that is more business facilitating as aforementioned. For example, allowing startup businesses to register for GST upon commencement of activities can, with a shift of internal culture, be regarded as an investment in launching the business and exemplary of the public-private partnership needed to move the economy forward. The move by the GOB to address proper tax policy administration through its tax study diagnostic is a welcomed initiative and the BCCI looks forward to its findings and recommendations.

POLICY RESPONSE: The undertaking of a thorough tax diagnostic on Belize with defined timelines for implementation.

THE NATIONAL DEBT BURDEN AND THE NEED TO IMPROVE THE COUNTRY'S FISCAL STANCE

Belize's weighty debt burden requires a policy response aligned to production development. It is obvious that Belize's economy needs be at a level where it can better support its international debt obligations. The debt restructuring, totaled at Bz\$1,085.0 million (US\$546.8 million) in commercial bonds, colloquially known as "Super Bonds" is an enormous financial obligation that has been further entrenched with the country's coupon rate increase from 4.5% to 6.0% in external charges and another expected increase in 2012 to 8.5% until maturity in 2029.³⁵ The Super Bond, the largest single Public Sector External Debt, accounts for 56% of the country's total debt in 2008. **Table 4** presents total external debt by source and principal in which interest payments on this debt amounted to Bz\$196.1 million for 2008.³⁶

³⁵ Business Monitor International (2011) "Debt Burden Set to Balloon", Belize, Latin America Monitor. Vol. 28, Issue 11, November 2011, p.10.

³⁶ GOB & CDB (2009) Country Poverty Assessment, Halcrow Group Limited and Belize National Assessment Team, p.28

Table 4: Total External Debt by Source, 2008

\$'000

	Disbursed Outstanding Debt		Interest & Other Payments		Parity Change	Disbursed Outstanding Debt
	31/12/2007	Disbursements	Principal Payments	Payments		31/12/2008
CENTRAL GOVERNMENT	1,824,040	82,928	88,479	81,675	-891	1,817,597
Banco Nacional de Comercio Exterior	7,940	0	1,059	468	0	6,881
Fondo de Financ. de las Exportaciones	327	0	218	16	0	109
Government of Great Britain	1,327	0	1,280	0	-47	0
Government of the United States	3,393	0	815	135	0	2,578
Government of Trinidad and Tobago	12	0	4	0	0	8
Government of Venezuela ⁽⁴⁾	19,094	47,212	29,813	99	0	36,494
Kuwait Fund for Arab Economic Dev	17,569	0	2,772	989	-86	14,711
Republic of China	266,700	9,000	17,041	13,863	0	258,660
Allfirst Bank of Maryland	420	0	420	31	0	0
Manufacturers & Traders Trust Co.	6,055	0	1,730	320	0	4,325
Bear Stearns & CO. Inc.	9,676	0	1,682	0	0	7,994
BWS Finance Limited	9,922	0	4,961	992	0	4,961
Provident Bank & Trust of Belize (TN)	1,000	0	0	90	0	1,000
Caribbean Development Bank	126,955	16,469	7,622	5,437	0	135,803
European Economic Community	19,103	0	990	149	-760	17,353
European Investment Bank	512	0	203	10	-26	284
Inter-American Development Bank	191,690	5,163	8,331	9,564	0	188,522
International Fund for Agric. Dev.	1,262	0	294	40	26	994
Intl. Bank for Reconstruction & Dev.	46,569	0	8,112	1,956	0	38,456
Opec Fund for Int'l. Development	10,680	3,392	1,133	565	0	12,939
Bank of New York (New Bond Issue) ⁽³⁾	1,083,834	1,691	0	46,950	0	1,085,525
NON-FINANCIAL PUBLIC SECTOR	38,293	33	3,150	1,587	-117	35,059
Kuwait Fund for Arab Economic Dev	6,589	0	751	260	-47	5,791
Deutsche Bank	1,101	0	284	84	0	818
Caribbean Development Bank	30,603	33	2,115	1,243	-71	28,450
FINANCIAL PUBLIC SECTOR	83,096	0	16,638	4,584	-378	58,290
Paine Webber Real Estate Securities Inc	1,200	0	100	19	0	1,100
Government of the United States	894	0	441	24	0	454
Caribbean Development Bank	20,898	0	5,979	393	0	14,919
European Economic Community	592	0	39	6	-25	529
European Investment Bank ⁽⁴⁾	9,834	0	669	39	-353	1,022
Belize Mortgage Company ⁽³⁾	49,677	0	9,410	4,103	0	40,267
GRAND TOTAL	1,945,429	82,961	108,267	87,846	-1,387	1,910,946

Source: CPA, 2009.

With a high national debt and the government's impending obligation for repayment, it is essential to formulate a policy response aimed at energetic economic development over the medium and long terms. Development policies that would provide for significant increases in GDP are of eminent importance. The production of more goods and services including a strong emphasis on export trade by the private sector are important variables for the success of alleviating Belize's debt burden, as well as a means of propelling Belize into an *innovation-driven* economic phase in which there are more employment opportunities created and thereby less strain is placed on the policing of socio-economic ills such as crime and violence.

An important ingredient in attaining those development objectives mentioned above is the proper management of the country's finances and public debt. The last two decades

of the country's fiscal performance has reflected enormous government waste and chronic inability to contain fiscal expenditures. A more proactive policy response for the long run will be vital for the country to honor its international debt obligations noting the scheduled increases in interest payments and the resultant ballooning of the debt to GDP ratio. Third quarter GDP for 2011 is at 2.2%, still not reaching the projected 3% growth envisioned³⁷. With an economy that is highly vulnerable to external market shocks, public debt management has been a major strain on the country's fiscal management. With an economy largely dependent on tourism, the global economic downturn in the US market resulted in significant reduction in activity in the hotel and restaurant industry from an all-time high in 2007 of \$30.7m to \$24.8 million by the second quarter of 2011.

In consideration of the above, a development strategy in which aid is channelled to improve Belize's human development stance should include:

- Improved opportunities for entrepreneurial development by planning and implementing training to encourage innovation at learning institutions at a subsidized rate;
- Strengthening BSOs such as BELTRAIDE and BYBT with more personnel to foster and support young entrepreneurs and MSMEs;
- Revamped curriculum at primary and high schools, as well as Technical and Vocation Education Track (TVETs), to match current and future national priority sectors so as to foster and encourage the youthful urge to innovate;

The BCCI considers that the points listed above are all necessary ingredients to ensure that the country upgrades to an *innovation-driven* economy. This would require uniform collaboration with the ministries responsible for education, labour, human development, economic development, investments, trade and health.

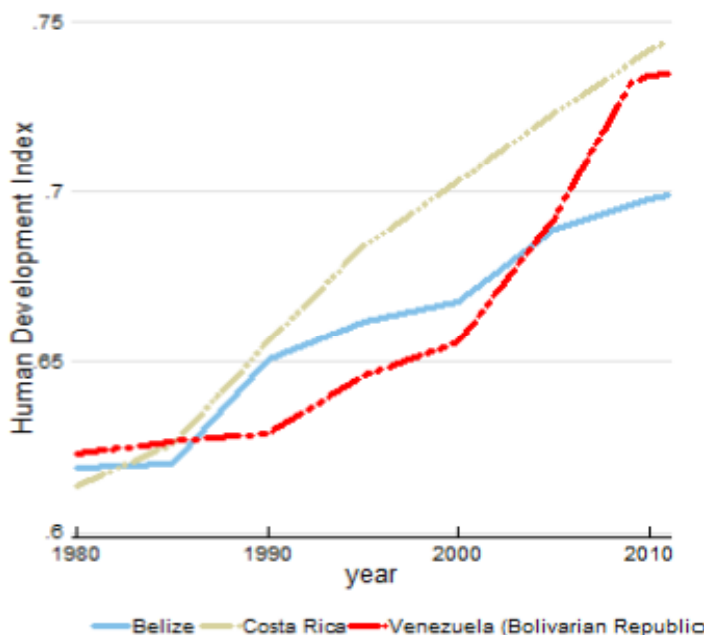
With over 30,000 working-age Belizeans jobless and at least 2/3 of the persons over 14 years and over either working or looking for a job³⁸, development of policies to stimulate job creation is imperative. Necessary components to creating more opportunities for employability in the labour force include training and human capacity development. However, compounding the unemployment problem is a relatively unskilled labour force. For 2011 Belize's Human Development Index (HDI) of 0.699 is below the average of 0.741 for countries in the high human development group and below the average of 0.731 for countries in Latin America and the Caribbean.³⁹ **Figure 5** presents a comparison Belize's HDI between the years 1980-2010 with that of Costa Rica and Venezuela. The values show that the country has lagged behind in attaining high levels of HDI over the years.

³⁷ Barrow, D. (2011). "Celebrating Growth, Sustaining Recovery", Budget Presentation for Fiscal Year 2011/12, GOB. p. 17.

³⁸ SIB (2011) Belize 2010 Population and Housing Census 3 May 2011 publication. This is 3% higher than in 2000 Labour Force Population Report.

³⁹ UNDP (2011) Human Development Report: Belize, p. 3

Figure 5: Comparison of Belize's HDI with Costa Rica and Venezuela



Source: UNDP Human Development Report, 2011

Specifically when assessing the mean years of schooling, the country has lagged behind its expected years of schooling. **Table 5** tracks Belize's progress in HDI indicator on years of schooling between 1980 and 2011. The data depicts that the country's mean years of schooling has actually declined from 8.5 years in 1995 by 0.5 to 8.0 years—the average amount of years to attain a primary school certificate. Whereas the expected years of schooling for 2011 represents 12.4 years which means that the country is expected to churn out more graduates from high schools considering the additional 4.4 years needed for enrollment.⁴⁰ The country's low years of schooling is primarily due to the fact that the Education and Training Act, 2010 mandates compulsory school age as between 5 and 14.⁴¹ The data is also reflective on the low enrollment figure of 33,751 students for secondary students.⁴² Furthermore, note that of 286,178 persons surveyed at the 2010 Housing and Population Census, 106,086 did not receive any type of schooling. This data is quite telling that more needs to be done to improve Belize's human development, particularly to improve the employability of the labour force—a very essential variable in attracting investments.

⁴⁰ Note that Belize's HDI has not decreased in 2011 because new component indicators were added and new methodologies were adopted. The purpose of the data is to illustrate that primary school completion will not suffice in upgrading human development. The GOB may opt to consider increasing the mandatory school age to 16, a current National Child Labour Committee recommendation, and thereby allow for secondary school rate to increase.

⁴¹ Education and Training Act, 2010, S. 59 Part XII School Attendance, Revised Edition, p. 169

⁴² SIB (2011) Power Point Presentation on Belize 2010 Population and Housing Census p. 9.

Table 5: Belize HDI Trends based on consistent time series data

Years	Expected years of schooling	Mean years of Schooling	HDI Value
1980	10.7	7.30	0.619
1985	10.7	7.60	0.62
1990	10.7	8.00	0.651
1995	10.7	8.50	0.662
2000	10.9	8.10	0.668
2005	12.6	7.70	0.689
2010	12.4	8.00	0.698
2011	12.4	8.00	0.699

Source: UNDP Human Development Report, 2011

Horizon 2030 has identified ‘education for development,’ as one of its strategic priorities given the low rate of secondary and tertiary level enrolment and reports that stakeholders at all levels agree on the need to assess the effectiveness of the investments that are being made in education.⁴³ The document reveals that investment in education needs is to be guided by a strategic review of the education system and the development of a long term investment plan for education which takes into account the goals and objectives for the country. Woven within the country’s education plan can be considerations to incentivize those currently employed and enrolled in tertiary education.⁴⁴ One of the major policy responses to encourage improvements in human development through education is to allow for a prescribed amount, say \$1000 in tax relief, if a person is part of the Pay as You Earn (PAYE) system, upon proof to the Department of Income Tax that he/she is enrolled in a tertiary level institution within Belize.⁴⁵ Of course this proposal would need critical study on the implication on the erosion of the tax base verses the increased levels of human development through education in Belize. This is the type of tax reform initiatives that the BCCI envisions will be undertaken subsequent to the diagnostic of the tax system in Belize.⁴⁶

Other ways of better equipping the labour force can come through capacity building initiatives targeted to spur enterprise development. The recent initiative undertaken by BELTRAIDE to train personnel so that they can be employable in the ICT sector is

⁴³ GOB (2011) National Development Framework for Belize 2010-2030 p.ix.

⁴⁴ The BCCI has opposed proposals promulgated by the Labour Advisory Board to insert a new section 131A in the Labour Act concerning putting into legislation the right of an employee to request education leave after only one year of employment with the same employer. The provisions proposed are invasive and will only serve to fracture employee/employer relationships. The BCCI considers that these provisions should remain in the realms of employment policy manuals. See **Annex III** for draft provisions.

⁴⁵ The system would require critical monitoring and with some restrictions. Consider for example allowing the tax relief for more than 5 years per individual noting that an award of an Associates and Bachelor’s Degree part-time would normally take 5 years.

⁴⁶ PM Barrow highlighted that the GOB will be undertaking a diagnostic review of Belize’s tax infrastructure under the auspices of the IMF.

visionary and must be applauded for its conception. Moreover, more programs such as these need to be woven into national human development strategies, with special emphasis on the marginalized and vulnerable groups such as women and youths respectively.

POLICY RESPONSE: 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.

NATIONAL BUDGET CONSULTATIONS

Restoring market confidence must be a major consideration for the GOB especially considering the necessity of servicing the “super-bond” valued at US\$546,800,000. In addition, there still remain significant difficulties in containing the fiscal deficit to GDP ratio, even more so with the nationalizations of Belize Telecommunications Ltd. and Belize Electricity Ltd. The need to compensate the former owners for the expropriations in the near future will be at a significant cost to the country's fiscal purse and will further limit the number of social programs the GOB will be able to deliver.

With the country's financing obligations increasing, the need for more revenue generation is critical. The IDB has identified the strengthening of fiscal institutions and improvement in public financial management practices to entrench fiscal discipline and thereby reduce macroeconomic pressures on interest rates as a first priority in lowering the cost of domestic finance.⁴⁷ The BCCI underscores that this is an important measure for ensuring the proper management of a fiscally responsible government. While national consultations with the private sector were promised but have not been delivered for two consecutive national budget cycles, the BCCI considers the budget consultation process to be an indication of Government's willingness to engage those that it will be depending on to generate the revenues necessary to improve the country's fiscal stance. With a new outlook for active engagement with the private sector echoed at the Prime Minister's Economic Forum in November 2011, a GOB that is flexible and adaptable to private sector engagement and collaboration is a desired outcome for the private sector. The BCCI considers that the partnership between the public and private sector is an absolute necessity for moving the economy forward and remains willing to engage with the GOB to this end.

⁴⁷ Rowland, B, Durante, J. & Martin, D. (2010) “Belize: Private Sector Assessment, Discussion Paper #6,” IDB. Downloaded on 12 August 2011 at <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35516736>, p. 2

POLICY RESPONSE: The BCCI hereby requests that the GOB initiate meaningful National Budget Consultations with the Private Sector prior to completing its annual National Budgets.

PROPER FISCAL REPORTING

Parallel to providing increased opportunities for employment, the economy will need to transform in order to create more opportunities for investments and trade. This is realistically achievable if the business landscape fosters more entrepreneurship and innovation and thus creates and allows more taxpayers to add to the tax base. Considering that the unemployment rate has increased from 20.3% in 2000 to 23.1% in 2010,⁴⁸ the need to create new employment opportunities for the recorded 30,000 unemployed persons in Belize is an urgent necessity. Countries such as Hong Kong continue to attract high levels of FDI with low levels of unemployment rate at 3.3%.⁴⁹ Essentialities that work in Hong Kong's favor are a record for a transparent legal system, a highly skilled workforce and a general pro-investor climate. Further, the absence of red tape, significant corruption or major security threats have caused the Hong Kong to be rated at 78.7% in its business operating environment.⁵⁰ Whereas Hong Kong has topped all the countries in the world with an overall world rank of 1 and a score of 89.7%--representing a free nation, Belize has been rated a dismal 71 out of 179 countries with an overall score of 63.8% in economic freedom, almost edging on the "moderately free" classification.⁵¹

Belize's much-lower rating stems from, among other things, its increasing rate of crime⁵² and pervasive corruption. On the latter, even though the Third Round of Review in addressing Belize's Plan of Action for the implementation of the recommendations formulated under the Inter-American Convention against Corruption has been met with great satisfaction by the Organization of American States (OAS),⁵³ corruption is still perceived as widespread in the places where perception matters. This perception of corruption is plaguing the country and may perhaps even be one of the factors preventing Belize from attracting significant levels of foreign investment. Transparency

⁴⁸ SIB (2010) Belize 2010 Population and Housing Census, 3 May 2011 Publication.

⁴⁹ December 2011 figures downloaded at <http://www.tradingeconomics.com/hong-kong/unemployment-rate> on 3 February 2012.

⁵⁰ Business Monitor International, http://bmi.msgfocus.com/files/amf_bmi/project_460/samplepages2011/bfr-sample-page.pdf

⁵¹ Miller, T. & Holmes, K. (2011) "Highlights of 2011 Index of Economic Freedom: Promoting Economic Opportunity and Prosperity" The Heritage Foundation.

⁵² The BCCI considers crime as a major prohibiting factor in attracting investments and increasing commerce in Belize. Even though little attention is spent on crime and illicit activities that undermine the business operating environment, at the time of writing of this report, stakeholders expressed grave concern on the increasing cost of doing business, particularly on security.

⁵³ OAS (2011) Hemispheric Report Third Round of Review by Committee of Experts Mechanism for Follow-Up on the Inter-American Convention Against Corruption downloaded on 31 December 2011 at http://www.oas.org/juridico/PDFs/IIInf_hemis_en.pdf.

International ratings for Belize declined from 4.5 in 2003 to 2.9 in 2008, the last year Belize's ratings were reported. In 2008 Belize was rated the 8th most corrupt country of the 32 countries in the Americas (trailing Honduras, Guyana, Nicaragua, Paraguay, Ecuador, Venezuela and Haiti). In 2006, Belize was ranked 111th out of 180 countries and its score was only marginally above that of Nigeria.⁵⁴ Two years later, the country's rating for 2008 was 109th out of 179 countries (it was not ranked in 2009 due to shortage of survey sources within Belize).⁵⁵

Against that backdrop, the findings and recommendations in the country's United Nations (UN) Plan of Action Against Corruption were extensive, and whereas there appears to be movement towards implementing some of the policy recommendations as evidenced by Belize's Third Round of Review, the country is still stained with high levels of corruption. An interview with a Crown Counsel from the Attorney General's Ministry⁵⁶ emphasizes that inter-ministry collaboration and reporting are absolute essentialities for Belize fulfilling the recommendations in the UN Plan of Action Against Corruption. Further, the former Auditor General in his FY 2009/10 report underscored a similar sentiment on reporting as he urged the Government to give favorable consideration to the creation of Internal Audit Units in ministries so that internal auditors would be in a position to assist with the institution of internal controls in the ministries and at the same time act as the focal point and liaison for the government external auditors.⁵⁷

POLICY RESPONSE: Close adherence to Finance and Audit (Reform) Act by all government departments and ministries, including the implementation of recommendations by the Auditor General in his Report for FY 2009/10. The Integrity Commission needs to be re-activated and the Finance and Audit (Reform) Act enhanced and enforced.

IMPROVED LAND MANAGEMENT PRACTICES

The third nationalization of private property within two years continues to paint Belize as having an unfavorable business climate. In an energetic attempt to alter the perception of potential investors, Belize will need to embark on a national drive to rebuild confidence in the private sector to revitalize the country's economy and avoid default. Given the weak outlook for investments vis-à-vis other neighboring countries, Belize will need to reposition itself aggressively and embark on a fundamental improvement on the country's ratings internationally.⁵⁸ [Moody's Investor Service reflects that government

⁵⁴ GOB & CDB (2009) Belize Country Poverty Assessment, Final Draft Report p.30

⁵⁵ <http://www.heritage.org/index/country/Belize#freedom-from-corruption>

⁵⁶ Interview with Iran Tillett-Dominguez, Country Expert on Belize's Plan of Action under the Inter-American Convention Against Corruption on 31 December 2011.

⁵⁷ Zuniga, E. (2011) Report of the Auditor General for the Year April 2009 to March 2010 Office of the Auditor General, p .17

⁵⁸ Nomura, "Lights Out", 22 June 2011 issue.

finances are manageable after recent debt restructuring but the vulnerabilities remain high, including the potential fiscal cost of recent and previous nationalizations.^{59]}

One major binding constraint that hinders Belize from attracting a large number of investors across sectors is in the area of land management administration. If Belize adopts a national thrust towards investments, whether local or foreign, a properly implemented and transparent land administration policy is essential. Physical resources such as land are important factors of production together with labour and capital, and are the gateway to investments. To produce and generate revenue, investors need land, and Belize's real estate industry has showed the potential of becoming a booming industry recording the largest source of revenue in the services industry second only to the petroleum industry.⁶⁰ However, not working in its favor are the numerous cases of alleged illegal land management practices as it relates to the Land Management Program at the Department of Lands and Surveys.⁶¹ The CPA cites:

...the computerization process lagged behind the field work meaning that a large backlog of applications built up which was not accessible to those wishing to transfer land. Resources devoted to the LMP resulted in an under-resourcing of the Land Registry which led to long processing times for those involved in land transfers; and those using the new titles often found themselves in dispute with other claimants. As a result, many applicants (and banks) ignored the new titles and required processing of transactions under the old system⁶². The MNREI is thus dealing with two systems simultaneously. To resolve the problem it has split its land registration staff into two teams: one dealing with the backlog and one with new applications. Although the LMP was completed in 2008, an extension is being sought to fully institutionalize its operation. Around 3% of households had benefited from land allocations. Clearly however the current situation is unsatisfactory and hampers the efficient transfer of land to potential buyers and investors.

Such cases of alleged corruption, indiscriminate application of land titles, and subjectivity in the application process do not present Belize as the most favorable country for investments. Instead, the practices foster an atmosphere of uncertainty and unpredictability among potential investors.

Further, since the inception of LMP in 2003, the program has delivered little results on its targeted objectives:

⁵⁹ Moody's Investors Service, December 5, 2011 Credit Analysis Report at http://www.moody.com/research/Moodys-Disclosures-on-Credit-Ratings-of-Belize-Government-of--PR_234219

⁶⁰ WTO (2010), Belize's Trade Policy Review: Economic Environment p.12.

⁶¹ "Land Fraud Detection Before Perpetration" posted (August 11, 2011), "Land Fraud Reloaded" posted (July 13, 2011), "Say What?: The Commissioner Of Lands Makes Statement", posted (July 11, 2011), "Title Theft: Another Layer Of Land Larceny Revealed" posted (July 8, 2011), "How A US State Senator Became A Victim Of Land Title Theft" posted (July 7, 2011), "How To Steal An Island", posted (July 6, 2011), "Car Dealership Owner Loses In Land Title Fraud!" posted (July 5, 2011) downloaded at <http://www.7newsbelize.com/sstory.php?nid=20326&frmsrch=1> on 31 December 2011.

⁶² For more about LMP problems, see Myles A.F., (2004), Land Management Developments in Belize – Midway Observations by an Alien, FIG Working Week, Athens.

- Expand systematic cadastral surveying, tenure clarification and property rights registration, accompanied by consolidation of land rights into a single land registry system.
- Improve the efficiency and sustainability of land administration services provided by the public sector.
- Build capacity for land use planning at the local, regional and national levels; and
- Support land policy reform.

To overcome the inefficiency and binding constraints described above at the Department of Lands and Surveys, tremendous adjustments will need to be undertaken. Another major bottleneck at the Department that hinders transactions and potential deal closures is the requirement that every transfer needs a “valuer” to conduct evaluation prior to each transfer of land. While this may be necessary for the proper checks to be made, on many occasions, this is a major impediment to transactions due to the unavailability of valuers to conduct the work in the appointed time. The nature of the real estate industry is such that deals are negotiated simply at the stroke of a pen which invariably warrants urgent action by an efficient Department of Lands and Surveys. Hugo Moguel, President of the Belize Real Estate Brokers Association, also identifies undervaluing as another recurrent concern in the business as well. Moguel underscores that legitimizing the real estate industry through the passage of the Real Estate Bill, 2009, currently at the Attorney General's Ministry would be essential for governing this important sector, especially as regards the licensing of real estate brokers and salespersons.

Further, Moguel observes that there is never a definite figure attached to the value of land since the window of discretion varies by valuer and the opportunities for extortion are high. Moguel maintains that investors need the confidence of knowing that they are secured in their solemn right of ownership. The threat of ownership, title, discretionary values given to property (which are sometimes changed on a whim without any defined procedures) are all factors that are preventing Belize's real estate industry from booming.

Belize's unsophisticated financial market creates another major obstacle in the real estate industry. The application of Central Bank's regulations and anti-money laundering policy, while essential, creates major roadblocks. The first holdup occurs with the requirement of approval by Central Bank for a foreign national to open a local bank account. Consider for example, a foreign national who desires to purchase land in Belize, but who does not live or reside in Belize and is still mandated to obtain letters of employment from his employer (locally) and prove the source of funds. Secondly, Moguel explains that for every \$10,000 deposit in a local bank, the potential investor would need to fill out bank forms for which the processing at the Foreign Exchange Unit at the Central Bank can take months. In effect, Belize's antiquated and bureaucratic procedures are misguided and hindering prospects for expansion in investments especially considering that the country needs to compete with countries that are more mature in the real estate business such as Panama. Any approval requirements from the

Central Bank or otherwise for inward capital flows by residents or non-residents should be completely eliminated forthwith. Such requirements operate as a direct obstacle to foreign direct investment and foreign exchange earnings for Belize.

POLICY RESPONSE: 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.

ON THE ROAD TO PLANNED DEVELOPMENT

Reaching Buoyancy with Tourism

The development dimension of tourism is increasingly recognized as central to economic recovery and long-term growth.⁶³ The fact that the Government of Belize has accessed \$13.3 million to support the Sustainable Tourism Program (STP) indicates a national consensus to ensure that tourism continues to remain an instrument for economic growth. The Belize Tourism Board's (BTB) Action Plan 2010-2012 has as its second priority the creation of a direct and online department to *inter alia*, create and utilize a social media platform.⁶⁴ This is a clever initiative and perhaps testament to the need for Belize to be up to speed with ICT-based tools along with the rest of the world. Obviously the use of *Facebook* and *Twitter* would better market Belize as an exotic, eco-friendly travel destination and perhaps even a haven to retire as a "silent" investor. However, this type of marketing initiative needs to be taken up a notch.

Using ICT as a platform for country branding should be expanded as a government initiative across government ministries and departments as highlighted in the country's Medium Term Development Strategy 2010-2013. More and more, governments have embraced and recognized the importance of the use of information technology in governance systems.⁶⁵ In an effort to streamline horizontal collaboration, the work of Ministry of Public Service under the *Information Communication Technology and e-Government Initiative* is essential in making the necessary policy adjustments. The Scoping Report on ICTs in Belize reveals that the building of a National ICT Centre by the Office of Governance Implementation, was an excellent development, but the major

⁶³ Mc Intyre, K. (2011). "The Big Picture Tourism and Sustainable Development", Forum Issue2, International Trade Centre.

⁶⁴ Epler Wood International (2010). Belize Tourism Board Action Plan 2010-2012, p.33.

⁶⁵ ICTs have been flagged as one of the cross cutting focus areas for Public Sector Institutional Strengthening; the others are Strategic Planning, Customer Service, Financial Resource Mobilization, and Management. See Belize Term Development Strategy, 2010-2013, p. 9 for further information.

caveat was that the programme was an initiative in isolation since none of the Chief Executive Officers across line Ministries were aware of this initiative.⁶⁶

POLICY RESPONSE: It is recommended that all government ministries and departments, through oversight by CITO, have properly functioning and regularly updated websites. Wherever feasible, these sites should be structured to encourage e-business in order to increase government efficiency by eliminating bureaucracy and unnecessary subjectivity. Using each government website as the virtual gateway to Belize is an excellent way for tourism promotion, investment promotion and product development and placement in niche markets.

Cross Fertilization in National Initiatives between Private and Public Sector

While BTB's Action Plan 2010-2012 contains necessary priorities to ensure that key deliverables in the internal processes of the organization are streamlined and supported, the country lacks a partnership-led sustainable tourism development strategy in the long-run that addresses the tourism supply chain, resource management, inclusive cultural tourism, linkages with other sectors, including handicrafts and agriculture and most importantly, a strategy for recovering from aftershocks such as economic recessions and natural disasters. The private sector remains willing to engage with the Government of Belize to ensure that tourism remains a thriving industry. Business Service Organizations such as the Belize Hotel Association (BHA) and Belize Tourism Industry Association must be commended for capacity building and technical assistance initiatives undertaken within the industry. However, more needs to be done as there is no long-term strategy for overall improvement in the delivery of services throughout the hospitality industry. Also, there is little collaboration and linkages with other sectors dependent on the industry, especially marginalized communities. Consider for example, subsistence farmers who can provide fresh produce to hoteliers and restaurateurs. Thus, when formulating a tourism policy plan at the macro-level, it should be inclusive of plans for expansion of Belize's Rural Development Program⁶⁷ (BRDP) and coupled with sustainable agricultural practices for the marginalized communities. With the formation of the Belize Coalition of Services Providers, it is hoped that that organization is able to better organize those entities in the services sector by building linkages with those in the traditional industries, perhaps through an alliance with the Belize Agro-Productive Sector (BAS) Group for this purpose.

⁶⁶ Gingell, D. (2009) National ICT Policy for the Government of Belize: Scoping Exercise p.7.

⁶⁷ The BRDP is a \$2.5 million project launched in 2008 aimed at alleviating poverty and improving the livelihood of residents in rural communities across the country. The Program includes a Rural Information Technology Project, to be implemented by the University of Belize, Stann Creek Rural Development project to be implemented by the Citrus Growers Association and the Crooked Tree Water System project to be implemented by the Social Investment Fund.

POLICY RESPONSE: Horizontal collaboration between tourism services providers and those in agricultural and cultural industries. Vertical collaboration between public and private sector to expand capacity building and technical assistance initiatives between the formal and informal business sector is a necessary ingredient.

CRUISE TOURISM AND OTHER LARGE-SCALE INVESTMENTS AS EMPLOYMENT PROVIDERS

An interview with Michael Feinstein, President of the Feinstein Group of Companies, underscores the essentiality of improving Belize's docking facilities for the survival of cruise tourism in Belize. Competition within the cruise industry has become much fiercer in recent years, with neighboring ports aggressively developing themselves as ports of call for cruise ships, coupled with the fact that Belize is at a significant competitive disadvantage due to lack of a shore side docking facility. Belize's ability to attract cruise passengers to the Fort Street Tourism Village is hampered by its need to convey cruise passengers to shore via tender. The fact that potential revenue for Belize's economy is lost in the current situation is evidenced by ship calls cancelled due to congestion and complaints from shipping lines and tour operators that the tender process cuts down on time need to optimize tour income while in port. It is also generally accepted that visits and shopping opportunities are cut down when passengers opt not to visit shore because of the tender process.

POLICY RESPONSE: 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.

Mentoring for Progress

The BCCI is of the view that more can be done by members of the private sector to ensure that the country is branded with a high standard of excellence in the delivery of goods and services. For instance, hand-holding can be done by "mentor" enterprises established in the tourism services to those that are at embryonic stages. Consider for instance a one- or two-day training conducted by experienced personnel from an already established enterprise known for its superior services in the hospitality industry for the benefit of personnel from a small bed and breakfast on-site. The cross-fertilization of hospitality skills, such as folding napkins, waiting on tables and even pouring a glass of wine can be an added bonus to MSMEs that do not have the time or financial resources to ensure their employees get that type of training. The BCCI is aware that these types of goodwill initiatives are undertaken by some enterprises on an ad hoc basis, and realizes that recognition is due to those who undertake such efforts. However, the ad hoc approach to mentoring and entrepreneurship development needs to take center stage for formalizing at the policy level, also using methods discussed in other sections of this document.

As part of a national initiative, a mentorship program can be organized in which many members of the experienced business community would be willing to assist. Collaboration with the business community can be expanded to partner those enterprises in the formal business sector with those in the informal business sector. Closer collaboration with entities such as the Belize Youth Business Trust (BYBT), and Win-Belize, will be essential in gleaning the benefits for recipients. For instance, the BCCI can easily provide training in cost-accounting procedures and best practices so as to “mentor” smaller business to promote reporting, tax compliance, and best accounting practices. However, such training comes at a cost to members and most MSMEs are too cash-strapped to formally join a BSO such as the BCCI in their startup stages. Thus, in the absence of a Small Business Association (SBA) to address start-up costs and bottlenecks, the country would need to find concrete solutions to encourage and promote a culture of entrepreneurship for MSME development. In an effort to expand the formation of SMEs in an environment in which they can become a member of the formal economy, strategies aimed at incentivizing MSMEs should be considered by the GOB alongside strategies to build synergies with state institutions such as the University of Belize. The paragraphs below illustrate how the Dominican Republic (DR) and the United States were able to fashion a policy response that works.

CASE STUDY 4: Dominican Republic

The Dominican Republic (DR) has been able to secure funding of US\$17.5million financing facility that will strengthen Banco BHD’s capital to further expand its long-term lending to the corporate sector, including small and medium enterprises (SMEs). Similar to the Atlantic Bank’s lending portfolio expansion under the *Global Trade Finance Programme* under the International Finance Corporation (IFC); and the *Trade Finance Facilitation Programme* under the Inter-American Development Bank (IDB) which allows *inter alia* for investments of Bz\$100,000 or more and also provides for the joining of one or more SMEs to access generally lower interest rates than the average commercial lending rate, there are many opportunities to be gained by the private sector in Belize. Nonetheless, the DR has gone a step further by weaving its development finance programs with central institutions such as *La Universidad INTEC* to assist with hand-holding and the necessary business support mechanisms such as project writing, supply chain management, cost accounting procedures, and other business advisory support.

Source: “Banco BHD of Dominican Republic to receive \$17.5 million in IDB funding” (posted May 5, 2011) at <http://www.iadb.org/mobile/news/detail.cfm?lang=en&id=9358>

The DR programme was fully effective in spurring a revived boost to budding entrepreneurs. Further, with the inception of the DR’s National Council of Competitiveness, the country has embarked on a high priority state policy for the development of national productivity and sustainable economic growth; the adoption and beginning of a National Plan of Competitiveness, destined to develop the competitive capacity of the country by means of the improvement of the climate of businesses; support to the associative processes between companies; the promotion and

development of MSMEs, and the implementation of policies of promotion to increase traditional and nontraditional exports and foreign direct investment.⁶⁸

Belize can do the same with political commitment to form its own Competitiveness Council. In addition, allotting at least 5% of the National Budget to direct aid programs to entrepreneurs consistently and annually can reap tremendous rewards in propelling the country towards an *innovation-driven economy*. The recommendation to have a separate institution in charge of the development of MSME's is a welcome initiative. Progress Report #1 for the implementation of an MSME Policy and Strategy for Belize underscores this need and calls for the formation of a Belize Agency for the Development of Enterprise (ADE).⁶⁹

POLICY RESPONSE: The BCCI recommends the formation of a Competitiveness Council that would address any policy that threatens or undermine competitiveness and an ADE with the aim of improving national productivity and innovation to MSMEs with high priority on the entrepreneurial class.

SEEKING INCREASE IN COMMERCE AND TRADE FOR ECONOMIC BENEFIT

The BCCI is of the view that attracting FDIs can be one of the main sources for sustainable revenue and employment generation. The recent global trend has been for LDCs to target Trans-National Corporations (TNCs) as a key source for capital formation. TNC involvement in domestic market-oriented tertiary industries is largely confined to marketing and sales and intermediaries where the scope of employment is relatively high for skilled workers and professionals and less so for unskilled workers.⁷⁰

According to United Nations Conference on Trade and Development (UNCTAD), foreign direct investment (FDI) stock in Belize has been increasing steadily for many years and by 2009 FDI inward stock had grown to the equivalent of 86.3% of GDP. Inflows accelerated between 2006 and 2008, rising from US\$109 million to US\$191 million, mainly as a result of higher gross fixed capital formation in 2008.⁷¹ However, inflows more than halved to US\$95 million in 2009 due to the economic and financial crisis and 2010 recorded only a slight increase to US\$97.5 million.⁷² The Central Bank of Belize

⁶⁸ Adams, C. (2005) "Entrepreneurial Competitiveness and SMEs: Dominican Republic" power point presentation downloaded at <http://www.iberpymeonline.org/Trinidad/ClaudioAdams.pdf> on 19 October 2011.

⁶⁹ Seepersaud, M. (2011) Progress Report #1 MSME Policy and Strategy for Belize.

⁷⁰ UNCTAD (2011). Foreign Direct Investment in LDCs: Lessons Learned from the Decade 2001-2010 and the Way Forward. P.19

⁷¹ UNCTAD., Belize Country Fact Sheet, FDI Overview.
http://www.unctad.org/sections/dite_dir/docs/wir10_fs_bz_en.pdf

⁷² Central Bank 2010 estimate.

reported the main destination of foreign investment was in petroleum exploration and production, followed by real estate, tourism, and electricity.⁷³

Belize is not a unique case for the establishment of a limited number of TNCs in which franchising currently extends to just a few well known brand names, including the Radisson and Best Western in the hospitality industry, Coca-Cola in the soft drink industry, FedEx and DHL in the postal service, and Avis, Budget, and Hertz in the auto rental business.⁷⁴ While Belizeans are generally familiar with most popular U.S. brand names, franchising remains rare since competition in the local market is targeted for more price-sensitive consumers than name recognition or perceived quality standards.⁷⁵ As such, Belize has become a dumping ground for many inferior and counterfeit products. Merchandize trade in the Corozal Free Zone has been no stranger to this occurrence. Furthermore, the limited selection of quality goods within the local market is perhaps one of the main reasons for the weekly exodus of Belizeans to Chetumal for merchandize shopping. Whereas the recent efforts by the Government of Belize to reduce import duties and GST applicable on a wide selection of imported food products must be commended, it must be accepted that Belize is not a shopper's paradise. It is arguable that the weekly Belizean exodus⁷⁶ comprises primarily of price-sensitive consumers who generally perceive that prices are cheaper in Chetumal, while other consumers are likely to shop in Chetumal simply because the products are unavailable in Belize, or when available, they are usually "knock offs" with a high prices. To contain the weekly exodus to Chetumal and realizing the need to make available the products that Belizean consumers are demanding while preserving Belizean jobs, the country would need to seek investors integrated in tertiary industries.

Concentration on high level investments as a national priority in areas such as transport, storage, and communication—a number of which are labor intensive industries, should take key priority in the country's national drive to attract investors as a means of cutting down unemployment numbers. With these necessary logistical support components in place, the country would be better poised to attract more export-oriented investors. Europe is of particular importance since the Economic Partnership Agreement (EPA) provides duty free and quota free (DFQF) status of all its exports which guarantees that European investors would be able to get a high return on their investments. The investment provisions in the EPA already provide a solid and predictable foundation to secure investments. Further, with established contacts in Europe, European investors may find the cost of doing business in terms of marketing and distribution of their products (and services) in Europe would be less cumbersome compared to other jurisdictions.⁷⁷ Recent data shows that European investors account for the largest share

⁷³ WTO (2010). Trade Policy Review, Economic Environment p. 12.

⁷⁴ US Embassy of Belize (2010). Doing Business in Belize, Country Commercial Guide for US Companies. p.9.

⁷⁵ Ibid.

⁷⁶ This issue was discussed at length between Heads of Revenue departments and the BCCI at a closed meeting dated 14th April 2011 to explore ways to promote commerce in Belize as a response to the weekly exodus to Chetumal.

⁷⁷ With the exception of other Caribbean countries including the Dominican Republic, where logistics support such as shipping, storage and port facilities are more modern and cost efficient in these local jurisdictions.

of FDI flows from developed countries to LDCs, with about 20-30% of the world total.⁷⁸ To take advantage of the opportunities presented, Belize would need to particularly seek more export-oriented FDIs from Europe who would find returns on their investment by the DFQF access to Europe.

The opportunities available to be exploited by potential investors in the area of commerce and trade may outweigh the cons. One major factor that may work in Belize's favor is our special LDC status under preferential arrangements. It is imperative that Belize take strategic advantage of the trade agreements negotiated such as the Economic Partnership Agreement (EPA) with the European Union, the Belize-Guatemala Partial Scope Agreement and the numerous bilateral investment treaties that cover the promotion and protection of investments. This would warrant a national investment strategy as an urgent and early necessity, and one which targets potential investors in other jurisdictions. Coordination with embassies and consulates abroad can play a critical factor in creating awareness and attracting potential investors. Further the Coordination among Business Support Organizations (BSOs) such as the BCCI with other Chambers and BSOs regionally and internationally is strategic in facilitating the brokering of deals and partnerships.

It must be questioned however: what is preventing a Sunglass Hut franchise from crossing borders into Belize? Why is it that the main municipalities are not equipped with a decent mall inclusive of a food court, a cinema with adequate parking? These are the amenities, in the BCCI's view, that would promote commerce in Belize and keep the Belizean dollar within our jurisdiction. A proactive solution to attracting and incentivizing this type of investment must be considered in any investment strategy. The naysayers will point that this is not promoting entrepreneurship, yet this sentiment must be balanced with consumer interests, the products demanded by both nationals and foreigners (when considering the influx of tourists on any given Cruise ship day) and also the need to create a safe environment for recreational activities.

Further, Belize would need to move from a period of protection and realize that the country will not likely become competitive in high-end manufactured products or finished goods such as sunglasses, car parts, electronics etc. With that realization, the creation of an environment for attracting franchises can be one of the main solutions in retaining our Belizean dollars within our borders and increasing employment. One possible policy instrument can be the establishment of a body that would identify and revise customs tariffs with a view to attracting investors in particular sectors. With better market access and better terms of trade, firms are incentivized to establish their operations where inputs into production can be sourced cheaply. Belize's geographical location within Central America is strategic for any firm that needs a consistent supply of inputs. Looking again at the Sunglass Hut example, it is critical to note that while enterprises may have crossed borders from the United States to Mexico under the North American Free Trade Agreement (NAFTA), a crucial factor that encourages cross-border investments is the

⁷⁸ UNCTAD (2010). *Foreign Direct Investment in LDCs: Lessons Learned from the Decade 2001-2010 and the Way Forward*. Geneva, Switzerland downloaded at http://www.unctad.org/en/docs/diaeia2011d1_en.pdf on 14 July 2011 p.20.

dismantling of customs tariffs and Other Duties and Charges (ODCs). With a fully-thought out policy instrument such as reductions in tariffs for targeted investments, the work of the BELTRAIDE would become more broad-based as the preferences will be accorded to all investors, and not those “cherry-picked” for fiscal incentives.

Hindsight should be taken as well in retaining local investors in Belize. The tremendous hardship experienced by many businesses in the conduct of doing business in Belize has been brought to the attention of the BCCI. For instance, when sourcing inputs into production, the bureaucratic red tape involved may convince a national producer of a superior product such as Marie Sharp’s Fine Foods Limited to seek alternative jurisdictions where production is cheaper, less bureaucratic and more predictable. Further, the fact that Caribbean Tobacco Company Limited has sought another jurisdiction to operate and manufacture its products is quite telling on the vulnerability of firms competing in a volatile market.

POLICY RESPONSE: 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.

THE ESSENTIALITY OF A PREDICTABLE AND CONSISTENT SUPPLY FOR EXPORT

Efficient Logistics and Consistent Support Infrastructure

As was illustrated in the previous section, Belize has had little success in diversifying from primary agriculture production. While there is some level of value-adding being done, it has had insignificant effects on GDP from a manufacturing sector perspective. While historically Belize has been known as an agrarian economy, the tide of world trade statistics and numerous trade digests suggest that there is significant currency in the production of value-added products. Belize will need to transform from an economy highly fixated on agricultural production and maximize its natural endowment by transforming its production landscape to an agro-industrial one. Primary production should be focused to generating more agro-industries in areas and sectors in which economies of scale are highly achievable.

Nevertheless, major policy and institutional gaps exist that currently hinder the country from maximizing efficiency. The BCCI recognizes that market and institutional failures will need to be addressed and is proposing the following for consideration to improve the existing framework:

- i. Rural development programs will need to go beyond poverty alleviation and food security objectives. Making agriculture products and their value addition a priority

- must take primacy in annual national budget allocations with less dependence on project-based funding by donor agencies;
- ii. Export diversification of agriculture products and by-products will be necessary for sustainable agricultural production. A fully-tailored agricultural policy that identifies products that Belize can produce consistently and predictably, value add and create niche markets for must take primacy.
 - iii. A restructured BMDC to ensure that farmers are guaranteed the necessary institutional structures such as storage and processing facilities at competitive rates is essential;
 - iv. Undertaking a systemized structure for education in agronomy and agri-business at the secondary and tertiary levels, as well as extending technical assistance to farmers by sectors in the areas of sustainable agricultural practices, green technology, soil preparation and conservation, agro-ecology and organic farming etc. should be a major canon in Belize's national production development policy;

We next discuss the necessary challenges that need to be overcome.

Farming for the Future

The constraints that currently exist in Belize regarding agriculture production are numerous⁷⁹:

- Small Scattered Farm Units
- Lack of Risk Management
- Quality
- Consistency of Supply
- Access to Inputs
- Support Services
- Production/Planning Information Services
- Availability of Farm Labour
- Improved Technology including Improved varieties
- Access to Water
- Access to Land and Proper Land Use
- Post Harvest Losses
- Management of Resources
- Good Agricultural Practices
- Land Tenure

Access to credit and financing costs are huge obstacles to the sector as well. The lack of a policy for agricultural financing was raised at the Economic Forum, November 2011. Farmers in Belize lack venture capital since there appears to be an inherent bias against the farming community by commercial banks. Where funds are available through grant projects, the resources are short-lived and there is hardly any re-guaranteed funding. Further, there is no mechanism for sharing securities between financial intermediaries. It will be essential to improve support for agricultural community and expand private sector

⁷⁹ Regional Fruit and Vegetable One-Day Meeting Minutes dated 17th March, 2008, Jamaica.

involvement in agro-processing and horticulture. Major adjustments would need to be undertaken starting at the political level beyond short-sighted five-year terms, and rather a more long-run focus for growth for the sector. Also shifts will need to be undertaken by private financial intermediaries towards a more market-oriented approach that would cater for growth within Belize's agricultural sector. Such a goal will warrant a constant targeting and reassessment of the needs of farmers, coupled with the goal of developing Belize's human capital for managing the system. "Development ratios" should be considered for the banking system so that banks are obliged (by carrot and stick) to maintain a diversified loan portfolio which includes productive sector loans. This will incentivize banks not only to lend to the productive sector but to share productive sector loans across banks. Currently, banks really are incentivized to only make consumer and residential loans and de-incentivized to lend to the productive sector.

Farmers will need to be cognizant of their importance in contributing to the value chain for the overall sustainability of the country. The gradual conditioning is warranted through more institutional support programs so as to make farming in Belize, not just a source for food security, but a means for the overall sustainability of the economy. Farmers will need to realize that they are important variables in the value chain. A business-like approach in this field would require farming to be taken to an enhanced level by allowing support systems such as a Small Farmers Bank to better buttress farmers and prepare them to take risks, and educate them about future planning to re-invest with gains from trade. The announcement by the Prime Minister⁸⁰ to examine ways for financial assistance to the agricultural industry is a good move by the GOB and the BCCI welcomes discussion on proposals to address this institutional issue.

Fully-Tailored National Agricultural Policy

The Ministry of Agriculture (MOA) will need to identify fruit and vegetable commodities of economic importance within the country on a supply and demand basis. A fully defined National Agricultural Policy would need to specify zones in the country for the production of specific commodities identified. Farmers will need to adopt strategies and realize that they cannot supply the entire food basket singularly. Further, the MOA must employ strategies and mobilize efforts to promote the marketing and development of these commodities.

Restructure the BMDC

While it appears that the private sector will need to come out of a general period of malaise and uneasiness, other institutional factors directly inhibit and serve as deterrents to the agricultural sector. Provided that there is a national commitment to add to the country's export basket through value adding in the agricultural sector, the restructuring

⁸⁰ Discussion at the Prime Minister's Economic Forum, October 2011. It was proposed that the Development Finance Corporation can be made a National Bank to un-lend in sectors such as agriculture.

of the Belize Marketing and Development Corporation (BMDC) is of key importance. Since its inception in 1949, the BMDC has been empowered to *inter alia*:⁸¹

- (a) buy the products of Belize and resell the same;
- (b) operate mills and similar plants for preparing and for processing any product of Belize, ...assist producers, and in particular co-operative societies, in the cultivation, production, preparation, manufacture and marketing of products of Belize;
- (c) trade and deal in feed for livestock, seeds,
- (d) establish depots and agencies for the purchase, sale and delivery of products

However, despite BMDC's heavy mandate, major bottlenecks exist that serve to limit the sector's ability for growth--none of which, the BMDC has been effectively able to address:

- Ground Transportation
- Storage
- Distribution
- Packaging and Branding
- Grades and Standards
- Market Access and Market Information
- Pricing Strategy
- Trade Financing/business facilitation

On the contrary, the work of the BMDC has been mostly geared towards creating distortions in the market since most of its activities are concentrated on the importation of commodities such as fruits, vegetables and staples. Moreover, it would appear that the BMDC is more of a distribution centre rather than a marketing and development organization for agricultural commodities. Minister Montero in his opening address for the inauguration of the Santa Elena branch cites, "*We will ensure the distribution of rice, beans, sugar, onions, powder milk, potato and garlic.*"⁸² Over the years, the country has lost focus on what should be one of the central pillars to take agricultural production and agro-industry to another level. While the main focus of the BMDC has been distribution, it is essential that attempts to revamp the operation of the Board should concentrate on assistance to co-operative societies in sustainable production, agro-processing and marketing of agricultural products and by-products with provision for adequate storage facilities.

Instead of fulfilling its mandate of promoting agricultural marketing systems, the BMDC is littered with allegations of illegal importation, and has been branded as an institution that distorts rather than encourages trade.⁸³ The need to restructure the existing institution is urgent and imperative. The GOB's appointment of new members on the Board of the

⁸¹ Marketing Board Act, Chapter 281 of the Laws of Belize, Section 4, and p.5.

⁸² "Re-Opening Ceremony for the Belize Development Marketing Corporation" downloaded on 20th January 2012 at <http://news.caribseek.com/set-up/exec/view.cgi?archive=156&num=68056>

⁸³ See "More Finger Pointing at BMDC" downloaded on 20th January 2012 at <http://www.ctv3belizenews.com/featured-news/1079-more-finger-pointing-at-bmdc.html>, "The Rice Crisis: The View from the Ground" downloaded on 20th January 2012 at <http://7newsbelize.com/sstory.php?nid=21172>

BMDC is not a long-term solution to existing problems. On the contrary, the GOB should consider ways in which it can attract players with interests in sourcing markets for products Belize possesses economies of scale in producing. Linking good agricultural practices through a national sustainable agricultural policy will ensure that the BMDC has a consistent supply of products so that value-adding can occur. However, investors in agro-industry will not likely invest in Belize if the policy framework does not cater for long-term solutions to encourage agricultural production, agro-processing and eventually the transition to manufactured products.

The adoption of Agricultural Marketing Systems (AMS) is an eventual by-product of development in agriculture but is highly determinant on the pace of the sector's performance. An agricultural policy inclusive of strategies for market orientation will need to be explored by policy makers, especially with regards to taking advantage of CSME opportunities. An approach to Agricultural Market Development (AMD) will need to take into account commitment at the national level through close collaboration between MOA and the BMDC, and the collation and use of up-to-date statistics on the sector provided by the private sector. A regional attempt at AMD was done with the creation of the Caribbean Agricultural Trading Company (CATCO) with the main objective of moving produce around the region and extra-regionally.⁸⁴ However, this was short-lived due to numerous inadequacies at the regional level, principally the lack of standardization of measures and product grades for commodities. Nonetheless, it must be underscored, that if Belize is to think beyond food security and label agriculture as one of its priority sectors for growth, the marketing and distribution of commodities, provided that they are consistently and predictably supplied, will need to take a regional approach.

POLICY RESPONSE: Restructure the BMDC so that its objectives outlined in the BMDC Act directly cater to improvements in the agricultural and agro-industry sectors. The GOB should consider funding mechanisms through the assistance of international financial intermediaries such as the Inter-American Investment Corporation for possible funding projects to revamp the existing institution. A long-term agricultural framework will need to take a regional approach to AMD so that the sector can reach its full-potential.

RESTORED PORT FACILITIES

Belize possesses enormous potential to take advantage of its geographic proximity to North and Central America, as well as the Caribbean. However, major infrastructure-related constraints prevent the country from realizing its potential. Arthur cites institutional weakness at Belize's main port and the need for its modernization as one of the critical areas for improvement in long standing deficiencies in infrastructure-related services.⁸⁵ In effect major encumbrances such as time delays in loading and unloading, paperwork and red tape greatly impair the competitiveness of countries such as Belize and adversely affect its ability to become competitive.

⁸⁴ Parham, W. "Agricultural Market Development" p. 2 (unpublished Policy Paper)

⁸⁵ Arthur, O. (2010) "Revised Individual Country Analytical Report of CISP/CSME/Result/.9.1.1/Ser 99.10 Consultancy to Support the Full Integration of Belize and the OECS in CARICOM."

Belize will need to do the same especially as regards its port facilities. As witnessed by countries such as Malaysia, restoring a fully functional port is essential in logistics and marketing and a major highway to technological improvement and development.

CASE STUDY 5: Malaysia

Malaysia has become a force in the south Asian market by attracting major automotive companies such as VW and Mercedes to build assembly plants. Other foreign investment has been forthcoming from electronics, solar-related and oil and gas industries. This has pushed the logistics market to grow at an estimated 12.5 percent for next five years.

See: <http://logistics.about.com/od/trendsandissues/a/Emerging-Economies-For-2011.htm>

"Emerging Economies for 2011" Martin Murray downloaded 29 December 2011.

Compounding the problem with regards to logistics, Belize has been rated as one of the most expensive economies in trading across borders in the CARICOM region. **Table 6** captures the time delays for document preparation at 9 days, customs clearance is 4 days while port and terminal handling is 5 days, inland transportation and handling is 3 days which brings the cycle of export procedures to a regional high of 21 days averaging a total cost of US\$1810. Further, import procedures costs are similarly high with a total cost of US\$2125.⁸⁶

Table 6: Trading Across Borders in Belize, 2007

Nature of Export Procedures	Duration (days)	US\$(Cost)
Documents Preparation	9	610
Customs Clearance and Technical Control	4	350
Ports and Terminal Handling	5	450
Inland Transportation and Handling	3	400
Totals	21	1810
Nature of Import Procedures	Duration (days)	US\$(Cost)
Documents Preparation	10	720
Customs Clearance and Technical Control	4	350
Ports and Terminal handling	4	675
Inland Transportation and handling	3	400
Totals:	21	2145

Source: CARICOM Secretariat, 2009

⁸⁶ CARICOM Secretariat (2009). Free Circulation of Goods-Fiscal Aspects: Support for the Implementation of the CSME: Completing the Regime for Trade in Goods, P.54.

Belize would need to critically examine how it can improve its logistics infrastructure, as the cost of importing and exporting in Belize is steep, and reflecting a huge cost on business and consumer products. Secondly, although much rhetoric has been said about Belize being geographically positioned to become the bridge to Central American and the Caribbean, its infrastructural deficiencies are numerous in the areas of logistics, shipping, handling and storage infrastructure, including ground transportation. Intervention must occur from the policy level.

While Belize has been latent in adopting new productive development policies similar to our Central American neighbors, their [Central America's] defining feature can be encapsulated in the key idea that *the new industrial policies are aimed at improving the competitiveness of domestic producers in the new, more integrated world economy*. Instead of being designed to circumvent market outcomes, they seek to redress market failures through the provision of public goods and government intervention to stimulate the supply of goods with positive externalities.⁸⁷ The Case of Argentina illustrates a defining example.

CASE STUDY 6: Argentina

Argentina has been resourceful likewise in securing a US\$24 million loan approval in 2010 by its Terminal Zárate S.A. which is a privately owned port complex that handles containers general cargo, and vehicles, and provides related services for foreign trade. The loan, under the auspices of Inter-American Investment Corporation, will finance expansion of Argentina's pier and container yard and improvements in parking lots.

Source: IIC, 2010 Annual Report

Analogous to Argentina, Belize can opt to take on partnerships and mutual cooperation initiatives between the public and private sector. Although Argentina's port is privately owned, its Ministry of Economy saw the advantages of having a fully-functional and efficiently run port. Belize's Ministry of Finance sits on the Inter-American Investment Corporation (IIC) and could likewise be visionary in seeking ways to address the great handicaps at the Port of Belize Ltd. (PBL) and lobby for Belize to attract similar external funding to improve on its services. Again, this would mean a high level of political will that will seriously undertake policy adjustments to improve Belize's port facilities with the intention that the country can become one of the main hubs for commerce and trade in Central America.

Similar to Argentina, other Central American countries in the region have spurred investments to increase efficiency of their port terminals, cargo handling and logistics. The US\$183 million port in La Unión, which plans for container handling, with capacity to handle up to 850,000 TEUs in its first phase and up to 1.7mn TEUs following a second

⁸⁷ Melo, A & Clare (2006). "Productive Development Policies and Supporting Institutions in Latin America and the Caribbean," IDB p. 12.

and third phase of development, will soon to become a reality this year in El Salvador.⁸⁸ The modernization of port facilities in the region continues to emerge with positive signals from the Costa Rica for its Limón Port and Moin Port. Honduran Port Authority is also working on a US\$225 million shipping terminal expansion project in which current government has approved a huge investment to modernize the infrastructure of the bulk cargo pier in Port Cortés.⁸⁹ In Panama, The U.S. firm SSA Marine, through its subsidiary Manzanillo International Terminal, has announced plans to invest more than \$200 million in Colón over the next few years in order to expand the range of port services offered to the shipping line companies.⁹⁰ Panama Ports Company will undertake major upgrades since it will soon be in receipt of 7 RTG hybrid gantry cranes, which have a capacity of 41 tons, being able to stack up to 6 containers.⁹¹ In addition to these cranes, the company will receive more equipment during 2012 for the operation of its ports in Balboa and Cristobal, including 13 electric gantry cranes for the Port of Balboa, with similar capabilities. **Figure 6** illustrates major port modernization in Central America.

Figure 6: Map of Central America with Port Modernization



⁸⁸“CEPA to Finalize La Union Port Concession by July 2012” downloaded on 15 February 2012 at <http://www.bnamerica.com/news/infrastructure/cepa-to-finalize-la-union-port-concession-by-july-2012>

⁸⁹ “Modernization of Puerto Cortes will Lower Costs” downloaded on 15 December 2011 at http://www.centralamericadata.com/en/article/home/Modernization_of_Puerto_Cortes_will_Lower_Costs

⁹⁰ “Manzanillo International Terminal Expansion” downloaded on 12 January 2012 at http://www.centralamericadata.com/en/article/home/Manzanillo_International_Terminal_Expansion

⁹¹ “More Investment in Panama Ports” downloaded on 15 February 2012 at http://www.centralamericadata.com/en/search?q1=content_en_le:%22port+infrastructure%22

With the announcement of receivership of the PBL, an essential artery in commerce and trade in Belize, it is hoped that the transportation, storage and shipping services are improved. Of critical importance is the fact that Central America is looking increasingly viable for transshipment and logistics services, hence, Belize will need to critically make moves to revamp its existing infrastructure.⁹² Any policy response will need to consider that the country has evolved over the years due to expansion on commerce and trade and Belize City, which was once the major centre, may unlikely to be the main centre for porting facilities noting its infrastructural deficiencies and the fact that other budding industries such as Petroleum have necessitated the development of other ports such as the Big Creek Port. At the same token, while Commerce Bight remains a viable option to be a secondary port primarily due to its deep water capacity, critical analysis needs to be undertaken to carve the way forward for port logistics in Belize. Perhaps three fully functional ports can exist. The BCCI has suggested the possibility of contracting a port study that will inform the way forward for the country to both the Multilateral Investment Fund (MIF) and the GOB. We remain willing to lend assistance in any way feasible to remedy the problems and assuage Belize's logistics nightmare.

POLICY RESPONSE: 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.

⁹² Captain John Watson has written extensively on upgrading the port infrastructure in Belize. See excerpt of "Belize Maritime and Road Transport 2015 and Beyond" (unpublished) in [Annex IV](#).

PART III: THE WAY FORWARD

With the Government of Belize's commitment in recognizing the importance of creating an enabling environment for investors' business operations, the BCCI is hopeful that the Government of Belize is more conscious of the symbiotic relationship that needs to exist between private sector and policy makers and implementers. Syncing relationships through vertical and horizontal collaboration is a common denominator necessary for economic growth and productivity. Further, to propel trade and investments, the country will need to focus now than ever before on inward-investment hurdles and trade-related bottlenecks that stem from both institutional and infrastructural handicaps and to make a commitment to investment in these areas.⁹³ The BCCI recommends that a good start can be an assessment of the EPZ and fiscal incentive programme implemented by the BELTRAIDE.⁹⁴ The analysis should identify and evaluate, since the inception of the programme in 1990s, the extent to which the country has benefitted from the scheme in improving GDP, and employment creation. This would provide the degree to which the Fiscal Incentive Regime has assisted in economic growth, and identify the potential gaps so as to make the regime more successful.

Recall that the data above illustrate that GDP growth in terms of innovation and export diversification is minute. Figures on employment are at record highs as the results of the 2010 National Housing and Population Census show-- 23.1% unemployment rate or 30,000 persons unemployed, 3% higher than in 2000. Higher than average incidences of unemployment were found in the Cayo and Corozal districts with 26.2% and 24.5% respectively.⁹⁵ Therefore, creating employment in these areas will be of priority importance. Whether it is through data parks or other investments, the country will need to strategize along these lines and rely on the statistical data on hand and plan national development policies accordingly.

To address endemic social ills such as poverty, crime and unemployment, most LDCs have been making efforts to improve the investment environment over the years, through, for instance, reducing taxes, establishing an investment promotion agency (IPA) to better assist foreign investors and abolishing FDI-related restrictions.⁹⁶ As previously discussed, Belize needs increased levels of employment, as well as a renewed impetus to produce exportable products and services leading to positive effects on GDP. In

⁹³ Martin, D. & Manzano, O. (2010). Towards a Sustainable and Efficient State: The Development Agenda of Belize. IDB p.75.

⁹⁴ This has to be assessed considering that Belize has until 2013 and no later than 2015 to revamp the current regime on the application of CFZ/EPZ and Fiscal Incentive Programme. CFZs will need to have unrestricted sales of products from the zone into national market, and the unrestricted sale of products from EPZs should be allowed through a waiver issued by Ministry of Finance. The export contingency element of Fiscal Incentives should be removed also to make the regime compatible with the WTO Agreement on Subsidies and Countervailing Duties. Source: Action Plan in Accordance with WTO Decision, Directorate for Foreign Trade.

⁹⁵ Statistical Institute of Belize (2010) Main Results of the Housing and Population Census, power point presentation. p.13.

⁹⁶ UNCTAD (2011). Foreign Direct Investment in LDCs: Lessons Learned from the Decade 2001-2010 and the Way Forward. p.14.

looking at measures to ensure that overseas representation is used optimally to ensure Belize attracts credible investors, Belize will need to optimize on expenditures to operate our overseas missions. The approved cost of operating our overseas missions for FY 2011/12 is \$13.5 million.⁹⁷ While no thorough assessment has been made to analyze how the country can defray the cost by actively seeking and attracting high levels of investment flows to the country in return, the BCCI considers this of great importance. Other countries such as the Honduras have been astute in posting investment officers strategically and geographically at their foreign missions abroad in an attempt to attract investors in particular industries and sectors.

CASE STUDY 7: Honduras

Honduras has banked on a fundamental milestone in hosting a National Programme for Investment Promotion. *Honduras is Open for Business*, the largest investment forum yet hosted in Latin America, aimed at re-launching Honduras as the most attractive investment destination in Latin America. Its leaders have identified and developed a portfolio of investment opportunities comprising more than a hundred (100) specific projects designed with incentives in key sectors such as agriculture, tourism, energy, and infrastructure. Further, their embassies and missions from around the world have been deployed to encourage and attract investors to Honduras where investors can benefit from the ease of establishing their businesses, treated without discrimination with no taxes applicable on profits as a major incentive. The strategy employed was well thought out by plotting specific areas (e.g. areas where the incidences of unemployment was prominent demographically) for development by attracting investors and incentivizing them by providing the free land in exchange for industrial development. The Government of Honduras produced a portfolio of over 122 projects specifically targeted to attract investors in varying sectors ranging from infrastructural development to rural development programs in the agriculture industry.

Source: Embassy of Honduras in Belize.

Looking at lessons learnt from Honduras, Belize can similarly adopt strategies to stimulate investments. With revitalized BELTRAIDE's and a newly constituted Board of Directors (BOD), Belize should be in a better position to attract investors in specific sectors. Policy decisions to establish Missions abroad should be targeted to foreign jurisdictions where large numbers of potential investors are more likely to be found. This is one issue that Belize's Competitiveness Council can consider in ensuring that the country gains optimum benefits from its state investments.

In summary, the BCCI has consistently advocated for the need to facilitate, foster, and maintain sustained growth in productivity and we consider inward investments as one of the main solutions. Through increased investment, the private sector will continue to be the engine for growth, create opportunities for gainful employment, and continue to strive and achieve optimal utilization of resources, with a properly laid infrastructural foundation for development. As the country continues to strive for efficiency, the BCCI is of the view that we can be better poised with more fiscal space and better domestic balance sheets. The work was initiated a long time ago, but much more needs to be done. The BCCI, as the

⁹⁷ "Belize Draft Estimates of Revenue and Expenditure for FY 2011/12" Government of Belize. p.197

main representative of the private sector, looks forward to working with the GOB to continue the process that leads us to a happy ending of minimal unemployment and maximized economic growth.

The need to address Belize's national debt overhang is eminent. The BCCI foresees that with more investments, greater capital formation and increased employment can be permanent features of Belize as a growing economy. The Belize Medium Term Development Strategy 2010-2013 has identified the need for support to micro-enterprises whilst ensuring the continued development of traditional industries.⁹⁸ Although the need to strengthen Micro, Small and Medium Enterprises (MSMEs) is an imperative, the facts illustrated above reflect that country needs to re-strategize by also planning to attract large investors ready with adequate capital to establish enterprises, transfer knowledge and skills and especially to participate in joint ventures with local firms. The larger investors and TNCs generally possess the wherewithal to expend capital on new ventures and are insured against risks related to market volatility. They also equipped with the knowledge, skills, technology, as well as confidence to replicate their successes in other countries. Both players will obtain benefits: the investor by making investment earnings and the GOB by having more employment and revenue generation to stimulate GDP growth.

⁹⁸ GOB (2010) Belize Medium Term Development Strategy 2010-2013 Building Resilience against Social, Economic and Physical Vulnerabilities. p.28.

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Ms. Golda Tillett, QRP Manager, BTB

Mr. Hugo Moguel, President, Belize Real Estate Brokers

Ms. Iran Tillett-Dominguez, Legal Counsel and Focal Point for Belize under the UN Convention Against Corruption

Ms. Scarleth Ayón Neda, Minister Counselor, Embassy of Honduras to Belize

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ANNEX I

Lan Sluder has identified ways to enhance Belize's QRP Program based on interviews with dozens of expats that should serve to inform policy makers to improve the system.⁹⁹

- Revise the income qualification to include all sources of income, not just pensions, social security annuities and similar income;
- Give QRP participants residency status similar to permanent residents;
- Allow QRP participants to pay only the 5% Belize citizen stamp tax rate on property purchases, rather than the 10% rate they now pay;
- National treatment for QRP participants to pay departure tax fees similar to Belizean nationals;
- Allow QRP participants to operate a small business if the business employs a minimum number of Belizeans;
- Consider a tiered income qualification program perhaps starting at US\$1000 to \$2000 or \$2500 a month depending on the total investment made in the country by the QRP participant. For example, if a QRP participant invests \$100,000 or more in real estate or another investment, the participant may qualify for the lowest tier of monthly deposit;
- Allow QRP participants to enjoy the “Belizean rate” at Maya sites, national parks, and where applicable, at hotels that offer Belizean rates during the off-season;
- Begin a government public campaign explaining the benefits to Belizeans of QRPs in Belize;
- Consider tax incentives for developers, builders, and entrepreneurs who create medical, real estate, recreation and other projects to expat retirees.

⁹⁹ Sluder, Lan (2005). “Why Isn’t the Qualified Retired Persons Program Achieving its Full Potential?” at <http://www.belizefirst.com/qualifiedretiredpersons.htm> downloaded on 26 October 2011.

ANNEX II

The five priority sectors identified by Belize's National Export Strategy 2007-2013 were:

1. Agro-processing value added – which gives consideration to the key Commodity Protocol products: sugar and bananas, plus citrus;
2. Aqua-culture and fisheries – which gives consideration to the historical important role of fisheries and the promising export potential of farmed fisheries;
3. Environment Goods and Services – which attempts to sustainably position Belize natural resource endowments for development of particular niche products and services (i.e. furniture manufacturing; medicinal wines and herbs, rainforests botanicals, watershed management services, etc.);
4. Information and Communication Technologies – which proposes to take advantages of Belize's comparative advantages vis-à-vis Latin America and South East Asia (i.e. English speaking and geographical proximity to US market);
5. Tourism – which is the most developed activity in services sector and will probably continue to be in the short term for all ACP CC, but which poses the issue of diversification and alternatives opportunities in other services sector for the long term.

ANNEX III

Proposal by Labour Advisory Board in the Labour (Amendment) Act, Chapter 297: New Section 131B

Right to request leave to undertake education or training

- (1) Every worker with at least 12 month's continuous service is entitled to make one request to their employer in every 12 month period for time off work for the purpose of undertaking a course of education or training, which request must be properly considered by the employer in accordance with this section, subject to the following conditions-
 - (a) Only an employer which employs more than 30 employees is required to consider a request in accordance with this section;
 - (b) Continuous service is determined in accordance with section 184 for the purposes of this section; and
 - (c) The course of education or training to which the request relates must be directed towards improving the employee's effectiveness in the business.
- (2) In respect of a request by an employee made under subsection (1)-
 - (a) The request must be submitted to the employer in writing;
 - (b) The employer must meet with the employee to discuss the request within 14 days of receiving the employee's request;
 - (c) The employer must notify the employee in writing of their decision within 14 days of meeting with the employee;
 - (d) The employee has a right of appeal to a person of within 14 days of receiving notification of the decision.
- (3) An employer may only reasonably refuse a request made under subsection (1) where one or more of the following grounds justify the refusal-
 - (a) That the burden of additional costs of covering the staff member's absence during the period is unreasonable;
 - (b) That existing staff cannot be reorganized to cover the employee's absence;
 - (c) That there would be a detrimental impact on the employer's ability to meet customer demand or on the establishment's quality or performance; or
 - (d) It is unlikely that the proposed study or training will improve the employee's effectiveness in the business or its performance.
- (4) There is no obligation on an employer to pay the course fees or any related costs associated with a proposed course of education or training to which the employer has agreed or to pay the employee's remuneration during any time off work to undertake the said course.
- (5) An employee may file a complaint with the Labour Commissioner under section 4(2)(d) concerning employer's alleged action of:
 - (a) Failure to properly consider a request in accordance with the procedure set out in subsection (2); or

- (b) Refusal of such request where none of the grounds set out in subsection (3) reasonably justify such refusal.
- (6) If the Labour Complaints Tribunal upholds a complaint under section 4(2)(d) it may-
 - (a) Order the employer to reconsider the section 131A application;
 - (b) Award compensation to be paid by the employer to the employee of an amount which is just and equitable in the circumstances, provided that the amount of compensation awarded shall not exceed the permitted maximum which is the number of weeks' pay as specified by the Minister in regulations.
- (7) The Minister may make regulations regarding-
 - (a) The procedure to be followed by employees in making requests under this section;
 - (b) The procedure to be followed by employers in considering requests under this section;
 - (c) The permitted maximum amount of compensation which may be awarded by the Labour Complaints Tribunal in respect of complaints under section 4(2) (d) which are upheld.

ANNEX IV

Extracted from "Belize Maritime and Road Transport 2015 and Beyond." By Capt. John Watson

...Where is the ideal location for a new port [in Belize]? The latter question promotes certain conclusions:-

- Belize City Port because of its draft and navigation restrictions *cannot* be the chosen Location
- The new port must be capable of accepting vessels of a draft up to 12 meters and should become known as the country's deep water port.
- Safety of navigation including the use of modern technology must be provided in the approach channels.
- Approach channels must require minimum dredging maintenance to provide a maximum financial return per vessel visit.
- The new port should have adequate berthing space to accommodate container ships, general cargo ships and oil tankers, including product tankers (molasses etc.).
- It must have an adequate number of container cranes and support equipment.
- It must have a mobile crane capacity of up to 50 tonnes.
- It must have adequate grabbing facilities to handle bulk cargoes.
- The design of the quay must be adequate to accept the greatest single loads envisaged to be imported or exported.
- A roll-on roll-off heavy duty facility must be included.
- In order to make such the port project a viable entity it must include a cruise terminal with berthing facilities capable of accommodating one cruise liner with safe anchorages within one nautical mile of the Terminal to accommodate more than one other cruise liner.
- Enough land must be made available to securely accommodate adequate container storage space, adequate modern warehouse space, oil storage tanks, offices and other facilities as deemed necessary during the latter stages of the planning process.
- The new port should be operated and managed by a competent, experienced international port operator.
- The port must be linked to an efficient country-wide and international road structure.

The foregoing conclusions are not exhaustive but require a fundamental and drastic change in political and public approach. Belize City and its port have grown up together, now is the time to realize that Belize City can remain the commercial and banking city of Belize.... If Belize fails to take the opportunity to expand its commercial frontiers beyond its present borders then its economy will suffer increasingly in the future.